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Western Australia

**Commercial Tenancies (COVID-19 Response)
Regulations 2020**

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Commercial Tenancies (COVID-19 Response) Act 2020

Commercial Tenancies (COVID-19 Response) Regulations 2020

SL 2020/68

Made by the Governor in Executive Council.

1. Citation

These regulations are the *Commercial Tenancies (COVID-19 Response) Regulations 2020*.

2. Commencement

These regulations come into operation as follows —

- (a) regulations 1 and 2 — on the day on which these regulations are published in the *Gazette*;
- (b) the rest of the regulations — on the day after that day.

3. Adopted code of conduct (s. 13)

- (1) In this regulation —

eligible tenant, in relation to a small commercial lease, has the meaning given in Schedule 1 clause 2;

relevant small commercial lease means a small commercial lease where the tenant is an eligible tenant in relation to the small commercial lease.

- (2) For the purposes of section 13(2) of the Act, the code of conduct set out in Schedule 1 is adopted.

Commercial Tenancies (COVID-19 Response) Regulations 2020**r. 4**

- (3) The adopted code of conduct applies to the following —
 - (a) a small commercial lease that is a relevant small commercial lease;
 - (b) a person who is a landlord under a relevant small commercial lease;
 - (c) a person who is a tenant under a relevant small commercial lease.
- (4) The following persons must comply with the adopted code of conduct —
 - (a) a person who is a landlord under a relevant small commercial lease;
 - (b) a person who is a tenant under a relevant small commercial lease.

4. Copies of applications under s. 16(1) of Act (s. 16(6))

For the purposes of section 16(6) of the Act, a copy of the application —

- (a) must be given within 5 days after the day on which it is accepted by the executive officer of the Tribunal; and
- (b) may be given in the following ways —
 - (i) in accordance with the *State Administrative Tribunal Rules 2004* rule 26(3);
 - (ii) by email to the email address (if any) that the person to whom it is given has provided for the purpose of receiving notices or other correspondence in relation to the lease to which the application relates.

5. Section 17(5)(b) of Act does not apply in certain cases (s. 23)

For the purposes of section 23 of the Act, section 17(5)(b) of the Act does not apply in a case where the State Administrative Tribunal considers it appropriate to make another type of order that is to the advantage of the tenant in order to resolve or determine the dispute or the proceedings.

Commercial Tenancies (COVID-19 Response) Regulations 2020

Code of conduct

Schedule 1

Terms used

Division 1**cl. 1****Schedule 1 — Code of conduct**

[r. 3(2)]

Division 1 — Terms used**1. Terms used****(1) In this Code —**

Act means the *Commercial Tenancies (COVID-19 Response) Act 2020*;

dispute has the meaning given in section 14(1) of the Act;

eligible tenant, in relation to a small commercial lease, has the meaning given in clause 2;

outgoings, in relation to the land or premises that are the subject of a small commercial lease —

- (a) means expenses of the landlord in operating, repairing or maintaining —
 - (i) the building or area in which the land or premises are located; or
 - (ii) the area owned by the landlord and used in association with the building or area in which the land or premises are located;

and

- (b) includes —
 - (i) rates, taxes, levies, premiums or charges payable by the landlord; and
 - (ii) in the case of a retail shop lease — the landlord's operating expenses;

protected information means —

- (a) the name, address or contact details of any person (other than the landlord or the tenant under the small commercial lease); or
- (b) information relating to business processes or financial information (including information about the trade of a business);

Commercial Tenancies (COVID-19 Response) Regulations 2020**Schedule 1** Code of conduct**Division 1** Terms used**cl. 2**

rent relief —

- (a) means any form of relief provided to a tenant in respect of the tenant's obligation to pay rent under a small commercial lease; and
 - (b) includes the following —
 - (i) a waiver by the landlord of all, or a portion of, rent that would otherwise be payable under the small commercial lease;
 - (ii) the deferral of the payment of all, or a portion of, rent that would otherwise be payable under the small commercial lease on a particular date to a later date.
- (2) A term has the same meaning in this Code as it has in the Act, unless the contrary intention appears in this Code.

2. Eligible tenants

- (1) A tenant under a small commercial lease is an ***eligible tenant*** in relation to the small commercial lease if —
 - (a) the following turnover in the financial year ending on 30 June 2019 was less than \$50 000 000 —
 - (i) if the tenant is a franchisee — the turnover of the business conducted by the tenant at the land or premises that are the subject of the small commercial lease;
 - (ii) if the tenant is a corporation that is a member of a group — the turnover of the group;
 - (iii) in any other case — the turnover of the business conducted by the tenant at the land or premises that are the subject of the small commercial lease;
- and
- (b) the tenant —
 - (i) qualifies for the jobkeeper scheme under the *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020* (Commonwealth) section 7; or

Commercial Tenancies (COVID-19 Response) Regulations 2020

Code of conduct

Schedule 1

Purpose and overarching obligations of landlords and tenants

Division 2**cl. 3**

- (ii) has, at any time during the emergency period, satisfied the decline in turnover test set out in section 8 of those Rules.

- (2) For the purposes of subclause (1)(a)(ii), corporations constitute a group if they are related bodies corporate (as defined in the *Corporations Act 2001* (Commonwealth) section 9).

Division 2 — Purpose and overarching obligations of landlords and tenants**3. Purpose**

This Code sets out small commercial lease principles during the COVID-19 pandemic.

4. Overarching obligations of landlords and tenants

In negotiations for the purposes of this Code, the landlord and the tenant under a small commercial lease —

- (a) must cooperate; and
- (b) must act reasonably and in good faith; and
- (c) must act in an open, honest and transparent manner; and
- (d) must provide each other with sufficient and accurate information that is reasonable for them to provide in the circumstances for the purposes of the negotiations; and

Example for this paragraph:

Information evidencing a reduction in turnover of a business might include information relating to turnover generated from an accounting system.

- (e) must not make onerous demands for information from each other.

Division 3 — Principles applying to rent relief**5. Requesting rent relief**

- (1) A tenant under a small commercial lease who is an eligible tenant in relation to the small commercial lease may, during the emergency period, request rent relief from the landlord under the small commercial lease.

Commercial Tenancies (COVID-19 Response) Regulations 2020**Schedule 1** Code of conduct**Division 3** Principles applying to rent relief**cl. 6**

- (2) The request must be in writing and be accompanied by the following —
- (a) a statement by the tenant that —
 - (i) the tenant's lease is a small commercial lease; and
 - (ii) the tenant is an eligible tenant in relation to the small commercial lease;
 - (b) sufficient and accurate information that evidences that the tenant is an eligible tenant in relation to the small commercial lease;
 - (c) sufficient and accurate information that evidences the reduction in the tenant's turnover that —
 - (i) is associated with the business conducted at the land or premises that are subject of the small commercial lease; and
 - (ii) the tenant has experienced during the emergency period.

6. Offering and negotiating rent relief

- (1) On receipt of a request for rent relief from an eligible tenant that meets the requirements of clause 5(2), a landlord must offer rent relief to the eligible tenant within —
- (a) 14 days after receiving the request; or
 - (b) such other period that is agreed between the landlord and the tenant.
- (2) A landlord's offer of rent relief under subclause (1) must be —
- (a) in writing; and
 - (b) in accordance with the principles set out in clause 7.
- (3) Following receipt of the landlord's offer of rent relief by the tenant, the landlord and the tenant must, in accordance with the principles set out in clause 7, negotiate with a view to agreeing on rent relief to apply during the emergency period.

Commercial Tenancies (COVID-19 Response) Regulations 2020

Code of conduct

Schedule 1

Principles applying to rent relief

Division 3**cl. 7****7. Principles applying to offering and negotiating rent relief**

- (1) This clause sets out principles that apply to a landlord's offer of rent relief and negotiations between a landlord and a tenant in relation to rent relief.
- (2) An offer of rent relief must apply to the emergency period.
- (3) Rent relief offered by the landlord must be at least proportionate to the reduction in the tenant's turnover that —
 - (a) is associated with the business conducted at the land or premises that are the subject of the small commercial lease; and
 - (b) the tenant has experienced during the emergency period.

Example for this subclause:

If the tenant has experienced a 60% reduction in turnover, the rent relief offered should be at least 60% of the rent payable.

- (4) For the purposes of subclause (3), unless otherwise agreed by the landlord and the tenant, the reduction in the tenant's turnover is to be calculated using the principles of the decline in turnover test set out in the *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020* (Commonwealth) section 8 (including any relevant alternative decline in turnover test determined under that section) with such modifications as are appropriate to reflect subclause (3)(a) and (b).
- (5) An offer of rent relief may relate to up to 100% of the rent payable under the small commercial lease.
- (6) An offer of rent relief must provide that not less than 50% of the rent relief is to be in the form of a waiver of rent, unless the landlord and tenant otherwise agree in writing.
- (7) An offer of rent relief must provide that more than 50% of the rent relief is to be in the form of a waiver of rent if —
 - (a) failure to provide more than 50% of the rent relief in the form of a waiver of rent would compromise the tenant's capacity to fulfil the tenant's ongoing obligations under the small commercial lease; and
 - (b) the landlord has the financial capacity to provide more than 50% of the rent relief in the form of a waiver of rent.

Commercial Tenancies (COVID-19 Response) Regulations 2020**Schedule 1** Code of conduct**Division 3** Principles applying to rent relief**cl. 8**

- (8) If the landlord is a tenant under a lease (the *head lease*) of the land or premises that are the subject of the small commercial lease and the landlord, as the tenant, is provided rent relief under the head lease, the landlord must pass on the benefit of the rent relief to the tenant under the small commercial lease.

8. Giving effect to rent relief

Rent relief under this Code may be given effect by the landlord and the tenant under a small commercial lease by —

- (a) a written variation to the small commercial lease; or
- (b) any other written agreement between the landlord and the tenant that gives effect to the rent relief, either directly or indirectly.

9. Payment of deferred rent and extension of term of lease

- (1) This clause applies if rent payable under a small commercial lease is deferred by variation to the small commercial lease or an agreement referred to in clause 8.
- (2) The landlord must not request payment of any part of the deferred rent until the earlier of the following —
 - (a) the day on which the emergency period ends;
 - (b) expiry of the term of the small commercial lease (before any extension to the term under subclause (6) or otherwise).
- (3) The landlord and the tenant must vary the small commercial lease, or otherwise agree, so that the tenant must pay the deferred rent to the landlord amortised over the greater of the following —
 - (a) the balance of the term of the small commercial lease;
 - (b) a period of not less than 24 months.
- (4) The method by which the deferred rent is amortised for the purposes of subclause (3) is to be agreed by the landlord and the tenant.
- (5) Subclauses (2) and (3) do not apply if the landlord and the tenant agree otherwise in writing.

Commercial Tenancies (COVID-19 Response) Regulations 2020Code of conduct **Schedule 1**Principles applying to rent relief **Division 3****cl. 10**

- (6) Subject to subclause (8), the landlord must offer the tenant an extension of the term of the small commercial lease on the same terms and conditions that applied under the small commercial lease immediately before the emergency period.
- (7) The extension offered under subclause (6) must be equivalent to the period for which the rent is deferred, unless the landlord and the tenant agree otherwise in writing.
- (8) Subclause (6) does not apply if —
 - (a) the landlord is the tenant under a lease (the *head lease*) of the land or premises that are the subject of the small commercial lease and the extension would be inconsistent with the head lease; or
 - (b) the extension would be inconsistent with any contract or other agreement already entered into by the landlord with another person (other than the tenant) that relates to the land or premises that are the subject of the lease (including an agreement to lease the land or premises to the other person).

10. Existing agreements and subsequent requests for rent relief

- (1) Subclause (2) applies if, before this Code was adopted under the Act —
 - (a) the landlord and the tenant under a small commercial lease entered into an agreement to vary the small commercial lease, or entered into any other agreement, so as to provide rent relief during the emergency period or any part of the emergency period (the *existing agreement*); and
 - (b) the tenant is an eligible tenant in relation to the small commercial lease.
- (2) If the tenant believes that the rent relief provided under the existing agreement is less favourable than rent relief that might be provided to the tenant in accordance with this Code —
 - (a) the tenant may make a request for rent relief to the landlord under clause 5; and
 - (b) if the tenant makes a request — the landlord and the tenant must follow the process set out in clause 6 in relation to that request.

Commercial Tenancies (COVID-19 Response) Regulations 2020**Schedule 1** Code of conduct**Division 4** Principles applying to outgoings and other expenses**cl. 11**

- (3) If the financial circumstances of an eligible tenant in relation to a small commercial lease materially change after a variation to the small commercial lease or an agreement has been reached as referred to in clause 8 —
- (a) the tenant may make a further request for rent relief to the landlord under clause 5; and
 - (b) if the tenant makes a further request — the landlord and the tenant must follow the process set out in clause 6 in relation to that request.

Division 4 — Principles applying to outgoings and other expenses**11. Recovery of outgoings and other expenses**

- (1) This clause applies if —
- (a) the tenant under a small commercial lease is an eligible tenant in relation to the small commercial lease; and
 - (b) for any part of the emergency period, the tenant is not able to conduct their business at the land or premises that are the subject of the small commercial lease.
- (2) The landlord under the small commercial lease must consider waiving recovery of any outgoing or other expense payable by the tenant to the landlord under the small commercial lease for the part of the emergency period that the tenant is not able to conduct their business at the land or premises.
- (3) The landlord may cease to provide, or reduce provision of, any service at the land or premises —
- (a) as is reasonable in the circumstances; or
 - (b) in accordance with any reasonable request of the tenant.

12. Reduction in outgoings

- (1) This clause applies if —
- (a) any outgoings charged, imposed or levied in relation to the land or premises that are the subject of a small commercial lease are reduced in respect of the emergency period or any part of the emergency period; and

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Code of conduct

Schedule 1

Obligation of confidentiality

Division 5**cl. 13**

- (b) the tenant under the small commercial lease is an eligible tenant in relation to the small commercial lease.
- (2) The landlord under the small commercial lease must not require the tenant to pay any amount of money in respect of the outgoing that is greater than the tenant's proportional share of the reduced outgoing payable under the lease.
- (3) If the tenant under the small commercial lease has already paid to the landlord under the lease an amount of money greater than the tenant's proportional share of the reduced outgoing, the landlord must reimburse the excess amount to the tenant as soon as possible.

Division 5 — Obligation of confidentiality**13. Confidentiality**

- (1) A landlord or a tenant under a small commercial lease must not, directly or indirectly, disclose protected information obtained under or in connection with the operation of this Code unless the disclosure is authorised under subclause (2).
- (2) For the purposes of subclause (1), the disclosure of protected information is authorised if it is disclosed in good faith in any of the following circumstances —
 - (a) with the consent of the person to whom the information relates;
 - (b) to a professional adviser who agrees to keep it confidential;
 - (c) to an actual or prospective financier who agrees to keep it confidential;
 - (d) under a written law;
 - (e) for the purposes of making a request under section 18 of the Act;
 - (f) for the purposes of resolving a dispute with the assistance of the Commissioner (as defined in section 14(1) of the Act);
 - (g) for the purposes of an alternative dispute resolution proceeding under the *Small Business Development Corporation Act 1983* in respect of a dispute;

cl. 13

- N. HAGLEY, Clerk of the Executive Council.

Commercial Tenancies (COVID-19 Response) Regulations 2020

Defined terms**Defined terms**

[This is a list of terms defined and the provisions where they are defined.

The list is not part of the law.]

Defined term	Provision(s)
Act.....	Sch. 1 cl. 1(1)
dispute.....	Sch. 1 cl. 1(1)
eligible tenant.....	3(1), Sch. 1 cl. 1(1) and cl. 2(1)
existing agreement	Sch. 1 cl. 10(1)
head lease.....	Sch. 1 cl. 7(8) and cl. 9(8)
outgoings.....	Sch. 1 cl. 1(1)
protected information.....	Sch. 1 cl. 1(1)
relevant small commercial lease	3(1)
rent relief.....	Sch. 1 cl. 1(1)