

# **Tenants Advice Service (Inc.) & Shelter WA (Inc.)**

## **Submission to Community Affairs Reference Committee on a New Tax System: *The Effects on Public, Community and Private Housing, Including the Levels of Rent.***

January 1999

Prepared by:

Pauline Logan  
Tenants Advice Service (Inc.)  
33 Moore Street  
East Perth WA 6004  
Ph: 089 221 9499  
Fax: 089 221 9609  
Email: [taswa@opera.iinet.net.au](mailto:taswa@opera.iinet.net.au)

Erin Gauntlett  
Shelter WA (Inc.)  
33 Moore Street  
East Perth WA 6004  
Ph: 089 325 6660  
Fax: 089 325 8113  
Email: [sheltwa@opera.iinet.net.au](mailto:sheltwa@opera.iinet.net.au)

## **INTRODUCTION**

This submission is a joint Tenants Advice Service (TAS) and Shelter WA response to the Community Affairs Reference Committee on a New Tax System.

TAS is concerned about the effect of a GST on low income renters. In 1997/98 TAS assisted tenants with more than 10,000 tenancy problems and community agencies with more than 750 tenancy problems. The extent of contact TAS has with tenants, particularly private renters, enables us to comment with considerable authority and provides TAS with a sound base for understanding and representing issues affecting tenants including the effect of the GST as it relates to renters.

Shelter is concerned about the effect of a GST on the provision of housing to low income people and those who are otherwise disadvantaged by the housing system.

Our submission focuses on the effects for renters in the private market and social housing as well as highlighting the impacts on the Commonwealth/State Housing Agreement (CSHA).

We also submit to provide support to other submissions to the Committee including the National Association of Tenant Organisations (NATO) and National Shelter (NS). These submissions articulate many of the concerns shared by our organisations in more detail than our resources allow us to.

The submission is divided into the following sections:

1. Background about organisations.
2. Background about housing in Western Australia.
3. Issues for Private Renters.
4. Issues for Social Housing.
5. The Commonwealth/State Housing Agreement.
6. Recommendations.

## **1. BACKGROUND ABOUT ORGANISATIONS**

### **1.1 Tenants Advice Service (Inc.)**

Tenants Advice Service (TAS) has been operating for 19 years and was the first community legal centre to be established in Western Australia. Since opening in 1979, TAS has continued to be the only specialist community legal centre in Western Australia with a statewide mandate to provide information, advice, advocacy and assistance to residential tenants, particularly those disadvantaged in the rental market.

TAS' target groups include: people on low incomes, Aboriginal people, people with disabilities, older tenants, young people, recently arrived migrants and refugees, sole parents and people with literacy issues.

TAS also provides an important resourcing and support role to other community agencies that assist tenants. TAS continues to enjoy widespread community support for its work as is evident by the immense demand for its services.

Tenants Advice Service is an independent, incorporated body. It is managed by a community based management committee of volunteers drawn from its membership.

### **Aims and Services**

TAS' aims are to:

- provide tenants with information, advice, advocacy and support in relation to their rights and responsibilities and the securing and enforcement of tenancy rights;
- provide targeted tenancy education to tenants and workers with tenants;
- represent tenants' interests; and
- improve and protect residential tenants' rights.

TAS' work towards these aims can be divided into three main areas:

1. Direct Service: Information, Advice, Advocacy and Representation on individual tenant's issues.
2. Community Legal Education: Publications, Information, Education and Training.
3. Follow Up/Representation on Issues Affecting Tenants: Research, Submissions and Representation.

TAS is a member of the National Association of Tenant Organisations and Shelter WA.

## **1.2 Shelter WA**

Shelter WA is a peak community managed organisation established in [1979](#), which undertakes lobbying and policy analysis of housing issues as they relate to low income people and others who are disadvantaged in the housing system. Shelter WA aims to ensure that every person has access to affordable, appropriate, secure and safe housing that is free from discrimination. It does this through:

- coordinating and representing community sector views to government;
- developing and responding to policy;
- providing education and information; and
- promoting alternative housing models.

Shelter WA is a member of National Shelter which is a federation of State and Territory Shelter organisations and four national housing organisations, The National Association of Tenant Organisations (NATO), the National Youth Coalition for Housing (NYCH) and the Council to Homeless Persons Australia (CHPA).

## **2. BACKGROUND ABOUT HOUSING IN WESTERN AUSTRALIA**

Housing related poverty continues to effect many individuals, families and couples throughout Australia. However, the lack of a nationally recognised measure of housing need means there is no agreed strategy for achieving appropriate and well targeted housing assistance.

The State Housing Commission of Western Australia (Homeswest) currently uses the purchasing capacity model to determine housing need. This model is used to estimate the number of households who would be forced to spend more than 25% of their income if they were required to pay the median rent for appropriately sized accommodation in the private rental sector.

In 1996, housing need in Western Australia was estimated to be present in 66,534 households representing at that time 45.6% of all households in public and private tenancies. There were 44,310 households in private rental that were considered to be in housing need and therefore requiring public housing assistance.<sup>1</sup>

In Western Australia, there are currently 35,894 Homeswest rental dwellings with a further 12,625 people on the waiting list.<sup>2</sup> According to Homeswest, 90% of all Homeswest tenants are in receipt of a pension of some kind.<sup>3</sup>

Rent Assistance is provided by the Commonwealth Department of Family and Community Services to Centrelink beneficiaries, including those receiving family payment, who pay relatively high housing costs in the private rental market. In Western Australia there are currently 83,453 people in receipt of Rent Assistance.

### **3. ISSUES FOR PRIVATE RENTERS**

#### **Research**

There is significant research detailing that low income private renters are the most disadvantaged group in the rental market. National Housing Strategy research noted that renting is no longer a transitional tenure for a growing number of households and that private renters end up paying more for housing over a lifetime than home purchasers but do not acquire an asset in the process.<sup>4</sup>

Research has also detailed the housing cost burden for private renters; that it is greater compared to home purchasers and that the gap between the two is getting bigger. AHURI figures show that more than 70% of low income renters are in housing cost burden (pay in excess of 30% of their income on rent), with only 42% of home purchasers in housing cost burden.<sup>5</sup> The gap becomes greater if the widely accepted National Housing Strategy affordability benchmark of 25% is used.

#### **Rent Levels in Western Australia**

1996 ABS figures revealed that median weekly rental costs in Western Australia increased 17% over five years from \$94 in 1991 to \$110 in 1996.<sup>6</sup> This increase was 5.1% above the national average and third only to Queensland and Tasmania. Median rent levels for Perth, according to the Real Estate Institute of Western Australia, were \$155 per week for a three bedroom house and \$123 per week for a two bedroom unit in September 1998. These figures indicate a steady increase in median rent levels in Western Australia. This trend is likely to continue with the vacancy rate at September 1998 at a low 2.4% which indicates a tight market and contributes to rent increases. Some regional factors and variations exacerbate these trends. For example, mining towns throughout Western Australia experience higher rent levels than the median.

---

<sup>1</sup> Homeswest Bilateral Strategic Plan, 1996, p.10

<sup>2</sup> Homeswest Annual Report, 1998.

<sup>3</sup> The West Australian Newspaper, 22 August 1998.

<sup>4</sup> National Housing Strategy, *Housing Choice: Reducing the Barriers*, Issues paper 6, Commonwealth of Australia, 1992.

<sup>5</sup> The Australian Housing and Urban Institute (AHURI), *Quarterly Housing Monitor*, Volume 2, Number 3, May 1997.

<sup>6</sup> Source: *ABS Census of Population and Housing: Selected Social and Housing Characteristics, Australia, 2015.0, 1996.*

Median rent levels for a three bedroom house in Port Hedland (a major north west mining town) were \$180 per week in September 1998, compared to \$155 for Perth. This variation between the regions is less than other times when Port Hedland was in the height of a boom period. It was not uncommon for rents to be as high as \$350 per week for a three bedroom house from mid 1996 to the end of 1997. Some people were also forced to leave Port Hedland as the demand for housing was so intense and rents were unaffordable for those on incomes let alone those on a Social Security income including rent assistance.<sup>7</sup> Even with Rent Assistance, recipients could not afford the rent during the boom period.

### **Rent Increases Likely to Flow from the Introduction of the GST**

TAS and Shelter are aware that under the new tax system a GST will not be charged on residential rents but residential premises will be input taxed, with the ATO receiving any GST paid on inputs by the landlord. This means that the landlord's costs for items such as maintenance and management of the property will increase. We support the views of other organisations including the NATO and NS that landlords are likely to pass on any increased costs from input taxes on maintenance and management of residential premises by way of a rent increase to tenants.

### **Lack of Protection for Tenants Against Unfair Rent Increases**

This is of some concern given the lack of protection for tenants against unfair rent increases. In Western Australia there is no limit to how often or by how much rent may be increased. The only requirement is that the tenant be provided 60 days notice of a rent increase.

There are limited provisions for tenants to seek an order from the Local Court if they believe the rent to be excessive. A tenant's application may be considered if they can prove a reduction in the chattels and facilities provided and/or that the landlord was motivated to increase the rent such that the tenant was forced to move out. A tenant can not ask the Court to rule that the rent charged from the outset of the tenancy was unfair, nor that a rent increase of itself was unfair. Also, any successful order that the rent was excessive may only take effect from the date of application, not the date the excessive rent took effect. The onus is on the tenant to furnish significant evidence in support of any such claim. As far as we are aware few tenants have had success enforcing these provisions in the nine years the *Residential Tenancies Act* (1987) has been in effect due to the unwieldy limitations.

TAS and Shelter are concerned that protections for tenants against rent increases are inadequate and that this warrants further consideration in light of the likelihood of rent increases with the introduction of a GST.

### **Lack of Adequate Minimum Standards for Rental Housing**

Compounding the issue of inadequate protections against unfair rent is the lack of adequate minimum standards for rental housing. Many tenants, usually the most disadvantaged in terms of access to the market, pay the same or more for housing which is substandard to similar housing of a better condition. For example, TAS is aware of one notorious landlord who rents grossly sub standard rental accommodation to single parents and Aboriginal tenants who face difficulty accessing better quality rental

---

<sup>7</sup> Hedland College Social Research Centre, *Port Hedland Joint Venture Partnerships in Community Housing*, November 1998

accommodation for the same or lesser price due to covert discrimination. Despite being prosecuted by Fair Trading and facing legal action from many authorities this landlord continues to rent in several suburbs in Perth.

TAS has assisted tenants where this landlord has enticed them through an advertisement which says 'no bond required' and on sign up charges an illegal insurance fee. The property on offer has been grossly sub standard including in one instance, no back door and broken windows. All tenants agreed to rent the properties on the landlord's verbal promises of items being repaired. The landlord refused to carry out agreed repairs and many tenants have left such premises after finding them uninhabitable, or enduring with sub standard accommodation because of the lack of options for them elsewhere in the rental market. For example, in one instance a single parent of six children. In this same instance the Water Authority reduced the flow of water to the property due to unpaid water rates by the owner (the landlord). The tenant's rent was up to date but she had no protection from the Water Authority reducing the water supply service to her premises. This situation took significant negotiation at a ministerial level before the tenant had her water flow re-instated and the Water Authority took other action against the owner.

There is nothing preventing this landlord from continuing to prey on vulnerable tenants, nothing requiring him to provide housing of minimum adequate standards before tenant's move in and nothing preventing him from increasing the rent at any time. The only restrictions are what vulnerable tenants will put up with before moving out. Sadly the alternative option of homelessness often render these tenants impotent to take action against unfair or unscrupulous practices and forces them to endure untenable situations.

Compounding this issue is the lack of privacy law protection for tenants. A tenant who does seek to exercise their right may find him or herself listed on a 'bad' tenant database merely for having taken steps permitted under tenancy law. There are several databases operating in Australia by private operators. Tenants are listed at the discretion of a real estate agent or landlord and other agents and landlords may access the database for a fee to check a potential tenant. Tenant databases are totally unregulated in Australia. Tenants do not have protection about the reasons they may be listed. They do not have the right to know they have been listed on a database, nor to correct wrong or inaccurate information. The potential effect of being listed on a database is that a prospective tenant is denied access to private rental indefinitely.

### **GST Compensation Measures Inadequate**

TAS and Shelter aware that rent increases flowing from a GST will be in part compensated through increases to measures such as Rent Assistance and pensions and benefits. However, as rent assistance is inadequate in its current form, we do not believe that proposed compensation measures will be adequate for many renters. For example, many private renters including Health Care Card Holders do not receive rent assistance. There are waiting periods of up to 18 weeks for single beneficiaries without dependent children aged below 18 who are eligible for rent assistance. Eligible single people who share accommodation, including some single boarders or lodgers, are only entitled to two thirds of the full rate of rent assistance. Also, the increase to pensions and benefits as a compensation measure will be absorbed through other increased costs such as to food and essential services including as electricity, gas, water and telephones and cannot be relied upon to address the flow on effects of a GST for private renters.

Another inadequacy of the current Rent Assistance Scheme is that, despite receiving rent assistance, many private renters continue to pay more than 25% of their income on rent. Also, Rent Assistance does not cover all renting costs for private tenants. These other renting costs will also increase due to the rent increases that will result from the GST without corresponding compensation being provided. For example, private renters in Western Australia are required to pay the equivalent of one weeks rent as a letting fee when renting through a real estate agent, and all tenants are required to pay a minimum of four weeks rent as a security bond. An increase to residential rent levels, as an effect of the GST, will lead to a commensurate increase in the cost of the letting fee and security bonds. Rent assistance to people on low incomes will not compensate for letting fees or bond costs. Other measures, such as the existing State based Bond Assistance Scheme is in the form of a loan scheme and is limited as it does not provide for the full cost of the bond and is not regularly indexed. Tenants are also not compensated for additional costs such as stamp duty where the rent is more than \$125.00 per week and for utility connection and meter reading fees associated with moving in and out of rental premises.

### **Regional Issues**

Rent Assistance is less adequate in alleviating housing cost burden for tenants renting in regions where there is a small private rental market and it is in high demand. Western Australia has a number of mining towns that experience boom and bust cycles. Much of the housing for mining company employees is provided by the company. Non-government professional and service workers within the town rely on the private rental market. Port Hedland is one such town. In the last boom between 1996 and 1998 it is estimated that the population increased from 12,000 at the last census time to 18,000 in mid 1997. In these times private rental properties are at a premium and many people resort to living in temporary accommodation such as caravans because they cannot find a place to rent or paying exorbitant amounts for rent. Other factors affecting people living in these regions include extra costs for food and other goods due to transport costs. The following case study highlights such regional issues for private renters.

### **A Case Study: Port Hedland**

Mara, Josef and their son & daughter live in Port Hedland WA. They have to move from their current house after the owner has sold the premises. Mara and Josef find that the average cost of private rental in Port Hedland is \$450 per week. The cheapest two bedroom duplex is \$285 p/w however their teenage son and daughter cannot share a room and they require a three bedroom house. The three bedroom houses range from \$350 to \$650 p/w on average. Mara works part time for a catering company and Josef works part-time as a cleaner. The family's combined income is \$650 per week. They find an ex-state housing commission house for \$380 per week and have their application accepted. Mara and Josef now pay 58% of their income on rent. Their Landlord now pays \$22.80 extra per week in outgoings for the house since the advent of the GST. This increase in costs is made up of property management fee increase and maintenance contractor fee increase. The Landlord raises the rent by \$25 p/w to cover his extra costs and Mara and Josef now must pay \$405 p/w in rent (62% of their net income). Mara and Josef struggle to meet their rent and other basic expenses.

Prior to the GST groceries in the Pilbara were around 12% more expensive than Perth for a standard basket. Fuel for their vehicle was 24.7% more expensive than Perth. The GST increases the cost of these items even further.

Mara and Josef cannot find cheaper accommodation and even if they could the WA Residential Tenancies Act offers them no escape from their fixed term tenancy as it contains no grounds for the tenant to end their tenancy based on hardship.

All of their extended family live in Port Hedland after moving from Christmas Island and all of them are living in similar hardship except for those who have gained work with a company that provides housing. The children attend High School in Port Hedland with their cousins. Even if Mara and Josef wanted to relocate to the city they could not afford the move 2000km south.<sup>8</sup>

### **Boarders and Lodgers and Caravan Park Tenants**

Boarders and lodgers in Western Australia are not protected by tenancy laws. Caravan park tenants are protected by tenancy laws if they are renting the caravan and/or site as their principle place of residence. Significant numbers of Western Australians are boarders and lodgers or caravan park tenants; some through choice and many through a lack of other accessible and affordable housing options. Broader trends such as de-institutionalisation and an increase in the aging population are contributing to increases in the number of people boarding or lodging or living in caravans. These people are some of the most disadvantaged and vulnerable within the community and should not be subject to any increased costs as a result of the GST.

The proposed GST arrangements for such accommodation is to define it as commercial and subject it to a GST. Where the accommodation is for less than 27 days a GST of 10% will apply. The GST will be 5% for long term residents (more than 27 days). We believe the commercial classification of this accommodation for boarders and lodgers and caravan park tenants is inappropriate if it is the person's principle place of residence. We are also concerned that the proposed arrangements will cause hardship for these residents and will lead to increases in housing cost burden.

TAS and Shelter WA support NATO's recommendations:

- That the GST be removed from boarding house, caravan and hotel accommodation where it is the resident's principle place of residence.
- That adequate state or commonwealth legislation be enacted to protect all long term residents of boarding houses, hotels and caravan parks.

### **Adequate Compensation Measures for Private Renters**

TAS and Shelter WA's primary position is that adequate compensation measures should be provided to private renters as they are a group deserving of special consideration. Measures must be taken to make private rental housing more accessible, affordable and appropriate. This requires stronger protections for tenants as well as a greater ongoing budget allocation for Rent Assistance and a broadening of the Scheme.

The significance of Rent Assistance and adequate protections for private renters as compensation measures become greater when considered in the context of the overall housing system in Australia. Rent Assistance is the primary form of housing assistance to private renters on low incomes. TAS and Shelter recognise the value of rent assistance in helping reduce the housing cost burden for private renters. However, current and proposed measures are not enough. Too many low income private renters continue to pay more than 25% of their income on rent despite rent assistance measures

---

<sup>8</sup> Source: Rebecca Hicks, Northern Radius Volume 5(2) August 1998.

and this is likely to worsen with the advent of the GST. Alternative housing options for private renters are also diminishing as public housing stocks and funds under the Commonwealth State Housing Agreement decline in real terms. The potential to transfer from private rental to public rental is therefore less likely for many low income renters.

The protections afforded under tenancy and other laws are inadequate in many respects. This submission has highlighted issues relating to unfair rents and rent increases, housing standards and privacy issues for tenants. Whilst the responsibility for tenancy laws rests with the States it is imperative that the Commonwealth take steps to negotiate for better protections for tenants if the effect of the GST is not to unfairly impact on tenants and compensation measures are to be appropriate. It is within the Commonwealth's scope to legislate to protect the privacy interests of tenants. Significant reports and recommendations on appropriate measures to be taken to provide appropriate privacy protections to tenants have been provided to the Privacy Commissioner by NATO and TAS in response to a recent review. These provide an appropriate source for the type of measures necessary to adequately protect tenants.

Increasingly, scarce public housing resources are targeted to those in 'greatest' need with many in need and experiencing significant housing burden missing out through the rationalisation process. Also, despite home purchase assistance measures, many renters are unable to afford the entry, maintenance, repayments and other costs associated with home purchase and will be life long renters. Other factors inhibiting home ownership for people on low incomes is the itinerant nature of much employment, particularly that of an unskilled and semi-skilled nature. The private rental market will continue to house a significant number of low income people.

TAS and Shelter WA believe that private rental housing should be GST free if such adequate compensation measures are not provided to private renters. Again, we re-iterate that our preferred position is that adequate compensation measures be provided as this is a better targeted strategy and would help achieve greater equity among different tenures. However, if adequate compensation is not provided as outlined above and in the recommendations at the end of this submission, it is imperative that other measures are taken to ensure low-income private renters do not suffer more under a GST. Obviously, private rental housing being GST free would require further investigation to ensure desired housing outcomes such as housing meeting minimum standards and incentives for investors to provide low income rental housing.

#### **4. ISSUES FOR SOCIAL HOUSING**

Social housing is a term used to describe housing that receives a government subsidy of some description and is managed on a not-for-profit basis. Social housing consists of:

- public housing and
- community housing.

Public housing is provided by State Housing Authorities (SHA's) through the Commonwealth/State Housing Agreement which is a Commonwealth tied grant for the purpose of housing assistance. Community housing is rental housing managed by local government or non government not-for-profit community organisations including housing

associations, housing cooperatives and Church organisations. It often takes the form of joint equity ventures between government and the not-for-profit sector.

The proposed tax reform package will have a number of significant impacts on low income people accessing social housing programs.

### **Public Housing**

The activities of Homeswest can be divided into the following broad categories:

- rental operations;
- home ownership; and
- land and construction.

The areas of greatest concern to Shelter WA and TAS are those that impact directly on the provision of housing for low income people.

Activities related to the provision of residential rental accommodation are input taxed and will result in increased costs resulting from the GST on a number of items including the construction and maintenance of Homeswest properties. In the 1997/98 year Homeswest reported a maintenance cost of \$23M which means it will face an additional cost of \$2.3M which cannot be recouped through inputs tax credits.

Public housing rent is set as a percentage of income ranging between 22.5-25% in Western Australia with all new tenants paying 25%. Homeswest estimates that over 90% of all public housing tenants are in receipt of a benefit.<sup>9</sup> Depending on whether Homeswest includes the 4% increase in benefits for the purpose of calculating a tenant's income, there is a possibility that Homeswest may recoup a portion of funds through increased rent. However, this would only represent an estimate of an extra \$4.43 million leaving Homeswest significantly out of pocket when items such as maintenance and construction costs are taken into account. While in broad terms, a minimisation of loss to Homeswest is potentially beneficial to tenants, tenants would be severely disadvantaged by such a measure which would result in a loss of up to a quarter of the 4% increase in benefits - the increase designed to compensate for all costs associated with the imposition of a GST on goods and services.

Another area of impact on State Housing Authorities is in relation to head leasing. If the head leases are deemed to be an input, they too will attract a GST for which SHA's will not be able to claim input tax credits.

One of the functions of Homeswest's land development program is the provision of residential land for the rental program and to meet the needs of first home owners. Homeswest will have two options with regard to applying GST as a land developer. In the first scenario, it can charge GST on the full amount of the price of land and will therefore be able to claim inputs tax credits. An alternative is to charge a GST on the margin added as a developer, in which case they will not be able to claim inputs tax credits. In the new Ministry of Housing, it seems likely that the land development business unit will need to charge the public rental program a GST on land developed. Given the fact rental accommodation is inputs taxed, this represents another loss to the provision of public housing stock. In the case of land developed for first home owners, the GST applied will result in increased land prices for low income people trying to

---

<sup>9</sup> West Australian Newspaper, 22 August 1998.

access the home ownership market. Shelter and TAS are aware that the proposed tax system will result in a \$7,000 payment to first home owners. However, it will be important to monitor whether or not this is in fact adequate compensation for the increased costs that will be experienced by these people. This is particularly relevant in some of the regional areas of Western Australia, for example Port Hedland where the median price of housing in September 1998 was \$180,000 which represents an increase of 124% over a five year period.<sup>10</sup>

Finally, Homeswest, like other State Housing Authorities, will face compliance costs and while it is not possible to attribute an exact figure to this cost, it represents an additional burden that will impact on the provision of housing services.

The increased costs borne by Homeswest will either result in a reduction in new constructions, a compromise on housing quality and maintenance, in the sell off of properties to raise revenue, or a combination of the above. To this end, the impact of the tax proposal will result in a decrease of public stock and/or stock that is of a poorer standard. With 12,625 people on the waiting list, this will have a disastrous effect for people on low incomes or who are otherwise disadvantaged in the housing system. This is of particular concern when various reports and inquiries including the Industry Commission Inquiry into Public Housing (1993) have found that public housing is superior to other forms of assistance using the criteria of long-term efficiency, cost effectiveness and social justice.<sup>11</sup>

Ironically, while the level of public stock decreases, there is also likely to be increased pressure on public housing as a result of the increased cost of private rental accommodation.

### **Community Housing**

The Community Sector Briefing Kit developed by the Departments of Treasury, Health and Aged Care and Family and Community Services details a number of provisions relating to charities and religious services. Most community housing providers currently have Public Benevolent Institution status and therefore appear to be covered by these provisions. However, given that the majority of services provided by these organisations relate to rental accommodation, it is not clear what their status will be with regard to eligibility for input tax credits. For example, are the provisions relating to the supply of 'non-commercial' and 'commercial' services relevant to whether such an organisations can claim input tax credits.

According to the New South Wales Federation of Housing Associations, the major expenses incurred by community housing providers are currently not taxed. This is due to the fact that most organisations currently have Public Benevolent Institution status and are therefore sales tax exempt, and secondly because major expense items do not incur sales tax because they are primarily services rather than goods.

As is the situation for State Housing Authorities, any increased costs incurred by community housing providers will in turn result in a decrease of stock and/or stock that is of a poorer standard.

---

<sup>10</sup> Source: Compiled by LK Hooker from Valuer General's Data, 1998.

<sup>11</sup> Industry Commission into Public Housing, Commonwealth of Australia, 1993, 64.

## **THE COMMONWEALTH STATE HOUSING AGREEMENT (CSHA)**

In 1994/95 the Commonwealth funds provided to the States under the CSHA amounted to \$1.067 billion. The current CSHA is due to expire in June 1999, however in the lead up to the election the Coalition announced its intention to fund a four year CSHA subject to a 1% efficiency dividend. This will see CSHA funding reduced to \$929.18 million in the year 2002/03 which represents a decrease of \$71.5 million over nine years. Waiting lists continue to grow and public housing is being targeted to those 'most in need'. In reality, this means reduced access to public housing and more people forced into the private rental market as a tenure of last resort. Any further erosion to public housing is disastrous for the well being of Western Australians.

The proposed tax system fundamentally alters Commonwealth/State relations with a loss to the Commonwealth revenue base through a reduction in income tax collected and an increase in state based revenue through receipt of GST revenue. To this end, Financial Assistance Grants will cease and there is some doubt about the future of Specific Purpose Payments, for example, the Commonwealth/State Housing Agreement. Shelter WA is of the view that the provision of housing is fundamentally influenced by many factors including government policies that relate to:

- employment;
- interest rates;
- income support;
- taxation;
- land use; and
- building requirements and tenancy legislation.

These factors, amongst others, form a mixture of Commonwealth and State responsibilities that are not mutually exclusive. The development and delivery of housing assistance should not be the responsibility of one level of government and the maintenance of the Commonwealth/State Housing Agreement is crucial to the provision of coordinated housing assistance across Australia.

It could be argued that in reality, the GST paid by State Housing Authorities will not result in a decrease in total Government funds, but rather a shifting of funds from SHA's to consolidated revenue. However there is nothing to indicate that these funds are to be recycled back into SHA's for the purpose of providing housing assistance and therefore it will result in a further erosion of the already diminishing CSHA.

## **6. RECOMMENDATIONS**

The recommendations are based on those of NATO and National Shelter.

### **General**

1. That the State and Commonwealth Housing Ministers commission a thorough investigation into the costs associated with a GST on low income tenants of private rental housing, public and community housing and what the aggregate effect of the total tax package is.
2. That the Commonwealth continue to establish and promote housing assistance

policies, which have demand side and supply side strategies to assist tenants.

3. That there is recognition of the increased demand for affordable housing and development of means for meeting that demand.

### **Private**

1. That the State and Commonwealth governments monitor rent levels in the private rental market and act to compensate low income private renters for any increase.
2. The Commonwealth and State governments consider and implement measures to provide protection against unfair rent increases.
3. That national benchmarking of rent levels be explored and legislative frameworks for the protection of tenants from unfair rent increase be put in place nationally.
4. That the operations of tenant databases be regulated through federal privacy legislation to protect tenants from being denied housing as a result of taking action against unfair rent increases or exercising their rights as a tenant.
5. That the Commonwealth seeks to ensure that a nationally consistent Rental Housing Standards Code is applied in all States and Territories, and where legislation exists, that the Code is enshrined in relevant legislation.
6. That the Rent Assistance Scheme be linked to a housing need benchmark which includes consideration of regional variations in rental housing costs.
7. That the Rent Assistance Scheme be expanded to assist all Health Care Card recipients.
8. That the Commonwealth coordinate housing assistance expenditure, taxation and rental subsidies expenditure so that tenants obtain appropriate, affordable and secure housing from the private market.
9. That the GST be removed from boarding house, caravan and hotel accommodation where it is the resident's principle place of residence.
10. That adequate state or commonwealth legislation be enacted to protect all long term residents of boarding houses, hotels and caravan parks.
11. If the above measures are not provided, that private rental housing be GST free.

### **Social Housing**

1. That public and community housing be designated GST-free.
2. That social housing rents should not increase as a result of the new tax system. Like nursing home fees, social housing rents should be protected from rising as a flow on effect of the 4% rise in government allowances.

### **Commonwealth/State Housing Agreement**

1. That a commitment to retain the CSHA beyond 2003 be made now and that State and Commonwealth governments ensure that there is no net loss of funds to housing at either State or Federal levels.
2. That the State and Commonwealth Housing Ministers identify the total funds lost to the CSHA (and other tied grants) as a result of the new tax system.
3. That the State and Commonwealth Housing Ministers should identify the compliance costs and funding shortfalls flowing from a GST on public and community providers and ensure that these costs are fully met from sources outside the CSHA.
4. That the tied nature of the CSHA remain and that joint Commonwealth State and Territory responsibility for housing continue.