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Q&A on Support for Businesses

The National Cabinet has today agreed to a Commercial Tenancy Code in response to COVID-19.

Here are answers to some questions that are already coming to me:

1. What's the Code all about?

It's a code-of-practice that aims to balance the interests of both landlords and tenants during this COVID-19 period by keeping tenants in properties and leases in place. The idea is to aid the management of cashflow for small & medium sized tenants and their landlords on a proportionate basis, while allowing the value of the assets to be maintained.

2. What does it mean for landlords and tenants?

It means landlords will be required to reduce rents proportionate to the reduction in trade experienced by tenants due to COVID-19 by i) waivers and ii) deferrals. That is, rental relief would be proportional to a tenant's decline in turnover and provided in two parts: (at least) 50% as a waiver and 50% as a deferral for payment over the remaining term of the lease.

3. Can you give me an example?

Let's say a tenant pays \$100 a month in rent to a landlord. The tenant's business was averaging a turnover of \$500 a month last year which has now dropped to \$250 a month due to COVID-19 – i.e. there's been a 50% decline in turnover. As a result, the tenant's rent would now fall by 50% - that is, from \$100 a month to \$50 a month – and this relief would be delivered to the tenant in two parts: by way of a waiver of \$25 and a deferral of \$25.

4. Does this apply to commercial tenancies only?

Yes - including retail, office and industrial.

5. Will the code be mandatory?

Yes.

6. How will it be overseen?

The State Government will legislate and regulate the code and where agreements can't be reached between landlords and tenants, there will be binding mediation.

7. Does the code apply to everyone?

No. It only applies to small and medium sized businesses in distress – i.e. a business with a turnover of \$50 million or less that is eligible for the JobKeeper program.

8. Where can I read the detail about the Code?

Click [HERE](#)

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