

In our eagerness to update you on the issuance of the Refundable Tax Offset (RTO) certificates, we neglected to inform you about the **cash incentive** that gets paid by the State Government **in addition** to the tax offset incentive. As a result, we have had multiple emails from investors enquiring about the cash incentive. There appears to be significant confusion surrounding the tax incentive component, so please take the time to read the explanation below for your own understanding. We are also addressing some other common concerns that have been raised in relation to the delays.

### Incentives explained

- If your property is compliant, you receive the tax offset incentive from the Commonwealth Government which can only be claimed through your tax return. The full incentive for this year is \$8,187.78.
- In addition, you also receive a cash incentive by the State **after** your property's Statement of Compliance has been approved and the RTO certificate is issued.
- The sequence is => Commonwealth approves submitted Statement of Compliance => RTO certificate is issued (we don't know exactly when at this stage) => Commonwealth notifies the State Gov => State sends NAHC (us) the bulk amount for all approved submissions => NAHC disperses incentive to each respective investor's rent account within 1-3 weeks (the cash incentive must follow the rent for NRAS purposes therefore, it can only be paid to the rent account). Once we deposit the funds into your rent account we send you a confirmation Remittance Advice.
- If you are eligible for 366 days (leap year) full incentive for the 2015-16 year, and your claimable amount is \$8,187.78 then your equivalent cash incentive portion is \$2,729.26.
- If your tax offset claimable amount is less than the full amount of \$8,187.78 then the cash incentive will be in direction proportion based on eligibility on number of days for the year.

**Below is an example**, on how the cash incentive is calculated (backwards). Firstly, we use the calculation of the tax incentive portion as a guide from which we then work out the cash portion.

If your tax claimable amount was \$5,055.84, it means your eligibility was 226 days and is calculated thus:

- Full amount for the year is \$8,187.78, therefore =>  $\$5,055.84 \div \$8,187.78 \times 366 = 226$  days (to validate this calculation you can do it in reverse,  $\$8,187.78 \div 366 \times 226 = \$5,055.84$ )
- Now that we've established that eligibility is 226 days, we can use the full amount of the cash incentive which is already known (\$2,729.26) and calculate accordingly:  $\$2,729.26 \div 366 \times 226 = \$1,685.28$

Please remember this is an example and does not reflect your individual circumstances.

### NRAS Year Dates

Unlike the financial year that starts 1 July and ends 30 June, **the NRAS year starts 1 May and ends 30 April**. This point will help calculate the number of days if you bought the NRAS property mid-year, or you want to work out vacancy periods. There is a helpful website [here](#) where you can enter the dates and it calculates the duration for you.

### Who is responsible for the delays?

Based on some investor responses it would appear that some are unclear on the role the government and NAHC (us) play. We are not the government. We are a not-for-profit affordable housing facilitator. When we say that the Commonwealth Government/Department of Social Services that administers NRAS is running late, we are not pointing the finger or shifting blame. It is a statement of fact.

Once we submit our Statement of Compliance for all our properties by the end of June, we have absolutely no control on how fast a government department will work to assess and approve our claims. There is nothing more we can do past that point and we are in waiting mode as much as everyone else. We certainly share investors frustrations for how long it takes, but to put it in perspective NRAS is a team of 30-40 people in Canberra who manually assess 40,000 claims submitted between 137 housing providers. A person has to manually open scanned attachments and read the dates on leases, Tenant Demographic Agreements and other documents we submit to ensure they are compliant.

### **Why doesn't the government invest more money to automate and expedite this process?**

This has been a common question from investors. We cannot comment for the government but below are a few known facts that when weighed against common sense, should give us some sense of why it is the way it is.

- To build a computer program that would automatically work out eligibility based on parameters and information that has manually been submitted, will come at a significant cost. The government will need to find a way to fund it (as in, how is it going to get paid).
- The NRAS scheme will come to an end around 2026 so it has a limited lifespan. As such, the justification of spending millions of dollars on a time-limited scheme will be highly controversial against other funding priorities.
- The current government is working with a ballooning budget deficit and all experts agree that unless spending is cut, it will not get under control. This gives more weight to the previous bullet points.