



In the 2017-18 Federal Budget the Government announced a series of measures intended to improve housing affordability in Australia. To entice investors, the Government is providing an increase in the CGT discount for individuals who choose to invest in affordable housing.

The draft legislation enabling this change has now been released so we can see the detail.

There are two aspects to these changes. Firstly, individuals who make a capital gain on residential dwellings that have been used to provide affordable housing can potentially qualify for an additional CGT discount of up to 10%, this could take the total discount percentage from the existing maximum level of 50% to 60%. While the additional 10% CGT discount applies if you meet the eligibility criteria, the 60% discount rate is not automatic – it's 'up to' and the final total discount could be less than 60%.

The increased discount will only be available if the dwelling has been used to provide affordable housing for at least 3 years after 1 January 2018. The 3 year period does need to have been continuous.

The additional discount needs to be apportioned to take into account periods when the individual was a non-resident or temporary resident as well as periods when the property

was not used to provide affordable housing over its ownership period.

The second aspect to the rules allows individuals to also access an additional 10% CGT discount on their share of capital gains that are distributed by a certain trusts (e.g., managed investment trusts) where the gain is attributable to dwellings that have been used to provide affordable housing for at least 3 years.

Affordable housing is....

There are a few compliance hoops to jump through to be 'affordable housing'.

- The property must be residential (not commercial);
- the tenancy of the dwelling or its occupancy is exclusively managed by an eligible community housing provider;
- the eligible community housing provider has given each entity that holds an ownership interest in the dwelling certification that the dwelling was used to provide affordable housing;
- no entity that has an ownership interest in the dwelling is entitled to receive a National Rental Affordability Scheme (NRAS) incentive for the NRAS year; and
- if the ownership interest in the dwelling is owned by a Managed Investment Trust, the tenant does not have an interest in the MIT.