UK COLLABORATIVE CENTRE FOR HOUSING EVIDENCE

How taxation varies between owner-occupation, private renting and other housing tenures in European countries

An overview

Jens Lunde (Copenhagen Business School) and Christine Whitehead (London School of Economics)

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About the authors

Jens Lunde was Associate Professor in the Department of Finance at Copenhagen Business School from 1984 to 2016. Since then he has continued to undertake research in an Emeritus capacity at CBS. He previously taught in the Department of Economics and Finance at the University of Copenhagen and worked at the Danish Ministry of Housing and the Danish Building Research Institute, where he was involved in the introduction of index linked mortgages. His main specialisms are in housing finance with particular emphasis on the analysis of individual data.

Christine Whitehead is Professor Emeritus in Housing Economics at the LSE and a Deputy Director of LSE London. Previously she was Professor in the Economics Department and also Director of the Cambridge Centre for Housing and Planning Research at the University of Cambridge. Her research is mainly in the fields of housing economics, finance and policy. She has worked with a wide range of national and international agencies as well as regularly for the UK government and Parliament.

Contributors to the research

John Anderson is the Baird Family Professor of Economics at the University of Nebraska-Lincoln. His research interests are in public finance, housing, and urban economics. He has served as a policy adviser to federal, state, and local governments including as Senior Adviser at the President's Council of Economic Advisers in Washington DC.

Andreja Cirman is a Full Professor at the School of Economics and Business, University of Ljubljana. Her research and teaching interests are real estate, urban and housing economics. She is one of the two coordinators of the Housing Finance Working Group at European Network for Housing Research.

Yener Coskun is an associate professor in finance with a specific focus on financial economics and housing macroeconomics. He currently holds a visiting position at TED University in Turkey. He has worked as a senior regulator for the Capital Markets Board of Turkey since 1995.

Lúðvík Elíasson has a PhD in Economics from the University of Washington. He is the head of research and forecasting at the Central Bank of Iceland. His research focuses on the macroeconomic dynamics of housing policy, resource use and monetary decisions.

Marja Elsinga is Professor of Housing Institutions and Governance in the Faculty of Architecture and the Built Environment, Delft University of Technology. She has had almost thirty years of experience in housing research and publishes widely on topics including housing policy, social housing, housing affordability in both the Global North and the Global South..

Peter Englund is Professor Emeritus in Economics at the Stockholm School of Economics and at Uppsala University. His research interests are mainly in the fields of housing economics and finance with an emphasis on financial stability.

Marietta Haffner is Assistant Professor at the Faculty of Architecture and the Built Environment, Delft University of Technology. She is Editor-in-Chief of Housing Studies, Editor of Ruimte en Wonen, TUD-coordinator of RE-DWELL, and elected member of the Coordination Committee of European Network for Housing Research (ENHR).

József Hegedüs is a founding member and a managing director of the Metropolitan Research Institute, a think-tank in urban and housing policy, established in 1989 in Budapest, Hungary. His scientific work focuses on housing regimes in post-socialist countries. He has published widely in books and journals and co-edited five books.

Padraic Kenna is a Senior Lecturer in Law at NUI Galway, and contributes at national and international level in housing research and publications, especially through the Centre for Housing Law, Rights and Policy. He has published widely on housing rights and aspects of housing systems.

Stefan Kofner is Professor of Housing Management at the University of Applied Sciences Zittau/Gorlitz and Director of the TRAWOS research institute. He is an economist who has worked on many comparative research projects and publications particularly about housing finance and social and private rented housing in Germany.

Tommi Laanti is a senior housing adviser at the Department of the Built Environment in the Finnish Ministry of the Environment. His work as a Head of Unit relates to government housing policy, subsidy systems regarding housing finance and housing and construction market analysis.

Jacek Laszek is Professor at the Warsaw School of Economics and a leading advisor to the National Bank of Poland. For more than twenty years he has conducted research and given advice on housing finance systems in Poland and other Central and Eastern European countries.

Martin Lux is Head of Department of Socioeconomics of Housing at Institute of Sociology, Czech Academy of Sciences, and associated professor at Palacky University Olomouc. He is a chief-editor of Critical Housing Analysis. His research focuses on the dynamics of housing systems, finance and policies in post-socialist countries.

Alexis Mundt is an economist and historian, working as research associate at the Vienna-based IIBW - Institute for Real Estate, Construction and Housing. His areas of research include social policy evaluation, international housing policy, housing finance and housing economics including many evaluations of housing policy in European countries.

Irene Pena is Chief Economist at the Spanish Mortgage Association a professional association of financial institutions that have a major presence in the Spanish mortgage market. She is a member of several working groups of the European Mortgage Federation and the European Covered Bond Council.

Kathleen Scanlon is Distinguished Policy Fellow and Deputy Director of LSE London at the London School of Economics. She works on issues around housing finance, housing tenure and regulation both at national and international level. Particular interests are the private rented sector, community housing, spatial planning and land policy.

Richard Sendi is a senior researcher at the Urban Planning Institute of the Republic of Slovenia. He specialises in housing research and is Head of Housing Studies at the Institute.

Magnús Árni Skúlason is the founder and chairman of Reykjavik Economics. Before this he was an Associate Professor and the Director of the Centre for Housing Research at Bifröst University. He has written extensively on the Icelandic housing market.

Eszter Somogyi is a senior researcher at the Metropolitan Research Institute, Budapest. She has more than twenty years' experience in research and policy consultancy related to urban regeneration, housing policy and complex policy making targeting vulnerable people.

Petr Sunega is a member of the Department of Socioeconomics of Housing at the Institute of Sociology of the Czech Academy of Sciences, and review editor of Critical Housing Analysis. His research interests include housing choice, wealth inequality, social housing, housing benefits and housing economics. He specializes in quantitative research.

Claude Taffin is a consultant with 40 years of experience in the housing sector and co-founder of the website "politiquedulogement.com". He was in charge of housing at the French Institute of Statistics (Insee) and worked at several housing organisations in France before joining the World Bank as Senior Housing Finance Specialist.

Andrey Tumanov is a Russian housing expert at DOM.RF – the Russian State Housing Development Agency. For more than 20 years his key area of interest has been the development of housing finance and residential construction in Russia and CIS countries. He has served as an expert in housing finance for UN ECE.

Katleen Van den Broeck is senior researcher in housing at HIVA Research Institute for Work and Society of KU Leuven in Belgium. She has a broad background in socio-economic research. At HIVA-KU Leuven she works mainly on subjects related to housing quality and housing policy instruments.

Michael Voigtländer is a senior expert on real estate economics at the German Economic Institute (Institut der deutschen Wirtschaft). He is Honorary Professor at the Bonn-Rhine-Sieg University of Applied Sciences. Voigtländer is a well-known real estate economist in Germany and contributes regularly to the public debate on housing and real estate markets.

Bernard Vorms is a senior economist who has chaired or directed several institutions active in the field of housing. He has carried out a large number of official reports and surveys benchmarking international housing policies, notably on housing finance, the functioning of the housing market and relations between tenants and landlords.

Sien Winters works at KU Leuven. She is one of the leading experts in housing research in Flanders, Belgium. She leads a multi-disciplinary group of researchers studying housing needs and housing markets, and carrying out ex-ante and ex-post evaluations of housing policy instruments.

Romana Xerex is Assistant Professor of Housing Policy and Community Neighbourhood Networks at the School for Social and Political Sciences at the University of Lisbon. Her research focuses on comparative housing regimes and welfare reform.

Maria B. Yanotti is a Senior Lecturer in Economics the University of Tasmania. She is an applied economist specialising in housing finance, housing markets, and household economics and finance. She is particularly known for her work on mortgage markets and Australian housing markets.

Judith Yates is currently an Honorary Associate in the School of Economics at the University of Sydney following a career of more than 40 years in academia. She has published widely in the fields of housing economics, finance and policy and has served on numerous housing and finance advisory bodies especially for the Australian government.

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Contents

Executive Summary ... 7

1. Introduction: aims and methodology ... 13

    1.1 Principles: housing as an investment good ... 14

    1.2 Methods ... 15

2. The type of landlords letting private rental properties ... 16

3. Do private landlords pay income tax on (net) rental income and how? ... 19

4. Do housing associations/social housing companies pay income tax on (net) rental income? ... 23

5. Do owner-occupiers pay imputed income tax? ... 24

6. Taxation of rental income in other tenures ... 25

7. Do owner-occupiers/landlords receive a depreciation allowance? ... 26

8. Do owner-occupier/landlords pay capital gains tax? ... 26

    8.1 Owner-occupiers ... 26

    8.2 Private landlords ... 28

9. Do owner-occupiers/landlords receive mortgage tax relief? ... 28

10. Property and land taxes ... 32

    10.1 Property taxes ... 34

    10.2 Land taxes ... 35

11. Wealth tax - does it include residential properties? ... 36

12. Inheritance tax ... 36

13. Taxes on transactions - stamp duties and registration duties ... 40

14. Are there income related subsidies for tenants/occupiers? 44

15. Are there subsidies for first time buyers? 45

16. Are there any other taxes/subsidies to owner-occupiers, landlords or tenants? 46

17. A final question: In general, how would you describe the relative tax position of owner-occupiers as compared to landlords now (in 2016) as compared to 5 years ago? 47

18. Conclusions 49

References 52

Appendix tables 54

List of tables

Table 1.1. Types of owners of private rental properties and their proportion of the stock of private rental properties, Austria 17

Table 1.2. Types of owners of private rental properties and their proportion of the stock of private rental properties in the Czech Republic 17

Table 1.3. Types of owners of private rental properties and their proportion of private rental properties in Sweden 18

Table 2. General tax rules and tax rates for private landlords across countries 19

Table 3. Do owner occupiers and private landlords receive mortgage tax relief? 29

Table 4. Tax on property (2018-2019) 33

Table 5. Existence of inheritance tax on housing wealth 37

Table 6. Taxes on transactions - stamp duties and registration fees 41

Table 7. How has the relative position of owner-occupation changed? 47

Table A1. Do landlords receive a depreciation allowance? 54

Table A2. Do private landlords pay capital gains tax? 55

Table A3. The existence of property taxation 57

Executive Summary

Objectives

- The purpose of this paper is to give an overview of housing taxation across European countries and to provide a source document on the comparative taxation position of housing both between different tenures within each country and between countries.

- Economists see housing as an asset and therefore expect it to be taxed as other investment goods. But from governments' point of view it is both a significant source of revenue and high on the priorities of voters, generating very different pressures.

- In practice housing is taxed in very different ways - ranging from as a consumption good through as a depreciating asset to a non-depreciating asset - both within and between countries – so the result is rarely economically coherent.

Methods

- The starting point for this analysis was the publication of Milestones in Housing Finance (Lunde and Whitehead, 2015) which covered twenty European countries together with Australia. The same country correspondents generously agreed to respond to a detailed questionnaire on housing taxation to complement this text. The USA was also included. Responses have been updated twice, with the final check undertaken in August 2020. A number of other specialists in housing taxation also kindly commented on drafts.

- Over the years there have been many comparative studies covering different groups of countries. These have often concentrated on the under-taxation of owner-occupation particularly, following Poterba (1984), as compared to other assets – notably the latest publication from the European Commission (Barrios et al, 2019).

- Our paper addresses a wide range of housing specific issues: notably how the taxation of owner-occupation compares with private and even social renting and the impacts of taxation, subsidies and other factors on tenure choice both within and between countries.

Characteristics of private landlords

- Within the private rented sector, we observed a range of ownership types across the countries included in our sample. Each type may face somewhat different tax positions and indeed the choice of legal entity is often a function of the differential taxation regimes.

- The most important distinction is between landlords who are private individuals or individual private companies - usually the dominant group and owning one or a small number of units - and public companies, including eg pension funds, which generally account for a small proportion of landlords but have much larger holdings.

- The type of landlord is also related to the type of property in that flats are more likely to be owned by public companies.

Do private landlords pay tax on net rental income?

- Net rents are generally treated as investment income in all of the sample countries. However, over the years, taxation systems have become very much more extensive and often no longer obey the simple rules. They also differ between types of private landlords. Taxation rates also differ greatly between countries – from 15% to 60%.

- There have been no fundamental changes over the last few years with respect to the income taxation of private landlords. However, there have been a number of cases where rates and/or exemptions have changed, some of which have resulted in significant changes in tax paid.

Do social landlords pay tax on net rental income?

- There are two main approaches –(i) social landlords should not pay income taxation (particularly because they do not distribute surpluses) or (ii) every entity that makes a surplus should pay tax on these surpluses – although rates are often lower for social entities. The second approach is seen more in northern Europe.

- There have been some increases in taxation, notably in the Netherlands which now has a Landlord Levy paid mainly by housing associations and in response to the European Directive on Tax Avoidance – eg in Denmark.

Do owner-occupiers pay imputed income tax?

- The simple answer is generally no: 18 of the 22 countries have no such tax and two of the others it is only on second homes. Only in the Netherlands is there a clearly defined imputed tax (and Luxembourg, outside our sample) and the rates are very small.

- Arguably however a property tax specific to owner-occupation may be regarded as a substitute for an imputed income tax. Denmark is the clearest example, with a tax on a percentage of the value of the property. Sweden has also moved from an imputed income tax to a property tax. In some other countries the same tax form is levied on all assets and is called a wealth tax.

Is imputed rental income taxed in co-operatives?

- The Czech Republic, Sweden and Denmark have large co-operative sectors. Co-operatives generally do not pay income tax but do pay property taxes and are taxed on sales prices.

Do owners receive a depreciation allowance?

- Given imputed income is generally not taxed it is not surprising that there is no depreciation allowance for owner-occupiers.

- In countries where there is a depreciation allowance for landlords both the rates and the number of years over which it is allowed varies greatly. Rules are complicated but there have been no changes over the last 5 years.

- In some countries, notably the UK, Norway and Finland, housing is treated as a perpetual asset so landlords cannot claim depreciation but may have rights to offset some costs against income.

Do owner- occupiers and landlords pay capital gains tax?

- In most countries in the survey, owner-occupiers pay no capital gains tax and this position has not changed over decades. The exceptions are Portugal, Spain, Sweden and the USA.

- Among those countries where capital gains tax is generally not taxed, tax may be charged if the owner sells within a few (2 to 5) years and does not purchase another home fairly rapidly; and on second homes especially if they are let out.

- Landlords across all survey countries normally pay capital gains tax on nominal increases in value. However, the details vary greatly, both between countries and landlord types.

Does the owner receive mortgage tax relief?

- In Anglo-Saxon based countries mortgage tax relief for owner-occupiers had generally been the norm. However the rules have changed considerably over the last few years. In Scandinavian countries interest relief is available on all loans. Overall, however 13 countries have no mortgage tax relief for owner-occupiers – except for some historic purchases; another (Belgium) has it only in one region. Among the 8 where it is still normal half are Scandinavian countries and others have limited the reliefs available.

- In the private rented sector housing has normally been treated as an investment good, so tax relief has been available. However, there have often been exceptions and variations between landlord types. But in seven countries, four from Eastern Europe, it is not available and in the UK tax reliefs are now being heavily restricted.

- This is the area of housing taxation that has changed the most over the last few years – almost always through additional restrictions across the full range of countries.

Is there property and land taxation?

- In all countries taxes on real property, including housing, and on other types of wealth, account for a relatively small but significant part of both the tax burden and tax revenues.

- In all of the countries included in the survey property taxes are levied; almost always at rates determined by local authorities, with the revenues a major source of their income. As most countries find it difficult to update valuations, taxes are however usually levied at rates which are administratively, rather than current market value, determined.

- The OECD suggests that only 3 OECD countries have a pure land tax system: Australia and Denmark within our survey and Estonia which we did not cover. In Australia it is a state based annual tax levied at varying rates on the unimproved value of the land, but not on the owner-occupier's primary property. In Denmark, it is based on publicly assessed market values and levied by local authorities at rates between 2.6 and 3.4%.

- A number of our respondents said they have land taxes as an identified part of their overall property tax. The Czech Republic, Portugal, Spain and the USA are examples.

Wealth Taxes – do they include residential property?

- Among the 22 countries only two, Norway and Spain, have general wealth taxes. In some countries, such as Iceland and France, general wealth taxes have been abolished but in France it has been replaced by a wealth tax specific to real estate. In the USA, states may levy a tax on intangible assets, but the amounts involved are trivial.

Is there inheritance tax?

- Among the nineteen countries answering this question, 14 had some form of inheritance tax.

- Typically, owner-occupied housing is treated differently from other assets. Inheritance tax rates generally differ in relation to family connection: spouses, registered partners and children are more favourably taxed (or indeed untaxed) as compared to other heirs. Residence status is also often relevant. More generally there is a minimum value of assets below which tax is not charged. Similar rules often apply to gifts given during the owner's lifetime.

Are there taxes on transactions – stamp duties and registration duties?

- All but three of the countries in the survey levy stamp duties, with a smaller proportion also levying registration fees usually at much lower rates. They often generate significant revenues for government, although they may reduce mobility and adjustments more generally.

- Most are levied at a constant rate; some are progressive; and still others may differ by tenure or status (eg exemptions for first-time buyers). In some countries tenants also pay stamp duty.

Are there are income related subsidies for tenants and owner-occupiers?

- There are income related subsides for social tenants in most countries; private tenants are sometimes not covered or more usually are subject to less generous rules. Around half of our survey countries have some form of income support across all tenures.

- Rates often differ between household types – with families and older households given more help. Younger households are either excluded or treated less generously.

- We did not ask about changes over the last few years but general evidence is that post the financial crisis income related subsidies have often become less generous.

Are there subsides to first time buyers?

- Nearly half of the survey countries currently have no specific help for first-time buyers. However, a number of other countries have more general assistance to support owner-occupation– eg at the birth of a child or as a guarantee for lower valued mortgages which are likely to provide particular help to first-time buyers.

- Ten countries have specific help for first-time buyers. These include lower interest rates, tax rebates, mortgage guarantee and exemptions or lower levels of transactions taxes. Many of the schemes were introduced after the financial crisis and often had other objectives as well – notably to support the new build market.

Are there any other taxes/subsidies to owner-occupiers, landlords or tenants?

- Some respondents suggested there were too many other forms of tax, reliefs or subsidy to mention them all. Some aim to support parts of the market - eg subsidies to new build or to new build in the rental sector; to the private rented sector; to savings for house purchase; to mortgages; and to changes in household attributes – notably additional children. Some have aimed to help households adversely affected by the financial crisis – although these are generally being wound down.

Has the relative tax position of owner-occupiers as compared to landlords now (in 2016) changed over the previous 5 years?

- While the general picture is of stability in taxation arrangements, there have been very large numbers of specific changes, often in response to external factors such as the financial crisis.

- Owner-occupation generally remains the favoured tenure but the extent of the relative benefit has declined – in some countries very significantly.

- Reductions in mortgage tax relief have been the main cause of that decline. But it is also because interest rates have become much lower, so interest rate reliefs make less difference.

- There have also been moves to improve the tax position of landlords in a number of countries including the Czech Republic, Iceland; Portugal, Spain, and the UK – although in the UK further changes have now limited tax reliefs for individual landlords.

- Most commentators emphasise the relative position with respect only to how the taxation on mortgage interest, and to a lesser extent income, differ between the two tenures rather than differences in the tax treatment of other elements such as capital gains taxes, inheritance taxes and stamp duty.

- Family wealth, which is often concentrated in the home is generally protected with respect to inheritance - so wealthier owner-occupiers tend to be the greatest beneficiaries.

Conclusions

- The first and most obvious conclusion is that national tax systems in general and particularly the rules for housing taxation are both complicated and differ a great deal between countries.

- A second clear conclusion is that no country included in our survey has a housing tax system which is fully consistent with any set of principles usually put forward by economic commentators – whether looking at inter-tenure or inter-asset comparisons.

- Over decades of economic discussion, the greatest emphasis has been on the relative tax treatment of owner occupation as compared to private renting. Social housing has been excluded, as mainly being about supply and income related subsidies.

- Analyses have tended to concentrate on (i) the treatment of borrowing and income (both actual and imputed) between the tenures; (ii) within the rented sector mostly between individual private landlords and companies; and (iii) taxes on current income and expenditure – rather than on capital gains and other more general taxes – such as inheritance taxes, transactions taxes, wealth taxes and property taxes, all of which may exhibit tenure specific attributes.

- Only the Netherlands still has an imputed rent taxation system for owner-occupiers. Similarly, only Sweden taxes capital gains associated with the longer-term ownership of primary residential properties, while private landlords are taxed on capital gains in nearly all the countries in the survey. On the other hand, full mortgage tax relief only exists in 6 of our sample countries while eleven have removed it all together.

- One reason why it has proved possible to reduce or eliminate mortgage tax relief is that interest rates have declined over the last three decades – and look likely to remain very low for a long period.

- The result of these changes is that in most countries owner-occupied housing is being treated as a consumption good with no interest relief or capital gains tax and no capacity to offset costs of occupation. Private renting on the other hand – with some exceptions, notably the UK - is generally treated, as an investment good, with taxes on net income and value increases.

- There are many other tenure specific taxes, exemptions and subsidies that still distort this simplified picture.

- In particular, with respect to wealth taxation, there are clearly many distortions that affect housing investment decisions. There are also enormous political pressures against inter-generational transfers within the immediate family. Shifting the balance between income and property taxes towards property would reduce distortions.

- Overall, it is clear that housing taxation remains a highly complex area, where many relevant decisions are made for purposes unrelated to neutrality between tenures or even to improving housing outcomes. Such decisions are often made for highly political reasons.

- Finally, there are immense differences between countries in terms of the mix of tenure-specific and other housing and land based taxes. Even so, and in the face of an often rapidly changing economic environment, the emphasis is generally on stability rather than change.

UK COLLABORATIVE CENTRE FOR HOUSING EVIDENCE

1. Introduction: aims and methodology

A frequent introduction to papers on housing economics is that housing is often the biggest item in the family's consumption budget, is their largest investment good, and provides the greater part of their gross wealth – as well as acting as collateral for much of the family's debt (Maclennan, 1982; Meen and Whitehead, 2020). The return on investment in rental properties is an important source of income for landlords, while the return on investment in owner-occupied housing provides a large non-monetary income for owners and their families. Moreover, in both cases, their heirs will quite often find that much of any inheritance is in the form a residential property.

Not surprisingly, the income, use and wealth of these big and important immoveable goods are a tempting source of taxation for governments in all market economies – but that taxation impacts on individual decisions. It affects not only the levels of consumption of housing but also tenure choice, the value of homes and properties, and the extent to which households invest in housing rather than in other types of investment good. Even so, many economic analyses suggest that property taxation has at least the potential for being less distortionary than most other taxes. Moreover were property an indeed wealth to be taxed more coherently it would offer the opportunity to lower marginal tax rates elsewhere and potentially increase productivity (Henry et al, 2009; Mirrlees et al, 2011).

The purpose of this paper is to give an overview of housing taxation across European countries, all of which are market economies; to provide a baseline for understanding national markets; and to compare outcomes between countries. Thus taxation of rental income, whether in the form of rent or imputed income in the case of owner-occupiers, property tax, wealth tax, taxes on transactions such as stamp duties, and inheritance tax are all included. The purpose here is to identify the patterns of housing specific taxation found with respect to types of instrument and to tenure and how these differ between countries[1].

We excluded from our analysis discussion of taxes on physical investment in new build, and repair and improvement. These are not usually tenure specific and affect prices rather than housing income and wealth. VAT is the most usual form of such taxation and how this is treated is just as variable across countries as those on income and wealth[2].

When we did the final check in the summer of 2020, the respondents from Australia, the Czech Republic, Germany and the UK mentioned that Covid 19 had resulted in specific tax measures: the Czech Republic abolished stamp duty from 2020; in Germany VAT has been reduced to 16% from July to December, and in UK the government introduced a stamp duty exemption for all properties up to £500,000 (£250,000 in Scotland), until March 2021, to try to boost the housing market. Other countries have undoubtedly introduced similar changes – but at least initially they are expected to be short lived.

Housing taxation remains a "hot issue" in international economic theory and policy and a fundamental area of political debate in many countries. Partly this is because of how the housing market has functioned over the last decade – particularly the rapid increases in house prices and worsening affordability as well as the growth of the private rented sector – and partly simply because it provides an important source of income to both national and local governments. But it is also significantly about the differential impacts taxation regimes have on housing choice and therefore the mix of tenures observed in different countries. In this context, taxes on immoveable property – or taxes on increasing property prices– are a popular element in policy debate, including proposals for structural reform by leading economists. However, taxation of immoveable property is traditionally also very unpopular with the public – i.e. the voters – which helps to explain why these taxes have not always been raised to reflect changing values or

1 It is worth noting that housing is subject to the subsidiarty rules within the European Union. However, the taxation of housing is both affected by and affects the implementation of supra national taxation decisions (eg on VAT).

2 How and whether VAT is charged on new construction and repairs and maintenance differs between countries. For example, the Netherlands has a 19% VAT on new construction and repairs; Denmark, Germany and the UK exempt new construction but charge respectively 25%; 19% and 20% on repairs. In Hungary, VAT on construction has been 27% since 2016, but the government plans to introduce a VAT allowance (5 percent) for housing projects on urban brownfield areas. The USA has no VAT on either new construction or repairs, and there are no sales taxes on the value of properties (Oxley and Haffner 2010, p. 47). Spain charges a reduced VAT rate on the building and purchase of new houses at 10% with a lower 4% VAT for social (VPO) dwellings. VAT on rental income is generally not charged to individual landlords or tenants. A clear exception is Austria, where tenants have to pay a 10% VAT on rent paid and 20% on furniture, garages and heating costs.

even not been levied at all (Bird and Slack, 2004; Slack anf Bird, 2014).

A large number of economic policy analyses on housing taxation have been and will continue to be written (eg Oxley and Haffner, 2010; Fatica and Kramer, 2017). Most of these analyses are directed towards the 'under-taxation' of owner-occupied housing rather than attempts to move towards optimal property taxation. A recent example is the 98 pages long chapter IV in the Danish Economic Council's spring report on the business cycle (Danish Economic Council, 2016). Another is the new European Commission's database (2019). As the literature on the subject is enormous, no systematic literature review has been included here.

1.1 Principles: housing as an investment good

Housing is an asset and therefore we might expect it to be taxed as other investment goods. This would normally entail taxing both income (including imputed income) and wealth at a rate consistent with other investments but setting against this gross 'revenue' the costs of maintaining and managing the asset – so that it is the net return that is taxed. In practice housing across countries is taxed in very different ways - ranging from strictly as a consumption good to as a depreciating asset - both within and between countries. Taxation often also varies with the purpose of ownership (eg to live in the property or to rent the property to others). In the context of housing tenure, owner-occupation has historically been relatively favoured with the return on the asset only partly taxed or not taxed at all. The return on investment in rental properties is however mostly "normally" taxed i.e. in the same way as the return on other private investments in the relevant country. The exception to this is that rental properties owned by social housing organisations are often lightly taxed or tax exempt.

The return on an investment in (residential) property contains two elements: a) the rent and b) the change in the value of the property over the relevant period, i.e. the capital gain or loss. For private rental housing, the rent is simply what the tenant pays to the landlord. For owner-occupation, it equals the income that homeowners pay themselves by living in their own property – or alternatively explained: the rent is equal to the value of *using* the house or flat. As in this case the value of the use of the unit is not priced on the market it is normally defined as the "imputed rent" – i.e. the rent of the property, were it to be rented out.

The rental part of the return of a residential property can be taxed: for rental properties directly through the landlord's income taxation and for the owner-occupier as a tax on the imputed rent. The tax will normally be levied on net rent – i.e. taking account of the costs involved in renting or using the property. What is included in these costs varies between countries from zero – i.e. no costs are tax deductible - to all costs incurred including depreciation being exempt. In most countries the 'imputed rent' on owner-occupied dwellings is not taxed, so costs are also not exempt. These tax differentials impact not only on tenure choice but also on levels of housing consumption.

The owner's capital gain or loss has to be calculated over a period – often reflecting the dates of purchase and of sale or inheritance. Through this period the property is used and will be subject to "wear and tear'. Therefore, the value of the property changes over the ownership period, as the building part of the property ("structure") will be depreciated but normally not the quality of the land. Only if the property has been fully maintained to its original physical and economic quality, will the "pure" (in the sense that it is the same dwelling) capital gain be known. Some tax systems do not tax capital gains or losses especially on owner-occupied property; some tax 'real' gains while others tax increases in money values; and in most systems there are non-taxable allowances. . Some take wear and tear and associated costs into account; others apply a set depreciation rate; while others do not allow for deprecation or costs of upkeep.

There are a number of other taxes that are fairly generally used. In particular, many countries have (usually local) property taxes based on the valuation of the dwelling including land or on actual or assessed rent.. Some countries have separate land taxes based on often rather problematicly assessed values. In France additionally there has been a "taxe d'habitation", based on the same valuation and varying with the household's structure. It has gradually been reduced since 2018 and is to be abolished in 2023. The UK has a similar but simpler system based on value bands and a reduction of 15% for people living alone – the argument being that they use fewer local services. Some countries also have wealth taxes and/or inheritance taxes as well as transactions taxes. These can raise very considerable revenue but are also often unpopular.

While tax systems across our sample of countries are clearly complicated and often not closely related to the principles of property taxation (see e.g. Mirrlees et al, 2011), a preliminary conclusion across countries is that the overall picture of housing taxation country by country has been rather stable, in that respondents have identified relatively few changes in operational principles over the last few years. However, that does not mean that the impact of these principles have remained constant: there have been large numbers of examples of rate changes and variations in tax coverage as well as changes in the values of relevant variables – notably with respect to interest rates and inflation

Changes in housing taxation have been seen recently notably in Austria, Belgium, Hungary, the Netherlands and the UK and are proposed in, for instance, France and Denmark. Most of the major tax changes that have occurred have been with respect to mortgage tax relief, although changes to the treatment of private rental income and around tax and subsidy rules as well as variations in the impact on specific groups – e.g. non-residents or first time buyers – have also been observed.

The core objective of this paper is to provide a source document on the comparative taxation position both between different tenures within each country and with respect to housing taxation between countries, which can be used by researchers and policy makers when addressing these issues.

1.2 Methods

At the launch of the book "Milestones in European Housing Finance" on April the 1st 2016 in London, we used the occasion to collect information on these taxation issues from the authors of the 21 national chapters[3]. From that information, completed by all the authors, we generated a detailed template, which was checked by most authors[4]. In October 2019, the respondents updated a preliminary version of this paper to ensure that the information was as correct and up to date as possible, and their last check was done in August 2020.

Over the years there have been a number of attempts to make similar comparisons. In *Structural Factors in the EU Housing Markets* (European Central Bank, 2003), the housing tax and subsidy position was set out for each country. It has been updated quite regularly including a particularly detailed analysis of the extent to which owner-occupation is still treated preferentially (e.g. Fattica, S. and Prammer, D., 2017). Other studies include for instance "International trends in housing tenure and mortgage finance", a study of 19 countries for the Council of Mortgage Lenders, including an assessment of housing taxation and subsidy in these countries (Scanlon and Whitehead, 2004); a similar comparison for four EU countries, including an analysis of options for reform (Oxley and Haffner, 2010) and a study of trends, structures and measures following on from the global financial crisis (Wieser and Mundt, 2014).

The latest working paper from the European Commission, published in October 2019 *Housing taxation: a new database for Europe* (Barrios et al, 2019), provides data on some twenty plus variables covering the period 1995 - 2017. Some of these data come from secondary sources (including our own text, Lunde and Whitehead, 2016 and the EMF annual publication, Hypostat); some were collected from member state government national statistics; some came from direct surveys. The database also includes country specific comments. The objective was to measure the user cost

3 We are grateful to the respondents for their work and their patience. The respondents were: Australia: Judith Yates and Maria Yanotti. Austria: Alexis Mundt and Elizabeth Springer. Belgium: Sien Winters and Katleen Van den Broeck. Czech Republic: Martin Lux and Petr Sunega. Denmark: Jens Lunde. France: Bernard Vorms and Christian Tutin. Finland: Timo Tahtinen and Tommi Laanti. Germany: Stefan Kofner. Hungary: József Hegedüs and Eszter Somogyi. Iceland: Magnus Arni Skulason and Ludvic Eliasson. Ireland: Padraic Kenna. Netherlands: Hugo Priemus, Marja Elsinga and Peter Boellhouwer. Norway: Rolf Barlindhaug. Poland: Marta Widlak and Jacek Laszek. Portugal: Romana Xerez and Jaime R.S.Fonseca. Russia: Maria Pietnikova, Andrey Tumanov and Evgenia Zhelezova. Slovenia: Andreja Cirmann and Richard Sendi. Spain: Baralides Alberdi and Irene Peña Cuenca. Sweden: Peter Englund. Turkey: Yener Coşkun. U.K.: Kath Scanlon, Christine Whitehead and Henryk Adamczuk. To include USA, the group has been expanded with John E. Anderson of University of Nebraska-Lincoln. We also want to thank Christophe André, Michael Voigtländer, Germany and Marietta Haffner, Netherlands for valuable comments.

4 The templates are available from the authors on request.

of owner-occupation based on Poterba's seminal work in the early 1980s (Poterba, 1984). This compared owner-occupation, its financing and taxation with assets more generally. The database therefore includes variables such as government bond rates, income tax rates, tax rates on interest income, as well as housing specific variables, such as the value of the housing stock and the taxation of property, transactions, and capital gains as well as income. The findings are consistent with the 2017 ECB report and suggest owner-occupied housing – and its debt – are still treated preferentially as compared to other assets.

Our paper addresses much more housing specific issues: that of how owner-occupation compares with renting, particularly private renting, and thus what impact taxation, subsidies and other factors have on tenure choice within each country and the how the systems vary across countries. As compared to earlier discussions addressing this issue, the analysis ranges more widely to take account of taxes on e.g. property, transactions, stamp duties, wealth and inheritance, where there may be tenure differences.

The rest of the paper is structured as follows:

Section 2 clarifies the types of private landlords found in the sector where housing taxation is most closely related to how other investments are taxed; followed in section 3 by how landlords are taxed on their rental income. Sections 4 addresses the issue of how social landlords are taxed. Section 5 turns to the question of whether owner-occupiers pay tax on imputed income; while section 6 looks at other types of tenures. Section 7 examines the question of whether landlords and owner-occupiers receive depreciation allowances, while section 8 looks at issues around capital gains tax for both groups. Sections 9 addresses mortgage tax relief, the area where there have been many of the biggest changes. The next three sections cover land and property taxes; wealth taxes and inheritance taxes, while section 13 looks at transaction taxation. The next three sections bring in the question of subsidies for tenants and owner-occupiers, especially first-time buyers. Finally, respondents were asked how they would describe the relative tax position between owner-occupiers and landlords now as compared to five years ago. As this range of topics and the conclusions make clear, it is a complex subject!

2. The type of landlords letting private rental properties

Across most countries included in our survey, an overwhelming majority of *private* rental homes are owned by private individuals and individuals incorporated as small firms. In Australia, around 30% of households rent a home, of which the vast majority, around 85%, are owned by private persons/families. Corporates in Australia are involved mainly in providing student accommodation, a small part of the sector, but one which has become of increasing importance in terms of new building. High rates of individual ownership of private lettings are also found across very different housing systems, including for instance Hungary, where around 85 – 90% are owned by private persons /families and the rest by private firms; Spain, where the proportion is more than 90%; Russia at approximately 95%; Norway 83%; the Czech Republic 73%; and Ireland 71%.

In the UK 'Private individuals are and will continue to be the bulk of landlords, even if institutions massively increase their involvement.' (Scanlon et al, 2015). On the latest figures over 90% of landlords are individuals owning more than 80% of tenancies in England (MHCLG, 2019). Like Australia, corporates have become involved in building student accommodation and purpose-built Build to Rent flats.

Some countries have a greater mix of landlord types. In Slovenia, 47% of tenancies are owned by private persons/ families and 46% by all types of private companies. Estimates for Austria suggest that, while over half of the relatively few private rental properties are owned by single families or small private companies, 40-50% are owned by limited companies, insurance companies, private charitable foundations and other types of organisation. In Denmark, 51% of households in private rental dwellings live in properties owned by private persons/families, 42% in properties owned by limited companies and 6% owned by public authorities[5] (data from Statistics Denmark). In Sweden, ownership by joint stock companies and pension funds is more dominant. In the USA, the 2015 American Housing Survey suggested that 53% of privately rented homes were business-owned – often in the form of limited liability partnerships, with ownership concentrated in multi-family dwellings. Private persons owned 47% of the stock, concentrated in single-family homes and duplexes.

Tables 1.1 to 1.3 provide more detail with respect to the mix of ownership types in three of the countries listed above which have very different patterns of ownership.

Table 1.1. *Types of owners of private rental properties and their proportion of the stock of private rental properties, Austria.*

Owner type	Per cent
Private rental properties as per cent of housing stock	17.1% (micro census 2015) (660,000 dwelling).
Owned by:	
a. Private persons/families	Together own 50-60% of the private rented stock.
b. Individually owned firms	
c. Limited companies (joint stock companies)	Together estimated: 40-60%, mainly limited companies, insurance companies, private wealth foundations. Few pension funds involved.
d. Pension funds	
e. Other type of owners, (please mention the type): Insurance companies, private wealth foundations.	

Table 1.2 *Types of owners of private rental properties and their proportion of the stock of private rental properties in the Czech Republic.*

Owner type	Per cent
Private rental properties as per cent of housing stock	14.1% (Census, 2011)
In that owned by:	
a. Private persons/families (including coop members)	72.8%
b. Legal persons	15.5%
c. Other type of owners (combination of ownership)	5.8%
f. Not known	5.9%

5 Not to be confused with social housing associations.

Table 1.3 *Types of owners of private rental properties and their proportion of the stock of private rental properties in Sweden*

Owner type	Per cent
Private rental properties as a proportion of all dwellings (not including single-family houses, coops (bostadrättsföreningar) or housing companies owned by local government.	16.9
Proportion owned by:	
a. Private persons/families	17.1
b. Privately owned firms	(included in a)
c. Limited companies (joint stock companies)	68.1
d. Pension funds	14.8
e. Other type of owners, (please mention the type)	0.0

Source: Statistics Sweden

Importantly there are significant differences in ownership structure between different types of housing stock – with ownership by companies, pension funds etc. concentrated in flats. This is partly an outcome of the scale of investment – most individuals only own one or a small number of properties, while businesses generally own larger numbers; of the management required – single family homes and units with only a few flats need less management than large blocks of flats; and partly about legal forms of tenure – e.g. whether a flat in an apartment block can be owner-occupied differs between countries. As a result of these and other factors, larger apartment blocks are generally owned by corporations of one type or another, while rental flats in smaller residential properties are often owned by individual landlords or are owner-occupied. Single family homes are generally owner-occupied or owned by individual landlords.

Thus not only does the type of housing stock impact on tenure choice (e.g. in countries with more apartments it is usual to observe larger proportions of tenants), it also affects the types of landlords who own the properties. In Australia for instance, over 70% of the housing stock consists of single family, often custom built, houses and around 13% consists of semi-detached, terrace- and town-houses. Flats and apartments in multi-unit dwellings account for most of the remaining dwellings. Norway has a flexible housing stock much of which is in the form of single family homes, but often with a small flat in the basement of the house used by children/near family, if not let out or sold (Nordvik 2000). In both countries it is relatively easy for dwellings to switch tenure. On the other hand, in countries with large proportions of apartment blocks in urban areas and particularly those with legal constraints on the ownership of individual flats within these blocks (such as the USA and to a lesser extent Sweden) there will normally be a much higher proportion of corporate owners. Country specific attributes are often a reflection of the tax rules in the relevant countries.

Overall, we observe a wide range of ownership types across the countries included in our sample. Each type may face somewhat different tax positions and indeed taxation may be one reason for the observed variation in mix. However, it is generally accepted that the most important distinction in taxation terms is between private individuals (including individual companies) and corporate entities.

3. Do private landlords pay income tax on (net) rental income and how?

Even though in most countries private persons or individual companies dominate the private rented sector, it is obvious that 'private rental property is treated as an investment good in most countries' (Scanlon and Kochan, 2011). This would in principle imply that rental income net of costs and maybe depreciation would be taxed. In addition, depending on each country's tax regime for investments of all types, capital gains as well as income would be charged.

This basic principle is undoubtedly the starting point for taxation of landlords in most countries with a history of private renting. In the UK for instance when income tax was introduced in 1799, net rental income was taxed in the same way as other investments. Moreover, imputed rental income on the small number of owner-occupiers was similarly taxed (Holmans, 1987).

Over the years, however, taxation systems have become very much more extensive and often no longer obey the simple rules. As a result, the taxation of private landlords differs between types of private landlords within most countries, and thus also varies between countries. Looking at the evidence given us by respondents we start from the issues of general tax rules and income tax rates. Table 2 below gives a summary of relevant replies. It is kept very simple, and perhaps too simple, as it only includes core issues and there are other important differences besides.

Table 2 shows that rental income is taxed as capital income (i.e. allowing for at least some costs) in all countries in our survey. A partial exception is Norway, where the income from rental dwellings in the same house as the owner (as described above) is untaxed. Rents from lodgers living in the same house as an individual owner are also exempt up to a certain value in the UK. There may be other examples. Imputed income from second homes is generally not taxed.

What does differ are the tax rates which range from 15 to 60% - which means that there is no "typical" level – in part because overall taxation schemes and rates vary so greatly (Barrios et al, 2019).

Table 2. *General tax rules and tax rates for private landlords across countries*

Country	Private persons and family owned firms	Corporate tax (Limited companies)
Australia	Net surplus on rental income taxed at the marginal income tax rate for individuals (34.5% - 39% - 47%), including the compulsory Medicare levy. For properties held by private, self-managed super funds (SMSFs), 15% in accumulation phase; 0% in pension phase).	27.5%-30% corporation tax.
Austria	Up to 55% on net rental income	25% corporation tax; dividend tax 27.5%

Belgium	Federal income tax on net income (besides a regional and a local property tax). Landlords pay personal income tax (at their marginal tax rate) on imputed rent (the "cadastral value", which is far below the market value of the property) after deduction of 40% of costs. Interest payments can be deducted as a cost from the cadastral value.	34%-with 3 scales of reduced rates.
Czech republic	15% on private landlord rental income after deduction of all costs, including depreciation,	19%
Denmark	The net surplus on renting is taxed at the same tax rate as the owner pays on other income - i.e. from 47% - 60%	The net surplus on renting is taxed at 56.5% (corporate tax rate 25%, dividend tax net of corporate tax 42%). For pension funds, the rate is 15.3%.
Finland	Rental income is taxed as other investment income.	Rental income is taxed as other investment income.
France	Rental income is taxed at the landlord's marginal income tax rate.	Corporation tax above a limit (flat rate tax below limit).
Germany	Rental income is fully taxable, at the relevant personal tax rate.	Net rental income is fully taxable as other investment income.
Hungary	Taxed at 15% as part of PIT after deduction of all eligible costs or 10% lump sum.	Corporation tax at 9%, and dividend tax at 15%.
Iceland	Rental income fully taxed as capital income (at 22%) with 50% deductible if no more than 2 units rented.	20% corporation tax.
Ireland	Landlords pay tax on rental income, with allowance for interest payments, wear and tear on furniture and fittings, and some other identified costs- at 20% standard rate and 40% higher rate. In addition, a Universal Social Charge is levied on all income above an allowance at a rate of 1% up to €12,000 and progressive bands up to 11% of income.	12.5%. Tax advantages for new types of corporate landlords, which are registered as Special Purpose Vehicles.
The Netherlands	Flat rate of 30%, based on the assumption that a taxable yield of 4% is made on the net assets minus exempted amount(s). The effect is an annual tax of 1.2% on the value of the assets. Almost annual changes, some because of lawsuits. *	See rates for different years: **

Norway	No tax, if flat is situated in owner's house.1) but otherwise taxed at marginal rate.	Net rental income is taxed as capital income. The tax rate is 22% from 2019 (24% in 2017, 23% in 2018).
Poland	As a personal income tax PIT (linear 8.5% or progressive, according to income levels 18%, 32%).	A flat percentage corporation income tax CIT (19%)
Portugal	28%	25%
Russia [2)]	13%	20%
Slovenia	27.5%. - A standard deduction of 15% of gross income is available against taxpayer's rental income earnings, to cover income-generating expenses. Alternatively, the taxpayer can deduct actually incurred income generating expenses.	19% from 2017 – depreciation and all other costs are allowed as deductible expenses
Spain	Individual landlords pay taxes for the rental income net of costs. Mortgage interest rates and depreciation of 3% per year are included in these costs. Of this net rental income, 60% is tax exempt. The tax rate is set at the marginal rate of the taxpayer.	Companies pay taxes on net rental income. If they have eight or more units rented 80% of the net rental income is tax exempt. (The tax treatment of Spanish REITs is different.)
Sweden	30-60%	Regular corporate taxation: Joint stock companies: 22% corporate tax, dividend tax 30% for stockowners. Pension funds pay 15% times a reference interest rate, currently 0.58% on the capital value.
Turkey	Rental income is fully taxable, at the relevant marginal tax rate ranged between 15%-40% based on the yield from property.	Regular corporation tax at 20%.
UK	Individual landlords are taxed at their marginal rate of 20-45% Over the last 4 years a number of changes have limited reliefs3).	As of November 2019, corporation tax rate for all firms 19%.4)
USA	Standard national individual income tax rates apply to net rental income, ranging from 10% to 37%.	Landlords in the business of renting property may deduct interest expenses against their federal corporate income tax. Standard corporate income tax rates apply to rental income—usually 21% plus state taxes at varying rates. Non-corporate landlords are taxed as pass-through entities or individuals.

*) https://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/prive/inkomstenbelasting/heffingskortingen_boxen_tarieven/boxen_en_tarieven/box_3/box_3:

Vanaf 2017 verandert de berekening van de belasting over uw inkomsten uit uw vermogen. Meer daarover leest u bij Berekenen belasting over uw inkomsten uit vermogen vanaf 2017

**) https://www.belastingdienst.nl/wps/wcm/connect/bldcontentnl/belastingdienst/zakelijk/winst/vennootschapsbelasting/tarieven_vennootschapsbelasting

1) The market rent value on these rooms must be lower than the market rent value of the apartment/rooms the owner lives in. - In other cases, the capital tax on net rent incomes is 25%. (See also Nordvik, 2000).

2) An alternative to paying 13% income tax is to change status to self-employed and pay 6% tax plus applicable insurance. Yet another option is to buy "a patent" to rent a property. The price of a patent is 6% of the taxable base calculated on size and location of the property. In 2019 the new tax regime was tested in 4 regions: 4% for specific categories of self-employed persons (does not require a change of status). Eligibility depends on types of services, provided by the self-employed individual– e.g. renting property, nursing, teaching etc.

3) e.g. Mortgage interest payments cannot be deducted from rental income before tax is calculated. Instead, after tax is calculated a credit of 20% of the mortgage interest is applied. (Other changes to stamp duty and capital gains tax are discussed below)

4) In the summer of 2016, government announced that this would gradually fall to 18% in 2020.

Overall, the evidence suggests that there have been no fundamental changes over the last few years in the approach to the income taxation of private landlords, as reported by the country experts. What there has been is a number of cases where rates and/or exemptions have changed, some of which result in significant changes in tax paid. Slovenia provides a good example of a quite radical change. Before 2013, rental income was taxed within the personal income tax system at progressive rates (16%, 27%, 41%), and taxable rental income was computed by either deducting actually incurred income generating expenses (such as maintenance and repair costs, management fees) or by claiming a standard deduction of 40% of gross rent, to cover these expenses. After 2013, Slovenia shifted to a simpler tax rate on rent income of 25% - changed to 27.5% from 2020, with the tax payer allowed to deduct 10% - 15% (from 2020 on) of the rental income earnings as income-generating expenses, or still claim the expenses actually incurred. In the UK there have been reductions in reliefs alongside a generally more negative tax regime for Buy to Let landlords. Austria noted that there had been several adaptations to rates and rules over the recent years. Portugal also noted some minor modifications.

Our Australian respondent made a particularly relevant comment, which certainly applies in many European countries – that, while no changes had occurred in Australia since at least 2005, there has been live debate over the extent of interest deductions to be allowed. More generally, private landlords' tax rates can be an active part of a nation's housing policy – as they have been in the UK where government has been concerned that first-time buyers have been disadvantaged[6]. As a result, taxation of individual landlords now treats rental income more as a consumption than an investment good– as is also the case for owner-occupiers. There has also been a range of proposals to use incentives to improve the conditions for private rental housing (e.g. Clarke and Oxley, 2018).

4. Do housing associations / social housing companies pay income tax on (net) rental income?

Social housing exists in most countries in our survey but in different legal forms: e.g. public owned dwellings; sub-market rent housing provided by housing associations and other non-profit organisations; and indeed some in private ownership - all with the primary purpose of providing shelter mainly for poorer households. A distinction needs to be made between municipalities, which do not generally pay rental income tax and non-profit social housing organisations independent of government, which may. Hungary is one country where municipalities mainly manage social housing and are not taxed. In addition, private landlords can enjoy rental income tax exemption if they rent out their property to municipalities for at least 36 months, with the condition that the municipalities rent the units out to people in need. Such contracts are however rare.

Independent non-profit organisations often also pay no tax even though they may make surpluses, because they do not distribute these as profit but rather recycle the surpluses into their charitable/non-profit activities. For this reason, in 13 of the survey countries, social landlords are not taxed on their (net) rental income. The Czech Republic has no definition of social housing, except in the VAT law, where flats in multi-dwelling buildings not above 120 m2 and family houses not above 350 m2 are considered as social housing[7]. In these cases, rent surpluses are not taxed.

An alternative view is that profits whatever their use should be taxed. Belgium, Iceland, Germany, the Netherlands and Sweden take this approach, although not necessarily at similar rates to the private sector. In Belgium social housing associations are regarded as companies and pay corporate tax (which is federal). This has also been the case in the Netherlands since 2008 where normally the rate is 33% although "special" companies, including those with social housing purposes, pay a reduced corporate tax of 5%. In Iceland social housing companies while they are "not for profit" are taxed in the same way as private real estate companies. In Germany, rent surpluses are taxed either under corporate or personal tax rules. In Sweden, technically there is no social housing as it is usually understood, but special property companies (allmännyttiga bostadsföretag) are owned by the local municipalities and are taxed as regular corporations.

The Netherlands is an example of the use of new taxation approaches to address issues around rental streams and capacity. In 2013, a tax on the owners of housing units with regulated rents, the Landlord Levy (verhuurderheffing), was introduced (Priemus, 2014). In 2019, about 95% of the revenue from this tax came from housing associations: 1.7 billion euro per annum; an amount, which has been increasing annually. A recent study by three ministries and the umbrella organization of social landlords shows that social landlords will not be able to invest enough to achieve all necessary investments (new construction, sustainability investments) because costs are rising faster than rents[8]. Only if the landlord levy were halved and the rents increased more rapidly, would the investments be fundable.

Different approaches to similar problems can be found in England (where housing associations were required to reduce rents for 4 years from 2016) and in France where HLM rents have been similarly constrained. In both cases,

6 The changes, introduced in the Spring of 2017 included:

- the imposition of a 3% Stamp Duty Land Tax surcharge for purchases of rental properties and second homes [from April 2016]
- retention of capital gains tax rates of 18% (basic rate) and 28% (higher rate) on disposals of residential property that is not a primary residence. Reduced rates to 10%/20% for gains on other asset types [for gains accruing on or after April 2016]
- removal of the 10% wear-and-tear allowance on furnished properties; now only actual expenditure on replacements allowed [from April 2016]
- removal of landlords' ability to deduct interest paid on buy-to-let mortgages from taxable income; replaced by a flat tax credit of 20% of interest paid [phased from April 2017]. Leveraged landlords who pay tax at higher marginal tax rates of 40% or 45% will be disadvantaged.

7 A new social housing law is in preparation in the Czech Republic and should soon be approved.

8 https://www.aedes.nl/artikelen/financi-n/financi-n-n/onderzoek-woningcorporaties-hebben-onvoldoende-geld-voor-al-hun-opgaven.html

regulation is substituting for taxation. In 2019, the European Directive on Tax Avoidance was also introduced for, among others, housing associations. This has resulted in an annual tax bill of 700 million euro for Dutch housing associations.

With respect to new building, in all countries in our survey, developers of all types of housing, including social housing, pay a range of property taxes (see section 10). No exceptions were noted in our study.

Finally, many of these non-profit organisations own and manage for-profit housing, shops, offices and other activities as subsidiaries within the housing association. In the UK, Denmark, the Netherlands and probably most other countries in the survey the activities of these subsidiaries (e.g. provision of market-rented housing) are subject to tax at the normal corporation rate.

5. Do owner-occupiers pay imputed income tax?

Owner-occupied housing can be interpreted as a sort of rented housing, where the *same* household serves as landlord and as tenant. Using this analogy, the profit on owner-occupied housing should have been taxed in the same way as if it were rented out – as indeed it was at least in the early days of income taxation[9]. Alternatively, the owner-occupier could have invested the value of the property in an investment good with similar risk, where the return on that good would have been taxed. Thus there are good theoretical arguments for an imputed income tax for owner-occupiers and most economists support such a tax in order to help ensure neutrality between private tenures. But politically, imputed taxation of owner-occupiers, is highly unpopular and has generally either been restricted or removed (e.g. in Australia in the 1930s; in the UK in 1963; in Denmark in 1999; in Norway in 2005).

It is easy to summarize the respondents' answers on this question: owner-occupiers do not pay an imputed income tax in 18 of the 22 countries included in our survey[10]. Only in the Netherlands is there a "clear" imputed rent taxation on the principal home. Barrios et al (2019) additionally note Luxembourg, but also clarify that in both cases the tax charged is very low. The Dutch rate for 2018 was set at 0.70% of the (estimated) market value across the range of 75.000 – 1.060.000 euro. Spain and Italy have imputed rent taxation but not on the main residence, only on the secondary residences.

Importantly, an imputed rent tax can be compared with a special property tax for owner-occupied dwellings. For instance, the imputed rent tax might be calculated as the – imputed – rate of return as a per cent of the *assessed* value of the house or flat multiplied by an income tax rate. The property tax on the other hand is calculated as a percentage of the *assessed* value at market price level of the house or flat. A simple example, where the assessed property value is equal to the property's market value, the imputed rent is 4% and the income tax rate is 25%, the imputed tax equals an owner-occupation specific property tax rate at 1% of the assessed property value. Thus, property taxation – discussed below – can in principle be treated as either an alternative or a supplement to imputed rent taxation. However, in whatever form the tax is applied, assessed values are in most countries well below actual market prices.

Denmark is one example of property tax being used as a substitute where owner-occupiers, and those with secondary homes, pay a so-called "*property value tax*" similar to the tax value of the imputed rent tax, paid until 1999. The property value tax introduced in 1999 was 1% of the assessed property value at 1st of October of each year. There are special rules for owners (i) who bought before July 1998, (ii) to limit the increase in property value tax; (iii) for the highest property values; and (iv) for pensioners. However, from 2002, a tax freeze on the property value tax and indeed on the assessed land values for land taxation was put in place in the face of rapidly rising prices and homeowners' complaints. Thus a simple tax instrument was rapidly made complicated by political pressure[11]. Indeed,

9 An example was in the UK where imputed income tax on owner-occupied housing was included from the time income tax was introduced in 1799 based on regularly updated domestic rates valuations. At least in later years these bore little relation to market values. In Denmark, imputed income tax was introduced in 1903 and continued – in a weaker form – until 1999, when it was replaced by a property tax specific to owner-occupiers.

10 We discuss whether even so, owner-occupiers receive tax relief on mortgage income in section 9.

the complexities have continued. First in 2017, it was intended that the freeze on property value tax and on land property values would be removed through an agreement between the parties and a large majority of the members of the Danish Parliament[12]. Initially values were to be nominal property values, locked to the 2002 assessed values until 2021 to be replaced by a more sophisticated valuation system. But other political complexities arose[13]. The new rules were then put off until 2024, technically for IT reasons, as really old systems are still in use. However, to some degree the decision was really a matter of political concern particularly about the very difficult and insecure standard of land valuations[14].

Sweden has also removed their imputed rent taxation, replacing it with a property tax at 0.75% of the assessed property value up to around SEK 1 million. This SEK 1million cap was introduced in 2008. Another example is Belgium, where all three regions have a property tax based on imputed rents.

To this extent a property tax can be seen as a substitute for imputed rent taxation in the context of owner-occupation. The US case with a relatively high property tax and no imputed rent taxation is one clear example. The big problem in terms of equity is that it is usually also levied on rental property so the distortion remains.

There have been no fundamental changes in this aspect of the taxation of owner-occupation over the past five years, although there have been changes in rates and valuation methods. Denmark and the Netherlands are again examples.

6. Taxation of rental income in other tenures

In some countries there are other forms of tenure. In particular, respondents from three countries have significant private cooperative housing sectors.

The Czech Republic has a quite substantial cooperative housing sector, partly because if it were seen as private rental housing, the rental income after deduction of all costs would be taxed and in part because the transfer of cooperative rights is exempted from stamp duty. On the other hand, the taxation of income from the sale of the cooperative dwellings is treated in the same way as other private properties. Equally, if a member of a cooperative rents to the third party ("sub-letting"), then that member must pay income tax on the rent.

In Sweden around one fifth of the stock of dwellings is owned by cooperative housing associations (bostadsrättsföreningar). Shares are tied to individual units and give the owner security of tenure. The association pays property tax (see below) but in most cases no other taxes. The owner pays no tax on the value of the share, but can deduct interest payments at the regular 30% rate (21% at the margin above SEK 100,000). A 22% capital gains tax must be paid at realisation.

Denmark has a similar sector of private cooperative housing, accounting for approximately 8% of the housing stock. These residential properties have to pay property tax, but there is no taxation of rental income. The tenants/users also do not pay any imputed rent tax or "property value tax" as owner-occupiers do. But equally, as owner-occupiers, they are also free of any capital gain taxation.

11 Across countries and over time, it appears to be the case that efforts to make property tax reform acceptable to voters often undermine its original purpose (Slack and Bird, 2014).

12 "Forlig mellem regeringen (Venstre, Liberal Alliance og Det Konservative Folkeparti), Socialdemokratiet, Dansk Folkeparti og Radikale Venstre om "Tryghed om boligbeskatningen". 2. May 2017." [A compromise agreement between the government and the in 2017 largest parties in the opposition "Confidence about housing taxation."]

13 One of the parties in the majority behind the new social democratic government has instead proposed re-introducing a wealth tax which would include the families' assessed property values.

14 Berlingske Tidende, Friday the 25th of October 2019.

7. Do owner-occupiers/landlords receive a depreciation allowance?

All properties age and may in the end need to be demolished,which is why depreciation allowances are a 'normal' part of business taxation. Therefore, net rental income is taxed. This is fairly general in one form or another across the countries in our sample. However, in some countries, notably the UK, housing is defined as a perpetual asset and there is therefore no tax deduction for depreciation in any tenure.

In countries where some form of depreciation is allowed there is usually a distinction between owning and renting. If owner-occupation (imputed) income is untaxed as it is in most countries, it makes no sense to deduct depreciation from that income. Not surprisingly therefore, according to our respondents, no countries apply depreciation allowances to owner-occupies dwellings.

The same question is relevant to the taxation of capital gains. If the capital gain is measured as the difference in the property value V at moment 1 and 2, i.e. as $V_2 – V_1$, the value has been influenced by aging and by wear and tear etc. already, so a depreciation allowance should not be available for economic reasons[15]. This is further discussed in the next section.

In the private rented sector there are different ways of approaching the issue. At one extreme, for instance in the Czech Republic, private landlords receive a depreciation allowance by which landlords can deduct the whole investment value (purchase price, construction costs) over a 30-year period at relatively generous depreciation rates. Another possibility is to allow tax reliefs on investment that limits depreciation. Norway accepts a deduction against income before tax of actual repair and maintenance expenses. Finland accepts a deduction for large repairs and in Slovenia landlords may – from 2020 – deduct 15% of rental income to cover the cost of repairs and maintenance. For countries where depreciation is allowed, the rates and the number of years over which depreciation is allowed vary considerably, and the European rules on this area are not "normalised". In Appendix A1 below, the respondents' replies on rules for depreciation allowances for private renting are summarised.

Our respondents reported no changes in the depreciation rules over the last 5 years.

8. Do owner-occupiers/landlords pay capital gains tax?

Obviously, the return on a property investment contains two parts: the rental income for landlords and the imputed equivalent for owner-occupiers and the change in property value, which takes the form of a capital gain, when the property price increases, and a capital loss, when it falls. A subsidiary question is whether these gains and loses should be measured in money or real terms.

It seems "natural" to tax both parts of the return as occurs with commercial investments, but in reality this is often not the case for investments in residential properties and particularly for owner-occupied properties. Therefore, the replies about owner-occupiers must be separated from those for landlords of residential properties.

8.1. Owner-occupiers

With respect to owner-occupiers the replies to the question in the template are the same as 16 years ago in a report by Scanlon & Whitehead (2004): "*In almost all the countries studied, sales of owner-occupied housing are free from capital*

15 This has been further discussed by Hendershott and White (2000, pp. 258-261).

gains tax if certain criteria are met." This is the case even though capital gains taxation appears to be a popular part of dinner conversations (at least among economists who see it as a fair tax to levy on owner-occupiers, because "enormous gains" are otherwise perceived to be left untaxed)[16]. It is also an issue that has become part of the post-Covid debate about how to fund the costs of the pandemic.

Systematic capital gain taxation is found in Portugal, Sweden, Spain and USA. It is more common to charge capital gains tax if the house or flat is sold after only a few years' ownership and there are often other exemptions. Capital gains tax is also generally charged on second homes. Among countries included in the EU study and not in our survey, only Cyprus has a capital gain tax, (Barrios et al, 2019, p. 12).

In Portugal the capital gain tax rate is 28% for individuals and 25% for companies. But when the owner sells a house bought before 1989, they do not have to pay. A further rule is that if an owner sells a house and buys another one within 36 months, they pay on only 50% of the net taxable income which takes account of any costs including improvement costs incurred over the previous five years. As the owner-occupation rate is high in Portugal and everyone needs a home, the tax take is generally low.

The capital gain tax at realisation is 22% in Sweden. The tax can be rolled forward if the owner invests in a more expensive home, but in these cases a market interest rate charge is added to calculate the subsequent future tax. In the USA realised long term capital gains are taxed at rates ranging from 0% to 20%. However, the first $250,000 of any gain is exempt for an individual, rising to $500,000 for a couple.

Spain operates with two kinds of taxes, when the property is sold or when it is inherited. A municipal tax (value-added tax) on the increase of the value of the urban land, is paid to the City Hall, and there is also an income tax or inheritance tax on the capital gains. The municipal tax is calculated over a maximum period of 20 years on the cadastral value of the land for the municipal tax. Each municipality can fix the percentage up to a maximum of 30% - but there are huge differences among municipalities and huge reductions in the calculated values. The tax is charged at the marginal income tax rate of the owner, if selling within one year of purchase, and at 20% in following years. Sellers over 65 years are exempt from paying such a tax. With respect to inheritance, tax rates increase with the amount of the inheritance. However, inheritance tax is much reduced when the property is passed from parents to children, although there are considerable differences between autonomous communities – because of inter-authority competition. There is also a tax relief if the seller invests the amount of the sale in a new family house.

There are several examples where owner-occupiers have to pay capital gains tax if the owner sells the house within a few years of purchase. Thus, sellers in Austria, Czech Republic, Finland, and Iceland only have to pay capital gains tax, if the property is sold within 2 years of purchase. In Russia, they pay when it is inherited and in Slovenia the period is 3 years while in Russia after purchase. And in Hungary the capital gains tax is 0% in the fifth and subsequent years following the year of acquisition.

Capital gains on second homes are often taxed. This is the case in Norway, except for extra dwellings within the house you live in[17]. In Austria, Ireland and UK, second homes are taxed on capital gains as if they were privately rented properties. In France capital gains on second homes are also taxed to the same degree as rental dwellings: with income tax on the capital gain at 19% plus social contributions of 17.2%. The system includes a 6% rebate for each year that it remains in ownership beyond year 5. The tax is charged for a maximum of 22 years. The social contribution decreases at a much slower pace (1.65%) over the first 22 years, down to 9%. After 30 years it ceases.

16 However, a survey made by Danish Television found on November 23rd, 2018 only 17% of the respondents thought that taxation of capital gains was the best housing taxation. Possibly they feared that the idea in reality would be to introduce an additional tax into what they see as anyway a "high" housing taxation system.

17 This type of tenure seems special to Norway, see Nordvik (2000).

8.2. Private Landlords

In general, unlike owner-occupiers, private landlords of residential properties have to pay capital gains tax at the time of sale of the property. But even so the capital gains are not fully taxed in most countries.

Capital gains tax systems are often both complex and very different between countries. To generalise a little, however, the gains are calculated as the difference between the purchase price and the selling price; i.e. nominal gains are taxed; the capital gains tax rate may differ between individual landlords, companies and pension funds; common rates are around 25-30%; in addition, there are often a lot of specific rules. Respondents replies are listed in in Appendix 2.

Changes over the last 5 years have been reported by respondents from France (in 2011, 2012 and 2013), Norway, Slovenia, Russia, and the USA.

9. Do owner-occupiers/landlords receive mortgage tax relief?

An important and a very controversial part of housing policy with respect to home ownership, is related to tax relief on mortgage interest payments or on households' interest payments in general. In the literature and in Anglo-Saxon countries it has been usual to find mortgage tax relief, while for example in the Nordic countries, interest payments on all private loans are included in the right to deduct interest expenditures. One argument for the latter type of rule is the easy substitution between different types of loans.

The replies to the question: "Does the owner receive mortgage tax relief?" are in Table 3 below.

The tax rules for deducting interest payments generally differ between owner-occupiers and private renting. Private ownership of rented residential properties is seen as a commercial activity in the main, so mortgage interest is just seen as an expenditure to be netted off before tax. However, some types of privately owned rental properties are sometimes treated differently e.g. flats used by the landlord family or by children, other family members, friends, or employees, where rents may not be charged.

In the majority of the countries in the survey, landlords have the right to deduct interest expenditure but there are a remarkable number of exceptions. Thus there is no access to mortgage tax relief in 7 countries, of which 4 are in Eastern Europe where governments changed their housing and property market fundamentally after 1989. Further changes are in hand. In the UK, for instance, among a range of proposals reducing reliefs for individual private landlord's mortgage tax relief at the landlord's marginal rate has been replaced by a 20% tax credit from April 2020.

Decades ago owner-occupiers generally had the right to deduct interest expenditures from their gross income. With high inflation and interest rates in the 1970s the costs to the public purse were high and there was also concern about tenure neutrality, as imputed incomes and capital gains were also not taxed. In many countries, relief rates and the amounts covered were gradually reduced. The changes and their timing were not synchronised between countries but the direction was the same.

Now in the long lasting low interest regime, owner-occupiers have no access to mortgage tax relief or to the deduction of interest expenditure in 13 of the included countries. Owners in 9 countries still have this access – but mainly at reduced tax rates. These include Belgium, where only owners in Walloon have this right; the Netherlands, where the access is limited to 30 year loans and special mortgages; Russia, where borrowers have this access once in a lifetime; and very limited reductions to some groups in Turkey.

The EU study found that, since 2013 owner-occupiers in only 9 countries were able to deduct interest expenditures on new mortgages. The three not included in our survey were Estonia, Italy and Luxembourg (Barrios et al, 2019, p. 8-10).

Table 3: *Do owner occupiers and private landlords receive mortgage tax relief?*

Country	Owner-occupation		Private renting	
		Tax rate		Tax rate
Australia	No		Yes, may deduct net interest expenditures on all personal income tax	Net surplus on rental income taxed at the marginal income for individuals 34.5 - 39 - 47%, including compulsory Medicare levy. For properties held by private, self-managed super funds (SMSFs), 15% in accumulation phase; 0% in pension phase).
Austria	Not any more		Yes	
Belgium	Only in the Walloon Region	Dependent on income	Yes	30%
Czech Republic	Yes	15%	No, but depreciation allowance can be deducted	15%
Denmark	Yes, may deduct net interest expenditures	33.6% but 25.6% for interest exp. above DKK 50,000 (singles)/100,000 (couples)	Yes, may deduct net interest expenditures	47 – 60%
Finland	Yes –15% of interest payments are eligible in 2020.		Yes - all interest payments can be deducted from capital income; 30% from personal income. No change.	
France	No		Yes, for buy to let investors	
Germany	No		Yes	
Hungary	No mortgage tax relief; but reduced VAT (till 2019), subsidized loan + capital grant (down payment) so called Family Housing Allowance.		No	

Iceland	No		No	
Ireland	No		Yes	Tax relief on interest accruing on loans used to purchase, improve or repair rented residential property was restricted to 75% but now increased to 100%.
The Netherlands	Yes	Marginal tax rate. Max 30 years since 2013 only for repayment mortgages. No relief for interest only loans, saving and investment mortgages	No for the private person 'amateur' landlord.[18]	
Norway	Yes	No special mortgage tax relief. The net capital income is taxed by a 22% rate from 2019 on. All interest payments is deducted from gross capital income to find the net capital income)	Yes	No special mortgage tax relief. The net capital income is taxed by a 25% rate. All interest payments is deducted from gross capital income to find the net capital income)
Poland	No		No	
Portugal	No – only if the mortgage was taken out before 31.12.2011.	15%	No	
Russia	Yes – but only once in a lifetime	13%		
Interest payments are also deductible and remain deductible on subsequent purchases.	Yes	Can only be applied once in a lifetime so applicable to landlord's first purchase.		
Slovenia	No		No	Except when operating as a business

18 See Haffner in Scanlon and Kochan (2011)

Spain	No – unless the borrower has bought before January 2013. Fiscal deductions for homebuyers start in 1977 and were maintained until 2010, then almost eliminated in 2011 – with some exceptions. The right to deduct was restored at the end of 2011, only to be eliminated again since January 2013.	Up to 15% of 30% of the taxable income	Yes	All interest rates paid can be deducted as expenses since the 1998 personal income tax reform.
Sweden	Yes	Applies to all debt, not just mortgages. 30% up to a net loan of 100,000 SEK, 21% for larger loans.	Yes	Regular corporation tax rate = 22%. Tax rate reduced from 28% in 2013
Turkey	No, only some small amounts in special cases.		Yes.	If both mortgaged house is rented and property owner acts as a renter, she may have right in some circumstances to deduct mortgage interest payment from her taxable income.
UK	No		Yes but in a different form for private landlords	For individual landlords: tax credit of 20% of interest paid (to be phased in by April 2020). For company landlords: Fully deductible from income as a business expense.
United States	Yes	Yes, for federal income tax itemizers there is a mortgage interest deduction	Yes	Landlords in the business of renting property may deduct interest expenses from their federal corporate income.

As mentioned above, changes in the right to deduct interest expenditures have been continuing over several decades. In this study, the respondents were asked, if the position has changed in the last 5 years. The replies underline how much the area is still changing.

In some cases, the changes relate to general tax rates. Thus in Norway, the relevant tax rate on capital incomes was 28% 5 years ago – it is now 22% from 2019.

In Belgium, the position changed considerably after the transfer of responsibility for mortgage tax relief for owner-occupation from the federal state to the regions in 2014. In the Flemish region, in 2015 the benefit was reduced and was completely abolished in January 2020. In the Brussels region, mortgage tax relief was abolished in 2017 and replaced by a (less favourable) exemption to transaction taxes. The Walloon Region transformed the mortgage tax relief in January 2016 into a tax credit which is higher for lower income families.

In Finland, 30% of all interest payments were eligible until 2012, while now it is generally 15% of interest payments. Portuguese homeowners have not received mortgage tax relief since 2012, and now, after 2017, landlords are in the same situation. In the UK mortgage tax relief for landlords has been replaced by a much smaller tax credit.

Some countries have experienced a "stop-go" policy. Thus in France, tax relief for owner-occupiers existed before 1995 and again from 2007 to 2012. Spain has experienced several changes over the years. The right to deduct was restored at the end of 2011, only for to be eliminated again at the beginning of 2013. And in Australia there has been considerable debate on possible changes, but none have actually taken place in the last decade.

It is important to relate these changes in mortgage tax relief to the more general issue of tax neutrality between tenures. Historically the argument was generally about the fact that most owner-occupiers gained tax relief but did not pay imputed income tax. Over time this has become less relevant because of the reduction/elimination in mortgage tax reliefs. The obvious exception has been the Netherland where imputed income tax remains although at heavily reduced rates and mortgage tax reliefs have also been reduced. In many ways now it is the Scandinavian countries which stand out because they generally see interest rate reliefs as applicable to all debt. Even so rates in some Scandinavian countries have been reduced. In part this has become politically possible because, in a period of such low interest rates, the impact of reliefs has anyway become much less important.

Some commentators argue that owner-occupation is now treated as consumption rather than as an investment good in that neither income nor capital gains are taxed but equally there are depreciation or cost reliefs. In some countries, such as the UK and France, the taxation of individual private landlords is moving in the same direction with reliefs (although not capital gains) being increasingly restricted.

10. Property and land taxes

Historically, all countries have used taxes as income to finance armies, wars and courts. These taxes often took the form of land or property taxation[19]. Property and land are visible and immovable assets and are therefore easy to tax. Also property taxes are generally considered less distortive, and hence less harmful to economic growth. Today this source of taxation has again become increasingly important. This is again partly because it is visible - families with large and expensive houses look rich, while their more general wealth position may be much harder to assess. Another important reason is that tax avoidance can be limited because land and properties are by their nature non-moveable assets. Finally, because the price of housing and land has been rising rapidly in many countries and wealth is more concentrated than income, increasing land and property taxes can be seen to be both more equitable, particularly as in part a tax on unearned income, as well as taking pressure off income taxation.

19 A Danish example is the doctoral thesis: Haakon Bennike Madsen (1978), *Det danske skattevæsen. Kategorier og klasser. Skatter på landbefolkningen 1530-1660. [The Danish Tax authority. Categories and classes. Taxation on the rural population 1530-1660.]* Odense Universitetsforlag.

The extent to which land and property taxes are used can be illustrated by looking at OECD data. Table 4 below shows the revenue from property taxes as a per cent of GDP and of total taxes and duties. The revenues data include on taxes on all types of property, not just housing, as all type of properties normally pay property and land taxes.

The latest data for OECD as a whole shows that property taxes account on average for 1.9 per cent of GDP in the OECD countries. The lowest percentages were 0.4% in the Czech Republic and 0.5% in Austria. The highest was in the UK at 4.1% in the UK and 4.0 in France.

In the second column of table 4 taxes on property are shown as a per cent of total taxes and duties. Here the ranking is slightly different reflecting the tax burden between countries. The lowest percentages are found in the Czech Republic (1.2), Austria (1.3) and Slovenia (1.7); the highest in the Anglo-Saxon countries: the UK (12.4) USA (12.1), and Australia (9.5).

Taken together we can conclude that in all countries taxes on real property, including housing, account for a significant but relatively minor part, both of the tax burden and of total tax revenue. What is also the case is that the proportions do vary quite significantly year on year (OECD, 2020) but these variations hardly affect the general picture.

Table 4. *Tax on property (2018- 2019)*

Country	Tax on property as percentage of GDP. (2019)	Tax on property as percentage of total taxes and duties. (2019)
Australia	2,7[21]	9,5[22]
Austria	0,5	1,3
Belgium	3,5	8,1
Czech Republic	0,4	1,2
Denmark[23]	1,9	4,1
Finland	1,4	3,4
France	4,0	8,9
Germany	1,1	2,8
Hungary	1,0	2,7
Iceland	2,1	5,9
Ireland	1,3	5,6
Netherlands	1,5	3,7
Norway	1,3	3,2
Russia	1,9[24]	4,0[25]
Poland	1,3	3,6
Portugal	1,4	4,0

20 *Tax on property is defined as recurrent and non-recurrent taxes on the use, ownership or transfer of property. These include taxes on immovable property or net wealth, taxes on the change of ownership of property through inheritance or gift and taxes on financial and capital transactions. This indicator relates to government as a whole (all government levels) and is measured in percentage both of GDP and of total taxation (OECD 2021).*

21 2018

22 2018

23 The Danish property value tax is legally an income tax and is not included in the figures here.

24 2016, Source: our respondents.

25 2016

Slovenia	0,6	1,7
Spain	2,4	7,0
Sweden	0,9	2,2
Turkey	1,0	4,2
United Kingdom	4,1	12,4
United States	3,0	12,1
OECD - Average	1,9[26]	5,6[27]

Source: *OECD: Tax on property % GDP (2018-2019) Available at: https://data.oecd.org/chart/6dWc (Accessed Wednesday 6 January 2021); Tax on property % taxation (2018-2019) Available at: https://data.oecd.org/chart/6dWd Accessed Wednesday 6 January 2021)*

10.1 Property taxes

All respondents in our survey stated that property taxes were levied in their country. In the main, they are a source, often the main source, of income for local authorities. In some countries they are also seen as operating as an alternative to taxes on the return on owner-occupied dwellings and the annual return of the rental residential properties.

The taxation of property is based on actual market values only in a very few countries (e.g. Ireland and Norway). In most countries administrative determined property values are used based on a public assessment of so-called cadastral values. In the main these valuations are significantly below market values. In some countries, such as Germany and the UK, the values used relate to rents and house prices from decades ago. This impacts on the distribution of payments across locations rather than the totals achievable, as local authorities can normally modify rates. In some countries, however the rates charged are restricted by national government.

Only Sweden has a national property tax rate, although if the Danish property value tax is seen as a property rather than an income tax, it should also be included in this category.

In Ireland, a Local Property Tax (LPT) was introduced in 2012 as part of Ireland's EU – IMF Programme of Financial Support, which included a commitment to introduce a residential property tax. Initially it was levied at national rates and based on property value bands with payments ranging between €90 on a property valued at less that €100,000 to €1,755 on a property valued over €950,000. However, in 2015 local authorities were given powers to vary the rates.

Respondents noted that property tax rates differ between municipalities in at least fourteen of the countries. In two countries, Belgium and Russia, the tax rates are determined by regional authorities. Some countries have a two-tier system of rates with part of the money going to central government or to regions.

In Russia, property taxes increased dramatically from 2016 when valuations were introduced based on cadastral values (technically market based). Before that date they applied inventory values (based on the cost of construction without indexation), which were very low, especially for properties in old buildings[28].

In France the basis of their taxe d'habitation is unusual in that it is the rental value (as with property tax) but the amount charged, which is in addition to the more general property tax, takes account of the household composition and lower income households are exempt. It is a local tax, with various rates according to location. But as noted above this tax is being gradually phased out. The UK's property tax includes a reduction for single people.

26 2018

27 2018

28 After 2020, only cadastral values are permitted. To avoid a one-time sharp increase in value of taxes, discounts are applied (80% for the first year, 60% for the second, 40% for the third, 20% for the fourth). Also deductions are available for smaller units up to 20 m² for flats and 50 m² for individual homes.

Respondents' replies on the existence of a property tax and on the technicalities of these taxes are shown in Appendix A3.

10.2 Land taxes

According to a recent OECD report on Denmark (OECD 2019, p. 30), only three countries: Australia, Denmark and Estonia have a pure land tax. The report also noted that a land tax is considered as one of the most economically efficient taxes[29]. Only Australia and Denmark are included in our sample.

In assessing land taxes, almost all economists start from Henry George and his theory which showed that under certain very restrictive conditions a land tax would be non-distortionary. Many therefore see land taxation as an efficient way of taxing properties in whatever tenure. However in practise it is very difficult to estimate the land value, especially in towns, where the land has been built on for many decades. Earlier studies (eg McCluskey et al, 2006) suggest there is very little difference in efficiency between land and property taxes.

Australia has a state based annual land tax, which is based on unimproved land values (which can be interpreted as an implicit market value for land). It is applicable everywhere except the Northern Territory. The amount of land tax paid is determined by the combined unimproved value of taxable property – i.e. the land, the type of ownership and the total taxable value of the land. There are exemptions – notably the household's primary residence. States have different land tax rates and generally a progressive rate structure. The land tax rate varies by state from a minimum of 0.2% on land worth less than AUS$ 0.5million in Victoria to 3.7% above AUS$ 1million in South Australia, where there is also a tax-free threshold. State based property taxes are deductible against the Commonwealth income tax on rental income.

In Denmark, municipal land taxation – named property tax – has existed for centuries. It varies with the value of the land and is in principle the same whatever property is built on that land. The land taxation is based on publicly assessed values, which in principle reflect the market value of the land. Municipalities have different land tax rates and the average rate was 2.7% this year (2020). The minimum allowed land tax rate was 1.6% and the maximum 3.4% in 2017. Overall, the land tax accounted for 2.9% of total tax proceeds in 2017. Revenue from land taxes has increased considerably over recent years in the most expensive municipalities (the capital and Aarhus as well as their surrounding areas).

Other respondents noted that there were land taxes in their country. For instance, the Icelandic respondent noted that there was a land tax levied by municipalities at varying rates - e.g. 0.2% of assessed value of the lot in Reykjavík in 2019 for individuals and 1% for businesses. In Russia, they stated that the land tax is based on the cadastral value with rates set by municipalities which cannot exceed 0.3% - revenues are then split between local, regional and national government.

Some countries have assessments and taxes for unimproved land, while others separate land from buildings in their valuations. In the USA the land tax on unimproved land is usually based on current value in agricultural use[30]. Local governments set their own rates, typically in the range of 1 to 3% of assessed value. In the Czech Republic, municipalities set different land tax rates. In Spain, the property tax is based on two distinct elements: the value of the land and the value of the construction and these are clearly distinguished. In the most valuable areas the percentage of the land value in the total value used to calculate the overall property tax can reach more than 90%. Each owner when he/she pays his/her IBI, (Impuesto de Bienes Urbanos), as it is called can see how it has been split between land and construction. In Portugal, three types of unit are specified for tax purposes, namely: 1) Prédio Urbano (dwellings); 2) Prédio Misto (Plot with a house); 3) and Prédio Rústico (a plot). In Slovenia municipalities have rather different property tax rates, and technically separate tax systems, for different types of real estate (commercial, housing,

29 It should be noted that in some countries the property tax on unbuilt land has equivalent attributes to a land tax.

30 See Anderson and England (2014).

undeveloped building land) and across the 212 autonomous municipalities, (Grote et al. 2015).

11. Wealth tax –does it include residential properties?

The housing asset is the most important part of the families' wealth in nearly all countries. However, where personal wealth is taxed, it is often seen as representing "double-taxation" because the wealth has been built up from already taxed income, especially, if there is also a property tax. The alternative view is that where the wealth is 'unearned' and therefore the wealth does not come from the use of that taxed income it should be taxed additionally (Piketty, 2013).

Among the 21 countries included in our study, only Norway and Spain have generally applied wealth taxation, and then to a limited degree. Owner-occupation is usually treated preferentially at least to some extent. In France, the wealth tax was replaced in 2018 by a real estate wealth tax. The rate varies between 0.5% and 1.5% and the minimum taxable asset value is 1.3 million euros.

In Iceland, a tax on net wealth was abolished in 2006 and then reintroduced for four years in 2010 at the rate of 1.25% on net assets above ISK 90 million (120 for couples) modified to 1.5% on net assets between 75 and ISK 150 million (100 to 200 for couples) and 2% on assets above that in 2014. It was then abolished.

Norway's wealth tax is set at a tax rate of 0.85% for assets above 1.4 million NOK. However, for housing there are discounts from market value of 75% for primary dwellings and 10% for secondary dwellings.

Spain brought back their wealth tax in 2011 as a result of the economic crisis. There is a EUR 300,000 exemption for the main residence and a EUR 700,000 exemption across the taxable base. This tax applies to people with a taxable base above EUR 2 million. There are progressive rates rising from 0.2% to 2.5%. However, the rules for the wealth tax vary between regions.

The USA has no general federal wealth tax. Some states do have taxes on some intangible assets, but these taxes are typically not fully collected and generate trivial amounts of revenue.

12. Inheritance tax

As housing usually forms the largest part of families' wealth, it is also the case that housing often forms the largest part of any inheritance. Therefore, respondents were asked about the existence of an inheritance tax in their country and, if so, what form it takes. Of the 19 responses we obtained, listed in table 8, the majority of countries – 14 if Portugal, where immediate relatives do not pay, is included – have some form of inheritance taxation but 5 countries have abolished such taxes; four of these since 2004.

Typically, owner-occupied housing is treated differently. Inheritance tax rates generally differ in line with family connection: spouses, registered partners and children are more favourably taxed (or indeed untaxed) than other heirs.

Table 5. *Existence of inheritance tax on housing wealth*

Country	Inheritance taxation?	Comments on existence and content of an inheritance taxation.
Australia	No	State based death duties were abolished in 1979.
Austria	No	Abolished in 2008.
Belgium	Yes	The rate depends on the region the deceased was living in, the relationship to the inheritor and the magnitude of the legacy. In Flanders for example the tax rates start from 3% rising to 65%, and in Wallonia and Brussels Capital Region they start at 3% up to 80%.
Czech Republic	No	Abolished in 2013
Denmark	Yes	Above the tax free minimum of DKK 301,900 in 2020, the tax rates are: 0% for spouses and registered partners; 15% for parents, children, grandchildren and great-grandchildren; 40% for others.
Finland	Yes	Tax-free up to 20,000 euros. The tax rate depends on the relationship to the deceased and the value of the legacy.
France	Yes	The tax rates are: 0% for spouses and registered partners, 5% to 45% for parents and children (above the tax free minimum of 100,000 euros), and up to 60% for others.
Germany	Yes	Typically, a property can be bequeathed tax-free worth up to a value of 500,000 euros. For property values above this limit, the inheritance tax on housing is the same as for financial assets and depends on the degree of relationship to the testator. Appraisal values generally underestimate market values.

Hungary	Yes	The general rate is 18%, but 9% for houses and land. However direct line relatives and adopted relatives of the testator are exempted from inheritance tax, as is the surviving spouse. The exemption covers all properties.
Iceland	Yes	10% of net inheritance above 1.5 m.kr.
Ireland	Yes	The tax rate is 33% of the market value. All types of inheritance are taxed, except inheritance by spouses, civil partners and children. Each person has a tax free allowance for gifts and inheritance over their lifetime. An exemption is where the property has been continuously occupied by the beneficiary as his or her only or main residence for three years prior to the inheritance. The beneficiary must also continue to occupy the property as his or her only main residence for six years after the date of the gift or inheritance.
Netherlands	Yes	Inheritance tax is levied on total inherited wealth (including the owner-occupied dwelling) above the exempted amount. The exemption is highest for the partner (over EUR 636,180) and lowest for an unrelated heir (at EUR 2,122 (i.e. not (grand) children or parents). The six tax rates depend on two amounts (lower and higher) and the relation of the recipient with the deceased (10% or 20% for the partner and 30% or 40% for another heir)." (2016). (Haffner 2018: 94).
Norway	No	Abolished in 2014.
Portugal	Yes	But no inheritance tax between immediate relatives (Spouses/ Children/Parents).
Russia	Yes	Inheritance tax was abolished in 2006. However, gifts are taxed and income land and property taxes are levied on inherited property.

Slovenia	Yes	Inheritance and gift taxes apply to transfers of property. The tax is paid by individuals or legal persons receiving property in the form of inheritance or gifts. Taxpayers are divided into four categories: ● Class I: all direct descendants and spouses ● Class II: parents, siblings and their descendants ● Class III: grandparents ● Class IV: others. The tax base for inherited or gifted property is its market value after deduction of debts and other liabilities.
Spain	Yes	There is a tax base, but the taxable income and tax rate depends on the region (autonomous community). The region estimates what must be paid in inheritances and donations. Inheritance taxes vary hugely among the regions, currently between a minimum of 0.8% (in Navarra) to 36.5% (in Andalucía, Asturias and Murcia). All types of inheritance are taxed but the inheritance tax is low between first-degree relatives and almost completely exempt in a few regions.
Sweden	No	Abolished in 2004
Turkey	Yes	The inheritance tax rate varies from 1% to 30%, depending on the residence status of the heir and the location of the property.[31]
UK	Yes	No tax when a partner dies and everything is left to the other partner. The current inheritance tax (IHT) threshold is £325,000 per person. It doubles to £650,000 for a married couple, as long as the first person to di.e. has left their entire estate to their partner. Anything over these limits is subject to a 40% tax rate.

31 https://www.imtilak.net/en/articles/inheritance-donations-tax-turkey ; https://www.propertyturkey.com/buyer-guide/real-estate-inheritance-tax-in-turkey

USA	Yes	The Federal Estate Tax is applied to property transfers at death. The taxable threshold in 2020 is $11.58 million. Some state governments also apply an inheritance tax to specified beneficiaries, with thresholds, values and rates determined at the state level.

In the UK the Government introduced a new, additional tax-free allowance, the "family home allowance", for people who owned a home in 2017. Added to the £325,000 allowance that everyone gets, this gives a new allowance for property owners of £500,000 or £1million for couples. To qualify for the family home allowance, the property must have been the main home at some point and must be left to one or more direct descendants. Estates that are worth more than £2m will lose some or all of the family home allowance, which will be tapered at a rate of £1 for every £2 over the £2million threshold.

In the Netherlands, tax exemptions were introduced around the time of the financial crisis in 2007 for gifts up to 100.000 euro from parents to children, and grandparents to grandchildren, when the money is used for buying or improving owner-occupied housing. This scheme is still operational.

13. Taxes on transactions – stamp duties and registration duties

Transactions costs involved in buying and selling a house or flat are of significant scale in many countries. They form an important barrier against speculative investment in properties[32] but also reduces mobility in the housing market. A significant part of these costs in many countries is made up of stamp and registration duties, which can be defined as taxes as they are levied by government. All but three of the countries in our survey levy stamp duties. The proportion with registration fees is much lower – but Belgium has very high rates, which would be called stamp duties in other countries. Russia does not have stamp duties and nor does Poland, although in Poland there is a tax on civil transactions. The scale of these taxes differs considerably among the survey countries – from 0.00948% for a mortgaged housebuying transaction in Turkey to 12.5% in Wallonia and the Brussels Region. In some countries, the stamp and registration duties are calculated at assessed values, which – with large variations – are generally below the market values of the properties.

In a study by the European Mortgage Federation using data for 2007-08 for the 14 countries included, the transaction costs of purchasing a dwelling were on average 5.3% of the buying price and ranged from 1.0% in Lithuania to 13.4% in Belgium, with a large part of these costs represented by taxes, (EMF, 2010). However, transactions costs on selling properties were not included in these data, as most of these costs were "so-called optional costs, mostly real estate agency fees".

Table 6 below summarises the stamp duties and registration fees reported by our respondents. Most countries do not have taxes on taking out a mortgage loan, and where they do exist, they account for a small share of the transaction costs (EMF, 2010, p. 7).

32 Nevertheless, there seemed to have been some speculation in house prices in several countries through the housing boom period up to 2008.

Table 6. *Taxes on transactions – stamp duties and registration fees*

Country	Stamp tax	Registration tax
Australia	A progressive rate structure which varies by state from a low of 2.5% on \$150,000 in NSW to 5.5% on properties over \$1m. Some states provide exemptions or concessions for first home buyers. The stamp duty a buyer pays is based on the property purchase price, location and the purpose of the security purchased.	Additional costs of a transfer of property on top of stamp duty include a mortgage registration fee and a transfer fee varying between states.
Austria	Stamp duty: 3.5% of the purchase price. Within the family, the tax rate is 0.5% for the first 250,000 euro, 2% for the next 150,000 euro, and 3.5% above that figure.	Registration duties: 1.1% of the purchase price.
Belgium		Registration duties exist on sales of real estate. The tax rate is 12.5% in Wallonia and in Brussels Region and 6% in Flanders from 2020. Several tax rate reliefs/exemptions are possible (e.g. for social housing and energy saving investments). All three regions have registration duty exemptions or reductions for owner-occupation. The tax rate on the formal registration of the mortgage contract is 1% of mortgage value
Czech Republic	4% of property value, (the buying price or the assessed value if higher). In the cooperative housing sector transfer of cooperative rights is exempted from stamp duty. It was abolished in 2020.	No
Denmark	DKK 1,660 + 0.6% of the property value, (of the buying price or the public assessed property value if higher). 1.45% of the value of the loan (mortgage), which has been raised to finance the purchase to register the security in the property. Plus DKK 1,640 and some other minor payments	

Finland	Transfer tax on shares in a housing company 2% and on real estate and buildings 4%.	A fee for legal confirmation of title to real estate.
France		Rates are over 5% (usually 5.81%), with a reduced rate below 1% for new dwellings. There is an additional charge if buying with a loan.
Germany	Between 3.5 and 6.5%	Roughly 0.1%
Hungary	Stamp Duty is levied at a flat 4% rate, regardless of the value of residential unit. For newly built housing, no stamp duty is paid under the value of HUF 15 million (approx. € 51,500); a 4% rate is paid on the difference above that level. A 50% discount is provided to young people (under 35 years old) buying their first home. If a house/flat is sold after less than 3 years' ownership and another is bought, the stamp duty tax is calculated on the difference between the sold and purchased house value.	There is no registration duty, only a fee of around €20.
Iceland	Stamp duty based on assessed value. 0.8% for owner-occupiers (0.4% for first time buyers) and landlords with up to two units. – The rate for private real estate is 1.6%	Registration cost is negligible (2000 ISK. per document).
Ireland	The stamp duty rates are 1% on property value up to €1m and 2% in excess of that value.	Land Registry fees of €400 -€800 depending on value.
Netherlands	The transfer tax for housing was reduced in 2013 from 6 to 2%.	Notary fees include registration fee
Norway	The stamp duty tax rate is 2.5%, except for co-operatives where there is no stamp duty.	The fee is NOK 525 for all properties, except co-operatives, who pays NOK 430
Portugal	The stamp duty tax rate is in general 0.8% of the purchase price. There are stamp taxes on contracts, deeds, bank mortgages, loans, documents, and titles - all the responsibility of the buyer. The tax rates vary according to the type of deed/ operation and the value of the property, between 0.4% and 0.8%. Corporate property ownership transactions pay no stamp duty.	The municipal property transfer tax is 5 percent of the value for a property in the countryside and 6.5 percent for an urban property. Local taxes vary with rates up to 6 percent according to the property value.

Russia	No special stamp tax. Revenues, received by seller, are subject to income tax	For households: 2,000 RUB. For companies: 22,000 RUB
Slovenia	Property Transfer Tax at 2% of the contracted selling price.	No
Spain	Stamp duty for existing homes varies between 6% and 10% of the selling price, assigned to the autonomous communities with a reduction to 4% for social housing (VPOs) and for 'large' families. (Some differences between the regions.)	Registration duties vary between regions from 0.5% to 1.5%.
Sweden	1.5% of transaction price. There is also a 2% tax on liens (pfandbriefe).	
Turkey	Stamp duty is levied as a percentage of the value of the document at rates ranging from 0.189% to 0.948% and is collected as a fixed, pre-determined price for some documents.	No
UK	Stamp duty is devolved to Scotland and Wales. The figures quoted here apply to England: 0% up to £125,000, 2% from £125,001 to £250,000, 5% from £250,001 to £925,000, 10% from £925,001 to £1.5 million, 12% above £1.5 million ● 3% surcharge if purchaser already owns another dwelling (applies equally to second homes and rental investments) ● First-time buyers of units costing less than £500,000 pay no stamp duty on first £300,000 in value.	Fees in the range £40 up to £910 for amounts from below £80,000 and up above £1,000,000
USA	Stamp taxes are local taxes and rates vary by locality.	Deed registration fees are local and vary by locality.

In some countries, tenants also pay stamp duty, although we did not specifically ask about this. One example is in Austria, where when tenants sign a rental contract, they have to pay a stamp duty to the Ministry of Finance, which in most cases is collected by the landlord and passed on to the Ministry. The duty is calculated as 1% of 36 times the monthly gross rent (including operating costs) - e.g. a monthly rent of EUR 1.000 will result in EUR 360 stamp duty. Another example is Denmark, where the tenant has to pay a stamp duty of DDK 1,660 at the time the rental contract is signed.

14. Are there income related subsidies for tenants/occupiers?

The most usual income related subsidies for tenants and in some cases owner-occupiers are in the form of housing benefits / housing allowances. These may be identified separately from more general income support instruments but equally may simply be a part of the more general system of income support. The system (e.g. in Germany) may also differ between employed and non-participant households.

The OECD Affordable Housing Database gives information on income related housing benefits across OECD countries. It shows that it is usual to provide such support for social tenants where the rent is not set in relation to the tenant's income (as it is in Australia and the USA) and quite normal also to support low income private tenants. Income-related housing support is much less usual in the owner-occupied sector and is generally restricted to mortgage assistance when the mortgagor becomes unemployed. The general picture in our survey is that in all countries included in the survey, except Turkey, tenants[33] have access to income related housing benefits, while owner-occupiers only have access to housing benefits in a few countries.

The Czech Republic is one of the few countries which have a tenure neutral housing benefit system – although even there, while the system is the same, the rates are more generous for tenants. Finland, Iceland, Germany, Norway, Sweden and Spain have income related subsidies for both owner-occupiers and tenants. France had a similar system, but it was changed in 2020. The UK has a new loan system for mortgagors, while the Netherlands gives a monthly grant for mortgagors with a mortgage guarantee, (Oxley and Haffner, 2010, p. 49)[34]. Hungary has a municipality-based system for both owner-occupiers and tenants.

The specific rules for income related housing benefits / housing allowance differ greatly between countries as seen in the examples mentioned by our respondents. However, what is clear everywhere is that housing benefit systems are complicated for many reasons.

In many cases, the system is more, or indeed less, favourable for specific household groups: e.g. more favourable for pensioners and disabled persons in Denmark; in Portugal 18 to 30 years old tenants can receive a housing allowance while in other countries they are not eligible or receive a lower amount; in Spain, the autonomous communities can reduce or increase the subsidies based on age and other criteria; in Russia, where low-income households tend to be owner-occupiers, Maternity Capital grants can be used towards mortgage payments; in Poland, the subsidies for families vary with the number of children; in England young single people are only eligible for assistance towards shared accommodation. In Australia, private tenants who receive government benefits may also qualify to receive rent assistance (CRA). In Germany housing assistance for those on welfare is part of that payment; housing allowances exist for those not on the state security system.

Respondents were not asked about recent changes in these subsidies, but the GFC and the austerity measures that followed have led to less generous programmes in many countries. An example is the UK where help for owner-occupiers was changed from a grant to a loan and the maximum rents covered by housing benefit for private tenants were frozen for four years. More generally, respondents did not report changes and, while payments may have been restricted, the form of instruments used have not changed.

33 Although if a mortgaged house is rented out and the owner also pays rent (as a tenant), both the mortgage interest payment and the rental income are tax deductible.

34 Starter's loan: https://www.researchgate.net/publication/272018377_Financial_implications_of_affordable_home_ownership_products_four_Dutch_products_in_international_perspective

15. Are there subsidies for first time buyers?

Politically, subsidies to first time buyers are seen as a good idea, which have been on the agenda in many nations. However, subsidies for first time buyers make it possible for them to pay a higher price for their flat or house, and this will impact on the housing market. Thus at least some part of the subsidy will be capitalised, the buyers may not gain, while the state increases its expenditure. Moreover, there are administrative problems as people move up the housing ladder over the years. Should the subsidy continue for second time buyers? And what about divorces, where new households are formed?

Almost half of the countries (Czech Republic, Denmark, Germany, the Netherlands, Norway, Portugal, Sweden and Turkey) have no specific subsidy for first time buyers. In Germany, since 2018 there has been a Baukindergeld by which first time buyers may be eligible to receive a child-related benefit of up to 12.000 Euro per child over a ten year period to help them buy. Only those eligible for child benefit and with incomes under 90,000 euros if there is one child (increased by 15,000 for additional child) are eligible. The Netherlands has mortgage guarantees, which enable first time buyers in particular to obtain a mortgage and buy without significant equity (Elsinga et al., 2016, p. 258). Slovenia abolished their scheme to help young first time family buyers in 2012. Spain also abolished first-time buyer subsidies at the same time, in the aftermath of the GFC.The remaining ten countries have a range of measures to help first time buyers to move into homeownership. Australia has a cash grant (First Home Owner Grant) which varies across states and type of dwelling and was particularly generous after the GFC. In the past 5 years, this has been limited to those buying newly constructed dwellings and the size of the grant reduced. Australian first homebuyers may also be eligible for stamp duty concessions/exemptions, which also vary by state. In 2019, the Government also announced a First Home Buyer deposit guarantee scheme, which lowers the deposit required and is based on a higher maximum income, capped to a maximum of 10,000 first homebuyers each year[35].

Belgium has a system of subsidised mortgage loans for owner-occupation if the household income is below a threshold. In Finland, first time homebuyers do not have to pay transfer tax and they may have a higher LTV on a housing loan (95% instead of 90%) through a reduced interest rate. In Iceland, first time buyers only pay 50% of regular stamp duty – 0.4% instead of 0.8% - and they are allowed a higher LTV ratio on mortgages (90% instead of 85%). In the UK, there is stamp duty relief for first-time buyers. In Hungary, in 2016 a new Family Housing Allowance was introduced to enable households to buy a home valued at up to HUF 35 million if they did not own another property, but these eligibility criteria were abolished in 2018 and 2019.

In Finland, first time buyers have more generous tax rebates on housing loan interest payments, and they are also able to use a savings and subsidy loan scheme (ASP) including a free government guarantee. In France, first time buyers can obtain zero-interest-loans for new dwellings or existing homes (under certain conditions). In Ireland, first time buyers had more generous mortgage tax relief until 2017. Poland has a government housing subsidy programme for young families, where 5% of the mortgage loan on lower priced, smaller homes, is repaid by the programme with an additional 5% for the next child.

The UK had no help specific to first time buyers prior to the GFC. Wide-ranging measures to help first time buyers and indeed sometimes existing owners were introduced in the UK in 2013 aimed at expanding the new build market as well as supporting purchasers. Earlier post- GFC shared equity schemes involved developers provided the equity.

The subsidies include: *Help to Buy equity loan*: for new-build homes – with 20% (up to 40% in London) covered by an equity loan from the government (interest-free for first 5 years) – due to be phased out in 2023; *Help to Buy ISA*: first time buyers can save up to £200 a month in special savings account; if it is used for house purchase the government will add a bonus of 25% of the amount saved (up to a maximum £3000); and exemption from stamp duty for lower priced units bought by first-time buyers. There are also long-standing shared-ownership schemes.

35 Other low-deposit loan schemes already exist in two Australian states: Keystart (in Western Australia) and HomeStart (in South Australia). These programs were established by the state governments in response to the lack of affordable finance options for low income home buyers. Keystart and HomeStart home loans are secured by their respective state governments, with both organisations paying a dividend back to their state government.

In general, subsidies to first time buyers seem to be part of the "ordinary political agenda", and as a result tend to vary with economic conditions and between countries. The Polish government's housing subsidy programme replaced another, which had a higher interest subsidy. In the Czech Republic, special low-interest loans for young people were introduced. In France access to zero-interest-loans for new dwellings or existing homes was expanded in 2014 and is mainly directed at first time buyers. In Ireland, first time buyers may benefit from local authority mortgages while social tenants may be eligible for mortgage allowance scheme. Also an Irish Help-to-Buy scheme now provides subsidies up to €20,000 for first-time buyers or self-builders.

16. Are there any other taxes/subsidies to owner-occupiers, landlords or tenants?

Replies to this very open question about whether there are any other taxes/subsidies were varied. Some respondents provided very specific replies, while others felt there were too many items to detail them all.

Subsidies to support new build programmes, especially after the GFC and now Covid, or where large-scale shortages of housing have been seen as a major policy issue, are quite common. These subsidies are often tenure-specific.

We have already noted above the UK Help to Buy Equity loan scheme, which aimed to support development as well as owner-occupation after the GFC. Australia has also had a long tradition of supporting both investment and ownership. In July 2008, Australia put in place the national rental affordability scheme (NRAS), which encouraged large-scale investment in affordable housing for a period of 10 years. It offered tax and cash incentives to providers of new dwellings to be rented to low and moderate income households at 20% below market rates. The NRAS incentive was tax-free income and had two components: (i) an Australian Government contribution in the form of a refundable tax offset or payment, and (ii) a state or territory contribution in the form of direct financial support or an in-kind contribution. Both were indexed in line with the rental component of the consumer price index. New allocations were ended in 2015.

In June 2020 the Australian government announced a new Homebuilder scheme. It provides eligible income- tested owner-occupiers (including first home buyers) with a grant of $25,000 to build a new home or substantially renovate an existing home. HomeBuilder will assist the residential construction market by encouraging the commencement of new home builds and renovations. Many States and Territories top-up this Commonwealth incentive.

In Austria, two special tax-based subsidy programmes are in place to increase the supply of private rental apartments. In one, the depreciation period is shortened to 15 instead of 66.6 years to attract private investors paying high income tax rates as rental-housing investment can be set off against personal income tax. The second program gives VAT exemption, normally charged at 20%, on housing construction, if the unit is let out for profit for twenty years. Both models have contributed considerably to the increase in private rental housing in urban centers in Austria over recent years.

Loans for construction of new rental housing are also found in the Czech Republic. In Hungary, there have been subsidies for construction as well as purchase. The Hungarian government also introduced a Village Housing Allowance subsidy put in place for 3 years from 2019, designed to support the purchase and renovation, modernization, and expansion of homes in remote farms, manors, or small settlements. Tax benefits or tax allowances for investment in renovation, modernization, energy efficiency, etc., are found in different forms in several countries. In Germany, social housing subsidies are also available for homeownership (subject to income limits and other criteria), and private landlords may be eligible if they are investing in social housing programmes.

There are a number of examples of subsidised savings and mortgage schemes. For instance, subsidies to support saving for a deposit exist at least in the Czech Republic, Hungary[36] and the UK, while in Germany 'KfW-mortgages' funded by the state development bank set up in 1948 provide shorter term low interest rate loans of up to 50,000 euro to be matched with loans from local banks. In the Netherlands and a number of other countries governments support mortgage guarantees[37].

In Russia, where interest rates remain high, the government subsidises mortgages for households who have a second child or additional child at the rate of 450,000 rouble for each child. In 2020, a new programme providing up to a 2% reduction in the mortgage rate for young households (up to 35 years old) in the Far East district was introduced. As a crisis measure, there have also been policies to restructure mortgage payments for households with children, disabled members, and war veterans experiencing difficulties in making their payments. Such restructuring occurred in a number of countries, notably Ireland and Spain after the GFC. However, the low interest rate regime that has now been in place for a decade has reduced the need for such initiatives.

17. A final question: In general, how would you describe the relative tax position of owner-occupiers as compared to landlords now (in 2016) as compared to 5 years ago?[38]

The general pattern appears to be that owner-occupation remains in a favoured position but to a more limited extent than in the past.

Table 7 summarises some of the responses that reflect moves towards greater neutrality in a majority of the countries included in our study. Moreover most of these vchanges have reduced the benefits to owner-occupation rather than helped private landlords more. Thus the overall extent of overall governmnet support through taxation has also declined if often only to a limited extent.

Table 7: *How has the relative position of owner-occupation changed?*

Country	Relative tax position of owner-occupation
Australia	Investors with limited equity and reliant on debt finance are initially treated more favourably than owner-purchasers because of interest deductibility and deferred capital gains liability. However, once equity builds up, owner-occupiers are treated more favourably. The extent to which they benefit depends on the marginal tax-rate of owner versus landlord. The tax position has not changed in the previous five years but there is considerable debate about possible changes. In particular, there is widespread support for replacing stamp duties with a broadly-based land tax.

36 This subsidy was removed in 2019.

37 See eg Whitehead and Williams, 2020, for a more general survey of affordable home ownership schemes across Europe.

38 Many respondents took the opportunity to update to the position in 2019. Where respondents did not do so that was probably because there had been no further structural changes.

Belgium	Owner-occupiers are traditionally treated much more favourably than private landlords. The regions started to reduce mortgage tax relief for owner-occupation after the transfer of competence to them in 2014. Since then there is some movement towards neutrality. However, because of the different regimes in the three regions and the complexity of the total fiscal system it is difficult to draw any general conclusions.
Czech Republic	In the past, most subsidies went to owner-occupation. However, since 2010, following significant reductions in a range of subsidies, decreasing interest rates and income tax rates (reducing the significance of tax relief for owner-occupiers) as well as increased expenditures on housing benefits for tenants and generous depreciation allowances for landlords, the relative position of owner-occupiers and landlords is now much more balanced.
Denmark	The owner-occupiers' tax position, compared to the value of their properties, was more favourable at the peak in prices around 2007. But it remains the case that private landlords and firms as landlords are the more highly taxed tenure – and they have been for decades.
Finland	Mortgage tax relief is lower than it used to be, but there are still major tax benefits for owner occupation.
France	The tax position has improved for landlords as compared to owner-occupiers, at least since 2012, as mortgage interest payments are no longer deductible for owner-occupiers, while they are for landlords.
Germany	Homeownership is treated as a consumption good with no tax relief on mortgage costs or capital gains. Private rental is treated neutrally as compared to other investments. Rents are fully taxable and all attributable costs can be deducted, including depreciation at 2 per cent, which appears adequate on average. The position has not changed, but house prices have been rising making owner-occupation more desirable.
Hungary	Owner-occupiers are treated preferentially, especially for new units where the VAT allowance will have a substantial effect until 2022. However, house price increases at 160% between 2014 and 2019 has "eaten up" the subsidy from the point of view of households. The landlord's position has also improved as rents have increased by similar proportions (without rent subsidies in the private rental sector.
Iceland	There are still some benefits from being an owner-occupier, but the gap is narrowing. The in-between case, i.e. private non-business landlords, has become more attractive, as there is now a reduced tax for landlords who own only one or two units.
Ireland	Landlords can claim tax relief on mortgage interest whereas most owners-occupiers cannot. But individual (not corporate) landlords are liable for CGT and resident owner-occupiers, who sell their homes, are not.
Netherlands	Home owners are still better off, even with the reductions in mortgage tax relief.
Norway	Most home owners have tax benefits but there are small shifts in the relative position in favour of landlords as a result of reduced capital tax rates.
Poland	No change. Owner-occupiers are in better position not only because of their subsidy, but especially because tenants have very limited support and landlords face long delays in gaining possession.
Portugal	The Portuguese housing market has changed enormously in the last decade. The main political discourse aims to favour the rental market and decrease the importance of mortgage loans. The Troika Memorandum of understanding imposed new taxes but also promoted the rental market, including tax incentives for affordable housing construction. The New Urban Lease Act introduced many rules that have substantially favoured landlords. Despite tax increases, landlords currently have better conditions than they had. Owner-occupiers are paying higher taxes now than they did 5 years ago.

Russia	Until 2016, both owner-occupiers and landlords had paid a limited (by international comparisons) property tax. In 2016, the property tax base was changed to cadastral value which dramatically increased the amount of property tax to be paid by households
Slovenia	No major changes. In the owner-occupied sector subsidies to first time buyers have been eliminated and in the rental sector the effect of PIT tax changes, which standardised rates between different types of income, depends on the tax bracket of the landlord.
Spain	The relative tax position has completely changed and is now more in balance. Landlords have large fiscal incentives to invest in rental properties. Changes were first introduced at the end of the 1990s and are continuing. The last rental reform was passed in March 2019 and has extended the term of the rental agreement to 5 years for private property owners and 7 years in the case of companies. This has improved security of tenure for tenants.
Sweden	Owner-occupancy has been generally favoured relative to renting (at normal interest rates) because of the asymmetry between property tax and interest deductions. However, this asymmetry is small at current very low mortgage rates (of below 2%).
United Kingdom	For a few years, private landlords were in a more favourable position with respect to mortgages as they could access interest-only mortgages (which for a while post-GFC were not generally available to owner-occupiers) and deduct mortgage interest payments from income, while owner-occupiers paid mortgage costs in full. However, recent changes to the taxation of landlords by which reliefs against rental income were reduced, and the introduction of inheritance-tax relief on owner-occupied dwellings, have meant that owner-occupation is favoured. Moreover, different capital gains tax treatment between tenures still benefits owner-occupiers.

These comments suggest four conclusions with respect to the comparative tax position of owner-occupiers and private landlords:

1. Owner-occupation remains the generally favoured tenure but the extent of the relative benefit has declined – in some countries very significantly;

2. This is only partly because of tax changes. It is also because interest rates have become much lower, so interest rate reliefs make less difference;

3. Most commentators emphasise the position with respect only to how taxation on interest and to a lesser extent income differ between the two sectors rather than differences in the tax treatment of other important elements such as capital gains taxes, inheritance taxes and stamp duty; and

4. Family wealth, which is often mainly in the family home, is generally protected in terms of inheritance - so wealthier owner-occupiers and their children tend to benefit the most.

18. Conclusions

The first and most obvious conclusion is that national tax systems in general and particularly the rules for housing taxation differ a great deal between countries. This can be clearly seen from the respondents' replies.

A second clear conclusion is that no country included in our survey has a housing tax system which is fully consistent with any set of principles usually put forward by economic commentators – whether looking at inter-tenure or inter-asset comparisons. Some changes do suggest greater coherence (eg with respect to mortgage finance); but others (such as increases in subsides to first time buyers) appear to be moving in the other direction. One reason for this is that housing is a core and lumpy element in household expenditure and in household's wellbeing – so when external circumstances change governments have to respond. These responses are usually short term and political rather than consistent with taxation principles, let alone economic logic.

Over the decades of economic discussion, the greatest emphasis has been on the relative tax treatment of owner occupation as compared to private renting. Social housing is usually excluded, even though social landlords are now far more diverse than in the days when such housing was owned by local authorities. Discussion is siloed ad mostly directed at discussions around different forms of supply subsidies and of income related housing support. There is however another large paper that could be written about the comparative tax and subsidy treatment across the range of affordable housing and indeed households in social renting, private renting, owner-occupation and other tenures (See eg Scanlon et al, 2015 and Monk and Whitehead, 2010 for more general overviews of social and affordable housing across Europe).

Analyses have tended to concentrate (i) on the treatment of borrowing and income (both actual and imputed) between the tenures; (ii) within the rented sector mostly on individual private landlords rather than companies; and (iii) on taxes on current income and expenditure – rather than on capital gains and other more general taxes – such as inheritance taxes, transactions taxes, wealth taxes and property taxes, all of which may exhibit tenure specific attributes.

This survey and the resultant paper has been one of the first that has tried to cover most of the instruments that make up housing taxation in this wider sense, while still maintaining the emphasis on housing rather than the comparison of housing with other assets. As a result, it has raised important issues not just about the relative tax position of different tenures but also about the position of housing, and especially owner-occupied housing, in the taxation of wealth as well as the relationship between housing taxation and more general property and land taxes.

In the context of wealth taxation, there are clearly many distortions in terms of investment decisions as well as enormous political pressures against taxing inter-generational transfers within the immediate family. In the context of land and property taxation, few of the countries have a land tax as such, while most have some form of property tax. In this context, it is important to note that such taxation can be regarded as a substitute for rental income taxation (although the revenues usually go to a different level of government and distortions between tenures usually remain). However, if the balance between income and property taxes were to shift towards property that distortion would be reduced. It is also important to note a fundamental shift towards treating housing as a consumption good rather than an asset in countries such as Germany and the UK.

Finally, looking more at specifics, two conclusions stand out:

> First, no country in our sample, except the Netherlands was found to operate an imputed rent taxation system for owner-occupiers – and even in the Netherlands it does not reflect market values. Similar only one country – Sweden – taxes capital gains associated with the longer-term ownership of primary residential properties; while private landlords are taxed on capital gains in nearly all the countries in the survey. This distortion between owning and renting is inbuilt into housing systems, although it may sometimes be offset by other taxes or subsidies – and modified by changes in market conditions.
>
> Second, an important part of housing policy, aimed at both reducing the relative tax benefits of owner-occupation and increasing tax revenue, has been the reduction or elimination of tax relief (or its equivalent) on mortgage interest payments. Now this relief remain in only six countries and even in these countries sometimes at a reduced tax rate. Only part of interest expenditures can be deducted by owners in a further 3 countries. It is also worth noting that four of the countries where it remains in full or, in one case, in part are in Scandinavia, where the tradition is to allow reliefs for all types of borrowing. In Belgium, it is only allowable in one region. Owner-occupiers now have no access to mortgage tax relief or the deduction of other interest payments on that property in the remaining 11 countries.

Thus, there is a clear trend towards restricting the relative benefits of at least the financing of owner-occupation, if not with respect to other fundamentals of housing as an investment. Importantly, one reason why it has proved possible to reduce or eliminate mortgage tax relief is that interest rates have been gradually reducing over the last three decades – and look likely to remain low for a long period.

The result of these changes is that in many countries owner-occupied housing is being treated more as a consumption good with no interest relief or capital gains tax and no capacity to offset costs of occupation. Private renting on the other hand – with some exceptions, notably the UK - is generally treated, as an investment good, with taxes on net income and value increases. But as we have pointed out, there are many other tenure specific taxes, exemptions and subsidies that still distort this simplified picture.

Overall, it is clear that housing taxation remains a highly complex area, where many if not most decisions are made for purposes unrelated to neutrality between tenures and often for highly political reasons. Equally, there are immense differences between countries in terms of the mix of tenure-specific and other housing and land-based taxes. Over time however, and in the face of an often rapidly changing economic environment, the emphasis is more on stability than change.

We have tried to summarise the replies as accurately as possible but found the complexities sometimes overwhelming. But this, in itself, makes two things clear: there is no simple comparison to be made; and there is still much more comparative research to be done.

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Appendix Tables

Table A1. *Do landlords receive a depreciation allowance?*

Country	A depreciation allowance?
Australia	2.5% on capital value for new dwellings and structural improvements; specified schedules based on expected life for internal fittings (such as curtains, white goods etc)
Austria	Normally construction costs (only building, i.e. 60% of overall value) for 66 years, at 1.5% p.a.. A subsidy model for new private rented housing provisions enables shorter periods up to 15 years.
Belgium	At the federal, regional and local levels landlords are taxed on an imputed rent, which is reduced by 40% for costs (a sort of allowance for depreciation).
Czech republic	The landlord can deduct total acquisition costs over 30 years from acquisition. There is some flexibility in setting the annual depreciation amount.
Denmark	Landlords can deduct 4% of the purchase price of the building (the property value minus the land value). Depreciation is therefore linear. If a building (as part of the property) is sold at a price different from the remaining value, the gain (or loss) must be included in the income for the year after the sale.
Finland	No – but any larger repairs can be deducted as a cost.
France	No
Germany	Yes. Usually 2 per cent over 50 years.
Hungary	3 options: 1) the actual cost incurred for maintenance of the property, justified by invoices, can be set against revenues; 2) 10% of the rent revenue can be charged as a one-off maintenance cost, 3) depreciation at 2% of the book value of the property under certain conditions (in particular, if the property was built or bought more than 3 years ago).
Iceland	No
Ireland	Costs of maintenance, repairs and insurance are deductible, and there are allowances for wear and tear in respect of capital expenditure incurred on fixtures and fittings (for example, furniture, kitchen appliances, etc.) provided by a lessor for the purposes of furnishing rented residential accommodation.
The Netherlands	No
Norway	No
Poland	If rental tax is payable as a CIT in housing property (VAT purchase tax was 8%) landlord may charge 1.5% of property value (quota decided by The Ministry of Finance), as a depreciation cost. If the property is treated as a commercial activity (with VAT, at purchase, of 23%) the depreciation cost is 2.5%. – For cooperatives amortization cost is 2.5%.
Portugal	No.
Russia	Prior to 2016 when tax was applied to inventory value of the property, the depreciation allowance benefitted those living in older properties.
Slovenia	Not explicitly. However, landlords may deduct 15% of rental income as a "normative cost" to cover the cost of repairs and maintenance (whether or not actual expenditure was made) and this is in practice a form of depreciation.
Spain	The landlord (owner) can deduct from the rental income a depreciation allowance of 3% of the higher of the two following values: the acquisition value of the house less the land value; or the cadastral value deducting the land value each year.

Sweden	Yes – at the regular corporate tax rate. The standard depreciation rate allowed for tax purposes is 2 percent of acquisition value (straight depreciation).
Turkey	The private rented sector shows almost no development in Turkey. Only during the construction period has the developers the right to make deductions of the development costs from their taxable income as a general rule.
UK	No depreciation possible as such. Until April 2016 there was a 'wear and tear' allowance which permitted landlords who rent fully furnished accommodation to deduct 10% of profits to cover the cost of repairing and replacing furnishings, whether or not actual expenditure was made, in practice a form of depreciation. Now only actual costs will be allowed but for all landlords, not just for furnished properties.
USA	The general recovery period for residential rental property is 27.5 years. The Tax Cuts and Jobs Act changed the alternative depreciation system recovery period for residential rental property from 40 years to 30 years. Under the new law, a real property trade or business electing out of the interest deduction limit must use the alternative depreciation system to depreciate any of its residential rental property. These changes apply to taxable years beginning after Dec. 31, 2017.

Table A2. *Do private landlords pay capital gains tax?*

Country	Landlords pay captial gains tax
Australia	Yes. For an individual, the capital gains rate paid is the same as their income tax rate for that year. If they hold the property for more than 12 months they are eligible for a 50% deduction in tax. For SMSFs, the tax rate is 15% and the discount is 33.3%. Companies are not entitled to a capital gains tax discount, and pay 30% tax on net capital gains.
Austria	Yes. In 2012 a capital gains tax was introduced and adapted in 2016. The tax rate is now 30% of the nominal gain.
Belgium	Yes, if sold within 5 years of acquisition. The tax is 16.5%, on the difference between: selling and purchase price (+5% per year owned) + costs of rehabilitation
The Czech Republic	Yes, but only if has owned the property for less than 5 years. The rate for an individual is 15% as part of income tax. Rates and holding time vary between types of owner.
Denmark	Yes. Private landlords (persons and firms) are taxed on the nominal gain - in principle the sales price minus the buying price, (i.e. the realisation principle is followed). The capital gains can be "rolled over" to newly acquired properties. For private individual landlords the capital gain tax rule varies between 47 and 60% and for private companies it is 57%. Pension funds' capital gains are taxed annually at 15.3%.
Finland	Yes. The tax rate is 30% up to 30 000 euros, 34% above that. The tax rate on capital gains tax may vary.
France	Yes. The capital gain tax applies to rental dwellings, when they are sold. The rates are 19% for the tax and 17.2% for the social contributions. There is full exemption after 22 years for the tax and after 30 years for the social contribution.
Germany	Yes, but not if the property has been held for more than ten years. Charged at the personal income tax rate. There are no restrictions.

Hungary	Yes, but only if held for 5 years or less – as with owner-occupiers. Institutional landlords follow business accounting rules. It is paid by private persons on the difference between the selling price (excl. sale costs) and the buying price adjusted for the eligible costs for replacements and modernisation since the purchase. The tax starts at an income tax rate of 15% but it is phased out over 6 years (1 or 2 years: 100%; 3 years 90%: 4 years: 60% 5 years: 30%, 6 years 0%).
Iceland	Yes, on sale at capital gains tax rate.
Ireland	Yes. After an allowance of € 3,000 and subject to an index linked annual allowance for value increases, it is charged at 33% of the gain. Special types of corporate landlords are not liable for CGT.
The Netherlands	No capital gains tax for individual landlords. Yes, if the real estate is a capital asset of the business and if sale is part of the enterprise, capital gains are taxed in Box 3.
Norway	Yes, all owners of secondary houses have to pay capital gains tax, as the difference between the selling price and the purchase price minus any documented investment in the house. Tax rate: 22% on the capital gain.
Poland	Yes, but only if owned for less than 5 years. Otherwise, there is no capital gains tax.
Portugal	Yes. There is a capital gains tax at 28% for individuals and 25% for companies on the sale of residential property. If the money is reinvested in property, there is a 50% deduction.
Russia	Yes. The tax applies to landlords as property owners. The tax rate is 13% for residents and 30% for non-residents, i.e. those spending more than 6 months abroad p.a.
Slovenia	Yes. Capital gains tax is – from 2020 on – paid at the relevant income tax rate: 27.5% for a holding period of up to 5 years, 15% from 5 to 10 years, 10% from 10 to 15 years, 5% from 15 to 20 years and tax exempt after 20 years.
Spain	Yes. For the municipal tax the same rules apply as for owner-occupiers. With regard to corporation tax, the same rules apply but without the deductions and the exceptions from payments. The deductions and exceptions apply only to the principal home of private owners.
Sweden	Yes, at the regular corporate tax rate for corporations and at 22% for private owners.
Turkey	Yes. The tax applies to landlords as property owners, if sold within 5 years of acquisition. The tax is changing at between 15% and 40%.
UK	Yes. The first £12,300 are tax free in 2020/21. After that the rate is 28% for private landlords with incomes of £50,000+ (18% for those with lower incomes). There is no rollover relief. The rate is 19% for companies. From 2020, payment has to be made within 30 days of sale.
USA	Yes, upon realisation. Federal long-term capital gains rates apply, up to 20%.

Table A3. *The existence of property taxation.*

Country	Is there a property tax?	Based on market values?	Estimated percentage of market value	National property tax rate	Different property tax rates between regions?	Different property tax rates between municipalities?
Australia	Yes	Not generally		na	Yes, by state.	Yes, rate varies for the 560 councils.
Austria	Yes	On historical value, now out of date	Depends on municipality	Yes, but low	No	Yes
Belgium	Yes	No, based on cadastral values: underestimates market values and does not reflect market differences.			2.5% in Flanders, 1.5% in Wallonia, 2.25% in the Brussels region	Rates across provinces vary between 2.09 and 4 euros
Czech Republic	Yes	No. Administratively defined tax				Each municipality has a different property tax
Denmark	Yes	Assessed property values, in principle at market level.		No		Yes. Between 1.6% and 3.4%.
France	Yes	Assessed rental value (1970) administratively updated; revision underway		No		Yes
Finland						
Germany	Yes	No. Based on values in 1964.		3.5 per thousand - on average 550 per thousand	Assessments vary from 300 to 700 per thousand	Assessment rate is on average 1.9%
Hungary	Yes	About 50% of the market value. The tax can be raised to reflect size (the max tax is 1854 HUF/m2/year), value (max is 3.6% of the corrected value).		No	No	Only a municipality tax. In 2010, only 500 of nearly 3,200 municipalities introduced a building tax, typically with several allowances; the proceeds make up around 10% of the local tax take.

Iceland	Yes	0.18% of assessed value of the property in Reykjavík in 2019 for individuals and 1.65% for businesses.		Varies between municipalities		
Ireland	Yes	Yes	0.18%	0.18%		Minor variations allowed in each local authority
Netherlands	Yes	Yes, estimated market values, with 1year lag.	Individual%s vary across the 355 municipalities	No	No	Yes, municipal responsiblity
Norway	Yes municipalities can choose to have, as a percent of market values and choose to have a threshold relief	Yes, as a percentage of no more than 80% of the market value.	Varies between municipalities	No	It is the decision of each municipality	Yes, they can choose within min-max rates: 0.2% - 0.7%. From 2020 the max rate is 0.5%.
Poland	Yes					Yes – main source of revenue for municipalities.
Portugal	Yes.1)	The value stipulated by each municipality varies, with market value playing only a small role.	The tax is reduced for affordable housing; where individuals pay up to 10% instead of 28%.	Since 2017 Property Tax (AIMI) introduced -, for properties valued above 600,000 euros. AIMI replaced Stamp Duty at 1% on each property worth more than one million euros		Yes
Russia[2)]	Yes	If owner is a company since 2014. For households it is intended that the valuation system will be changed to a market based cadastral system.			Tax rate is determined regionally. If owned by companies the tax rate cannot exceed 2.0%; if owned by households the cadastral value is used at the recommended tax rate of 0.1%	

Slovenia	Yes	No, it is an area based system (called Charge for the Use of Building Ground)	Different for commercial, housing, and undeveloped building land; differs between the 212 municipalities.	No	The tax operates on an administrative points basis.	Each municipality has a different rate.
Spain[3)]	Yes, the so called IBI, Impuesto sobre Bienes Inmuebles	No – on cadastral value, app. 50% of the market value	50%.	No.	No.	Yes. Min 0.4% - max 1.1% of the cadastral value.
Sweden	Yes	Based on assessed values – 75% of market value.		Single-family homes: 0.75% of assessed value, with assessed value capped at around 1mSEK (close to median house value). Multi-family housing: 0.3% of assessed value for rental housing and cooperative housing associations adsrättsföreningar)	No	No
Turkey	Yes, Land and buildings are subject to property tax..	Buildings are assessed by using amortized cost approach and land is assessed by using sales comparison approach. While assessing land every 4 years, municipality consider market value of land.				

	Depends on municipality.	Yes.	No.	Property taxes are calculated annually by each municipality based on the taxable values of land and buildings. Tax rates are determined by central government. The tax rates are 0.1% for residential property and 0.2% for commercial property. The rates are increased by 100% within the metropolitan municipality		
U.K.	Yes	Based on April 1991 values	Roughly 30% of current market values	No	No	326 local authorities technically determine their own council tax but within very tight central government rules. The average council tax was £1671 in 2018/19.

USA	Yes.	Usually, although varies across states. In most states local assessors are required to base valuations on market values, although reassessment cycles vary (e.g. some are annual, some are every 3 or 5 years, or even longer).	This is highly variable across the 50 states and their local governments. Effective tax rates, as a percentage of market value, range from approximately 0.25% to 2.25%.	No		Each local government unit in each state sets its own tax rate (e.g. school district, city, county, etc.) typically in the range of 1% to 3% of assessed value. Effective tax rates are the product of assessment ratio (assessed value divided by market value) and the nominal tax rate.

Notes: 1) The calculation of the Portuguese property tax is:

VT (taxable value) = VC x A x Ca x Cl x Cq x Cv

VC = base value of the built buildings;

A = gross floor area plus the surplus area to the area of deployment;

Ca = coefficient affectation;

Cl = coefficient location;

Cq = coefficient of quality and comfort;

Cv = obsolescent coefficient.

the coefficient of location corresponding to each of the current zoning, i.e., how the parcels are divided in each municipality. According to IMI Code, the location coefficient varies in a range that goes from 0.4 (lowest) to 3.5 (the highest) and is one of the elements that make up the formula for calculating the taxable value.

2) Municipalities can increase the tax on property under very specific conditions and also reduce the percentages when cadastral values are updated for a maximum of 6 years but not to below 0.1% for urban properties assets and 0.075% for rural ones.

Rural land has a different taxation system; a minimum of 0.3%, and a maximum 0.9% of the cadastral value. A legal change passed on June 2015 established that urban land that has not yet been developed pays the rural land tax instead of the urban one. It was contested by many people.

3) Source: Oxley and Haffner (2010), p. 49.