



## Policy costing

Affordable housing										
Party:	Australian Labor Party									
Summary of proposal:										
<p>The proposal is to introduce a scheme to encourage large-scale institutional investment in affordable rental housing through the provision of annual financial incentives to investors if the investors comply with certain conditions. The conditions include that:</p> <ul style="list-style-type: none"><li>• the rent charged is at least 20 per cent below the market rent for the location of the dwelling</li><li>• the tenant meets an income test.</li></ul> <p>The operation and eligibility conditions of this scheme would be similar to those for the current National Rental Affordability Scheme which started on 1 July 2008 and offered annual incentives for a period of 10 years, but which is no longer taking new investments.</p> <p>Under the proposal, the maximum number of eligible dwellings would be progressively increased over 10 years to reach a cumulative total of 250,000 according to the following profile:</p>										
	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29
Additional eligible dwellings	3,000	5,000	12,000	13,000	20,000	27,000	34,000	41,000	45,000	50,000
<p>Annual incentives would be paid for each dwelling for 15 years.</p> <p>The initial value of the incentive would be set at \$8,500 per dwelling and would then be indexed each year in line with movements in the rental component of the consumer price index (CPI).</p> <p>Incentives will take one of the following forms.</p> <ul style="list-style-type: none"><li>• For institutional investors liable to pay tax, the incentive would be in the form of an annual refundable tax offset administered by the Australian Taxation Office (ATO).</li><li>• For institutional investors not liable to pay tax, such as not-for-profit organisations, the incentive would be an annual non-taxable grant payment. This payment would be administered by the Department of Social Services (DSS), which would also have overall responsibility for the scheme.</li></ul> <p>Priority access to new properties will be given to residents of existing National Rental Affordability Scheme properties which are no longer eligible for incentive payments.</p> <p>The scheme was announced in December 2018 and would commence on 1 July 2019.</p>										

## Costing overview

This proposal would be expected to decrease the fiscal balance by \$580 million and decrease the underlying cash balance by \$280 million over the 2019-20 Budget forward estimates period. These impacts entirely reflect an increase in expenses.

This proposal would be expected to have a financial impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications over the period to 2029-30 is provided at [Attachment A](#).

Under the proposal, the incentive payment for each dwelling would be paid for 15 years, meaning the last incentive payments would occur in 2043-44. The proposal would have an estimated total cost to 2043-44 of \$44,508 million on both a fiscal balance and underlying cash balance basis.

Departmental expenses would be expected to increase by \$7 million over the 2019-20 Budget forward estimates period and reflect the estimated cost for DSS to implement and administer the scheme. Departmental expenses for the ATO would not be expected to be significant, based on the cost of administering similar tax offset payments.

There is a difference between the fiscal balance and underlying cash balance impacts of this proposal because it is assumed that grant payments and tax offset claims would be paid in the financial year following the financial year in which the expense is recognised.

The estimates for the proposal are sensitive to the assumption that the maximum available dwelling incentives would be fully utilised each year. The take-up of dwelling incentives is dependent on a number of factors, including institutional investors' willingness to invest in affordable housing, the availability of financing, and economic conditions. If actual take-up is less than the maximum number of available dwelling incentives, the total financial impact of the scheme would be expected to be lower.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-26	-71	-179	-303	<b>-580</b>
Underlying cash balance	-1	-27	-71	-179	<b>-280</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- All available dwelling incentives would be taken up in the year in which they are released.
- The 2.5 per cent projected rate of growth in the rental component of the CPI in 2022-23 would continue to apply over the life of the proposal.
- All incentive payments would be made in the financial year following the financial year in which the expense is recognised.
- The split between incentives paid as refundable tax offsets by the ATO and grant payments made by DSS would be the same as that for the National Rental Affordability Scheme. That is, 75 per cent of incentives would be in the form of refundable tax offsets and 25 per cent would be grant payments.

## Methodology

The total administered expense of the incentive payments each year was calculated by multiplying the maximum number of dwelling incentive payments available under the proposal by the indexed value of the incentive payments.

The administered expense for DSS was estimated by multiplying the total administered expenses for the proposal by the proportion of total National Rental Affordability Scheme payments currently made by DSS.

The administered expense for the ATO was estimated by multiplying the total administered expenses for the proposal by the proportion of total National Rental Affordability Scheme payments currently made by the ATO.

The departmental expense for DSS to implement and administer the proposal was based on the staffing profile for the initial National Rental Affordability Scheme measure in the 2008-09 Budget. This staffing profile has been adjusted for the timing of this proposal and put into the current Department of Finance departmental costing template to calculate the departmental expense of the proposal.

Estimates have been rounded to the nearest \$1 million.

## Data sources

The ATO provided data on the proportion of total National Rental Affordability Scheme incentives paid as refundable tax offsets.

DSS provided costings for the 2008-09 Budget measure *National Rental Affordability Scheme*.

The Department of Finance provided the departmental costing template.

The Department of the Treasury provided the indexation parameters from the 2019-20 Budget.

## Attachment A – Affordable housing – financial implications

**Table A1: Affordable housing – Fiscal balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<b>Expenses</b>													
<i>Administered</i>													
<i>Department of Social Services</i>	-6	-17	-44	-75	-124	-192	-280	-390	-516	-661	-677	-143	-2,983
<i>Australian Taxation Office</i>	-19	-52	-133	-226	-371	-575	-840	-1,170	-1,547	-1,983	-2,032	-430	-8,948
<b>Total – administered</b>	<b>-25</b>	<b>-69</b>	<b>-177</b>	<b>-301</b>	<b>-495</b>	<b>-767</b>	<b>-1,120</b>	<b>-1,560</b>	<b>-2,063</b>	<b>-2,644</b>	<b>-2,709</b>	<b>-573</b>	<b>-11,931</b>
<b>Total – departmental</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-7</b>	<b>-22</b>
<b>Total</b>	<b>-26</b>	<b>-71</b>	<b>-179</b>	<b>-303</b>	<b>-497</b>	<b>-769</b>	<b>-1,122</b>	<b>-1,562</b>	<b>-2,065</b>	<b>-2,646</b>	<b>-2,711</b>	<b>-580</b>	<b>-11,953</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.

A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

**Table A2: Affordable housing – Underlying cash balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<b>Payments</b>													
<i>Administered</i>													
<i>Department of Social Services</i>	-	-6	-17	-44	-75	-124	-192	-280	-390	-516	-661	-68	-2,305
<i>Australian Taxation Office</i>	-	-19	-52	-133	-226	-371	-575	-840	-1,170	-1,547	-1,983	-205	-6,916
<b>Total – administered</b>	<b>-</b>	<b>-25</b>	<b>-69</b>	<b>-177</b>	<b>-301</b>	<b>-495</b>	<b>-767</b>	<b>-1,120</b>	<b>-1,560</b>	<b>-2,063</b>	<b>-2,644</b>	<b>-273</b>	<b>-9,221</b>
<b>Total – departmental</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-7</b>	<b>-22</b>
<b>Total</b>	<b>-1</b>	<b>-27</b>	<b>-71</b>	<b>-179</b>	<b>-303</b>	<b>-497</b>	<b>-769</b>	<b>-1,122</b>	<b>-1,562</b>	<b>-2,065</b>	<b>-2,646</b>	<b>-280</b>	<b>-9,243</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.

A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.