



2nd October, 2023

AFFORDABLE HOUSING



Providing Affordable Housing? You Could Be Eligible For A CGT Discount

An additional 10% capital gains tax (CGT) discount may be available when you sell an Australian residential rental property that you used to provide affordable housing.

This will increase the potential maximum capital gains discount percentage on your sale from 50% to 60%.

What Is Affordable Housing?

For the affordable housing CGT discount purposes, affordable housing is any dwelling (house, unit or apartment) where the following conditions are satisfied:

- The dwelling is both a taxable Australian real property (TARP) and residential premises that you rent out or genuinely make available for rent. Caravans, mobile homes and houseboats are not residential premises.
- The dwelling is not a commercial residential premises.
- Management of the tenancy or its occupancy is done exclusively by a registered community housing provider (CHP).
- Each entity that holds an ownership interest in the dwelling has a certificate from the provider showing that the dwelling was used to provide affordable housing.
- No entity that has an ownership interest in the dwelling is in receipt of an incentive from the National Rental Affordability Scheme (NRAS) for the NRAS year.
- If a managed investment trust (MIT) has an ownership interest in the dwelling, the tenant does not have an interest in the MIT that passes the non-portfolio test.

Eligibility For Affordable Housing CGT Discount

When you sell a rental property used to provide affordable housing, you may make a capital gain on the profit. This may qualify you for an additional (up to 10%) affordable housing capital gain discount if you meet the following eligibility criteria:

- The capital gain must have been either made by you as an Australian resident individual, or
- distributed or attributed to you either
- directly from a trust or managed investment trust (MIT)
- indirectly from a trust through an interposed partnership, MIT or other trusts (this does not include public unit trusts or super funds).

You must have also provided:

- new or existing affordable housing
- rental rates below market rent
- affordable housing to eligible tenants on low to moderate incomes (based on household income thresholds and household consumption)
- Affordable housing for a minimum period of three years (1,095 days) from 1 January 2018. This can be continuous or an aggregation of three years over a longer period.

The additional discount will be pro-rated for periods where you don't use the property for affordable housing purposes or were a foreign or temporary resident for part of the time you owned the property.

Investing In Affordable Housing Through a Trust

You can invest in affordable housing through a trust.

As an individual investor, only you can claim the additional affordable housing CGT discount. The trust cannot claim this discount.

For you to qualify for the affordable housing CGT discount:

- the trust can be a managed investment trust (MIT), but not a public unit trust or super fund
- the trust must be entitled to the general CGT discount on the capital gain on the property, either in full or part.
- The capital gain can be distributed or attributed to you:
- directly from the trust or MIT
- indirectly from the trust or MIT through an interposed partnership, MIT or other trust, but not through a public unit trust or super fund.

Consulting with a tax professional could assist you in determining your eligibility for CGT discounts - why not speak with us today?

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