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MEDIA RELEASE

Reducing this one tax could create 10,000 new affordable rental homes at no cost to taxpayers, new research shows

New research shows lowering a single tax on build-to-rent (BTR) housing could protect 150,000 new homes and create an additional 10,000 affordable rental homes at no cost to taxpayers.

Fresh EY research, commissioned by the Property Council of Australia, shows lowering the managed investment trust (MIT) withholding tax rate to 10 per cent for build-to-rent projects with an affordable housing component could accelerate the building of 10,000 affordable homes over 10 years.

Property Council Chief Executive Mike Zorbas said the research highlights a simple, budget neutral measure to boost national investment in affordable homes.

"Housing supply is the challenge of the decade. We need to pull every budget lever we have to hit our housing targets and build the homes Australians need," Mr Zorbas said.

"This new modelling shows one cost neutral government policy improvement will throw the weight of new institutional investment behind the creation of 10,000 affordable rental homes.

"Build-to-rent is a vital component of the country's housing puzzle, offering tenants security of tenure, enhanced amenities and properties managed by professionals.

"Without every extra dollar of institutional investment Australia can harness, hitting our national target of 1.2 million new homes will be a Herculean task," he said.

The research reveals lowering the MIT withholding tax rate to 10 per cent would enable the allocation of at least five per cent of apartments in projects for affordable housing at a 25 per cent discount to market rent.

The recent modelling expands on EY's 2023 research, commissioned by the Property Council, that showed a 15 per cent managed investment trust withholding rate can result in 150,000 apartments by 2033, a change announced in the May 2023 Federal Budget.

The specifics of this budget measure are yet to be finalised, but the Property Council has warned that forced affordable housing elements at the 15 per cent tax rate for build-to-rent housing would jeopardise those 150,000 new apartments.

Incentivising affordable housing at a separate rate of 10 per cent avoids that investment disincentive.

"Adjusting the managed investment trust withholding tax to align with other property types was the right choice and it should remain that way to maximise the number of new homes built," Mr Zorbas said.

"The states already have well developed plans for affordable housing as part of future development and no double up is needed.

"By reducing the managed investment trust withholding rate to 10 per cent, the government can boost the delivery of affordable homes in an asset class that offers well-located, secure, customer-led and community-oriented housing – and this change won't cost the budget a cent," he said.

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More information:

Managed investment trust withholding tax: The managed investment trust withholding tax is imposed on returns foreign investors receive from domestic property funds.

Build-to-rent: Purpose built and designed long-term residential rental accommodation with high levels of amenity which is predominantly owned, managed and operated by an institutional investor who seeks to maximise tenant retention over a long-term investment period.