

# COVID-19 AND RENT RELIEF: UNDERSTANDING THE NEW CODE OF CONDUCT

If your business has been impacted by COVID-19 and you are struggling to pay your commercial lease, the new National Cabinet Mandatory Code of Conduct (the Code) could help.

The Code will apply to tenants impacted by COVID-19 who are eligible for the JobKeeper payments. That is:

- businesses whose turnover is under \$50 million; and
- whose revenue has decreased by at least 30%.

When you negotiate temporary rent relief with your landlord, you are both required to keep the Code's mandatory principles in mind.

## KEY PRINCIPLES OF THE MANDATORY CODE



### Moratorium on Evictions

Landlords cannot evict you for not paying your rent during the pandemic, which includes a reasonable recovery period. This means if you cannot pay your rent, you do not need to worry about having your lease terminated.



### Proportionate Rent Reductions

Landlords must offer you a rent reduction that is in proportion to the reduction in your business' turnover. At least 50% of the rent reduction must be in the form of a waiver, i.e. you won't have to pay any rent for this portion.



### No Penalties for Failing to Trade or Reduced Hours

Landlords cannot enforce penalties for failure to trade or for a business' reduced opening hours during the pandemic period. This means, if you need to close your business you can do so without fear of penalty.



### Landlords Cannot Draw on Bank Guarantees or Security Deposits

The landlord cannot draw on your bank guarantee, security deposit or personal guarantee for non-payment of rent during the pandemic. This means you do not have to worry about topping up your security.



### Managing Rent Deferrals

Landlords cannot charge fees or excessive interest for amounts that have been deferred or waived. Repayment of your rent deferrals should be spread over the remainder of the lease term or, if this is less than 24 months, over a period of 24 months.



### Freeze on Rent Increases

There is a freeze on increases of rent except where the rent is based on turnover. This freeze will extend into the reasonable subsequent recovery period.

### Action Items

1. If your business is affected by COVID-19, you should get in contact with your landlord and begin negotiations, keeping the Code's principles in mind.
2. Be alert for updates on both the JobKeeper Scheme and the Code of Conduct.
3. Continue to carry out your obligations under your lease where possible, including paying the rent. Once you have negotiated the changes to the agreement, you are required to meet the new terms.