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Dear Director,

Re: Build-to-rent tax concessions

Anglicare Australia welcomes the opportunity to provide feedback on the Build-to-rent tax concessions Exposure draft. Tackling Australia's housing crisis requires governments to utilise all the levers at their disposal to promote affordability. Getting this right can improve the affordability of build-to-rent projects, which have tended to be high-end developments that push up market rents rather than reduce them.ⁱ

This legislation proposes to require at least 10 percent of dwellings in build-to-rent developments accessing the concessions of this scheme to be reserved for 'affordable housing.' Anglicare Australia urges the Government to reconsider its definition of affordability, and to explore using this legislation to encourage more impactful measures such as mixed-tenure developments with social housing.

The draft legislation and explanatory materials propose a market-based approach to assessing affordability. This is entirely inadequate. A person's ability to afford housing is not determined by a market force, but instead by how much they earn and their ability to pay without compromising other critical expenses. What is considered affordable will be different for every person in the private rental market, noting that the international standard is 30 percent of income, especially for those in the lowest income quintiles. This reality is not captured within the Exposure draft, which instead proposes a definition of affordable rent being set at less than 75 percent of the market rate.

The private rental market is already deeply unaffordable, with nearly 70 percent of renters experiencing rental stress.ⁱⁱ The private market has proven to be an inadequate way of providing affordable housing for Australians. Using it as a benchmark to define affordability would not improve rental affordability.

Affordable housing should be defined with an income-based approach, not a market-based one. When conducting our own research on rental affordability, Anglicare Australia uses an internationally recognised benchmark that weekly rental costs should not exceed 30 percent of a household's weekly income. The draft legislation should be amended to include a similar income-based approach to define affordable housing.

The average national weekly rent currently stands at \$692.ⁱⁱⁱ A market-based definition of affordability would mean that an affordable rent would be \$519 a week. This is not affordable for a person working a full-time minimum wage job, for an older Australian on the Age Pension, or someone out of work and receiving JobSeeker. By using the 30 percent of income standard, we can ensure that affordable housing is defined realistically.

Anglicare Australia notes that measures such as inclusionary zoning and mixed-tenure developments have a much stronger evidence-base for improving rental affordability.^{iv} We urge the Government to go beyond incentives for affordable housing, and consider further incentives that encourage build-to-rent projects to become mixed-tenure developments that incorporate social housing.

It is commendable that the Government is exploring policy options to improve the affordability of housing. However, this can only be achieved with a meaningful measure of affordability. Without a shared understanding of what it means for housing to be truly affordable, those at the bottom of the ladder will continue to be crushed and affordability will continue to deteriorate overall.

One of the biggest and hardest to turn around issues in the housing market is that of tax concessions and the decisions that people make based upon them. It stands then that we need to be very careful in ensuring that tax treatments truly drive the outcomes we wish.

We would welcome the opportunity to discuss the matters raised in this letter further, or answer any questions that you may have.

Yours sincerely



Kasy Chambers
Executive Director

ⁱ Nethercote, M. (2019) Build-to-Rent and the financialization of rental housing: future research directions. Housing Studies.

ⁱⁱ InfoChoice (2024) [Rental Crisis Survey](#)

ⁱⁱⁱ SQM Research (2024) [Weekly Rents – National](#)

^{iv} Australian Housing and Urban Research Institute (2023) [From mixed tenure development to mixed tenure neighbourhoods](#).