



THE COVID-19 RENT DILEMMA

Australia has a COVID-19 rent problem. As businesses are forced to shut and unemployment increases, the rental stress on commercial and residential tenants grows. This will have severe implications for Australia's economic growth for years to come. Currently state and federal governments are considering a range of options. State and territory governments are in the process of banning tenant evictions. The NSW Parliament already moved last week, passing the COVID-19 Legislation Amendment (Emergency Measures) Bill which allows the Housing Minister to ban evictions and institute rent freezes. However, preventing evictions is a band-aid solution as tenants will still accrue significant debt and landlords may default on their mortgages.

Instead, an approach must be implemented that disperses the economic impact between the Federal Government, landlords and tenants. Absorbing the full impact alone would be fiscally damaging for the Government; estimates from Deloitte indicate that the commercial rent at stake in the office market this year is \$9 billion, while residential rents are worth \$16.5 billion in Sydney alone.

Therefore, three changes must be enacted through a combination of state and federal legislation:

- 1) Federal Government: Introduce means-tested rental assistance for commercial enterprises and increase existing schemes for residential tenants.
- 2) Federal Government: Partially offset the cost of this scheme by increasing the tax rate on landlords' income from rent. To achieve this, a system like that of the capital gains tax would be implemented; landlords would declare on their tax return how much of their income comes from rental properties. This would then be taxed at a higher rate.
- 3) State and territory governments: All state and territory governments must enact a rental freeze to ensure landlords to not pass on the cost of the rent tax. The Federal Government cannot do this because tenancy law falls under the states' jurisdiction.

Implementing these measures would offset the burden on renters while ensuring that landlords still get paid. This is essential in protecting the Australian economy during the COVID-19 crisis.

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