



**Australian Government**

## **National Rental Affordability Scheme**

### **Questions & answers: The benefits of investing in NRAS**

#### **Why invest in an NRAS property?**

The National Rental Affordability Scheme (NRAS) is a private investment scheme targeted at large-scale investors seeking improved returns on their direct property investment.

NRAS provides a substantial annual tax-free financial incentive per dwelling to investors who build and rent approved dwellings at 20 per cent or more below current market rates, to low and moderate income households.

Approved NRAS investors will be eligible for tax-free incentives not available to conventional, individual residential property investors, with each approved dwelling attracting an annual National Rental Incentive for 10 years.

#### **What is the annual National Rental Incentive?**

The annual National Rental Incentive is income tax-free, indexed annually to the rental component of the Consumer Price Index (CPI) and is complemented by existing taxation arrangements including depreciation. The Incentive currently comprises:

- an Australian Government contribution of \$6,855 per dwelling per year as a refundable tax offset payment (not-for-profit organisations endorsed as charities by the Australian Taxation Office can choose to receive the contribution as a refundable tax offset or a direct payment); and
- a State or Territory Government contribution of \$2,285 per dwelling per year in direct or in-kind financial support.

#### **What are the commercial benefits of investing in an NRAS property?**

NRAS creates a new residential property asset class for property investors and presents a new investment opportunity in the Australian market. It is intended as a commercial, profitable investment for participants while also increasing the supply of affordable housing in Australia.

The residential rental market represents a good long-term investment with the opportunity for significant capital gains. Investors in the Scheme can expect to benefit from the annual tax-free NRAS Incentive for 10 years, rental yields and capital gain.


#### **How do returns on an NRAS investment dwelling compare with a conventional residential investment property?**

Under NRAS, investors receive a tax free incentive of \$9,140 per annum (indexed annually) for 10 years for each approved dwelling rented at a 20 per cent reduction on market rent.

Compared with a conventional residential investment property, in certain markets, the addition of the tax-free Incentive can provide a better cash return to investors than charging market rent. In addition, investors could apply property expenses and non-cash deductions and allowances against a lower (80 per cent of market) assessable rental income which could increase the negative gearing benefit.

#### **Can small-scale or private investors participate in the Scheme?**

As NRAS aims to encourage large-scale investment in affordable housing, it is not directly available to small-scale, private, individual investors in the rental property market. These



investors could become involved by investing in entities that participate directly in the Scheme, for example, through a superannuation fund or property trust.

The Government is committed to ensuring that the full value of the NRAS Incentive is passed to all investors.

Arrangements between dwelling owners and approved participants are a matter for those parties and cannot be facilitated or prescribed by the Australian Government. Investors should undertake their own investigations and seek independent investment advice to ensure they are satisfied that investing in NRAS is the right investment for their individual circumstances.

### **What are the characteristics of an NRAS dwelling?**

The design and quality of NRAS dwellings compare favourably with any other private market non-NRAS dwelling. Typically, they are indistinguishable from other 'middle-market' dwellings. Rigorous selection criteria are applied to the location, design and amenity of NRAS dwellings to ensure quality properties are built to the highest standards and comply with State, Territory and Local Government planning and building codes and requirements.

### **Who can rent an NRAS dwelling?**

NRAS aims to provide affordable rental housing for the nation's critical infrastructure workforce, such as teachers, nurses, police officers and paramedics, as well as other low to moderate income earners.

### **What are the income levels for NRAS tenants?**

Income levels for eligible NRAS tenants are generous and accommodate a range of low to moderate income earners. The income limit for a single adult is \$42,718 per annum, increasing to \$101,561 per annum for a couple with three children. NRAS also allows for tenant salary increases of 25 per cent above the income limits.

For example a couple with three children, who earn a gross income of \$101,561 per year would be eligible to rent an NRAS dwelling. With the income increase allowance of 25 per cent, this family could earn up to \$126,952 for two years before they become ineligible for the discounted rent.

### **Can I sell my NRAS property or remove it from the Scheme and rent it at market rates?**

Investors no longer wanting to participate in the Scheme can sell their dwelling or cease their participation prior to completion of the 10 year NRAS term without incurring any early exit penalties:

- a dwelling can be sold to another investor who undertakes to comply with NRAS obligations; or
- an equivalent dwelling can be offered as a substitute dwelling for the remaining part of the 10-year period.

At the end of the 10 year NRAS period, properties revert to full control and ownership of the investor.

### **Where can I get more information about the potential financial benefits of investing in NRAS?**

The Australian Government has developed a free financial modelling tool for interested investors. You can view the Financial Modelling Tool by visiting [www.fahcsia.gov.au/sa/housing/pubs/homelessness/pages/nras\\_financial\\_modelling\\_tool\\_user\\_manual.aspx](http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/pages/nras_financial_modelling_tool_user_manual.aspx)

**For further information on NRAS please contact 1800 334 505, email [nras@fahcsia.gov.au](mailto:nras@fahcsia.gov.au) or visit [www.fahcsia.gov.au](http://www.fahcsia.gov.au) and select the NRAS link.**