

Practice Update: Special Edition

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SMEs to receive rent waivers, deferrals

Small and medium businesses will now be granted rental waivers and deferrals under a mandatory Code of Conduct unveiled by Prime Minister Scott Morrison.

Under the Code of Conduct, [which may be read here](#), landlords will be required to reduce rent proportionate to the trading reduction in the tenant's business caused by the coronavirus pandemic through a combination of waivers of rent and deferrals of rents.

Landlords must offer waivers of rent of no less than 50 per cent, while the balance must be in the form of a rental deferral.

The payment of the rental deferrals must be amortised over the balance of the lease term and for a period of no less than 24 months.

The code will cover commercial tenancies, including retail, office and industrial, and will be eligible for SME tenants with an annual turnover of up to \$50 million.

These SME tenants must also qualify for the government's JobKeeper Payment.

The code will come into effect in all states and territories from 3 April and will run for the period the JobKeeper program remains operational.

Mr Morrison said the arrangements would be overseen through a binding mediation process run by the states and territories.

"The point here is simple: it's the same request we made of landlords and tenants about 10 days or so ago when I stood up on this issue, and that is that they sit down and they work it out," Mr Morrison said.

"Landlords must not terminate the lease or draw on a tenant's security. Likewise, tenants must honour the lease.

"What this does is it preserves the lease, it preserves the relationship, it keeps the tenant in their property and it keeps a tenant on the lease, which is also good for the landlord, and it preserves the lease that is in place that underpins the value of those assets.

"This is seen as a proactive, a constructive and co-operative mechanism for landlords and tenants to see this through together."

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