Using incentives to improve the private rented sector: three costed solutions

by Anna Clarke and Michael Oxley

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This report sets out three possible policy options for using incentives to improve the private rented sector in England for people in poverty, drawing on an international review of policy interventions used elsewhere in the world. These policies have the potential to improve access to housing, affordability, housing quality and security of tenure. The report shows that the costs of the three proposals is much lower than the £808 million annual increase in tax revenues by 2021–22 that the Government recently anticipated making from restricting finance relief for landlords to the basic rate of income tax.

What you need to know
We have developed three incentive policy options:

- Introduce a Rental Incentive Allowance, enabling landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of Local Housing Allowance;
- Boost incentives to improve the quality of property by allowing specified improvements to properties to be tax deductible against income tax, rather than Capital Gains Tax; and
- Improve access to housing by enabling local authorities to issue vouchers to priority households, guaranteeing the payment of rent.

We can solve UK poverty
JRF is working with governments, businesses, communities, charities and individuals to solve UK poverty. Using incentives to improve the private rented sector: three costed proposals plays an important part in addressing access, costs, standards and security in the housing market – a key focus of our strategy to solve UK poverty.

March 2018
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Executive summary

A policy-focused international review carried out by the Cambridge Centre for Housing & Planning Research, in partnership with the Joseph Rowntree Foundation (JRF), which can be found here, identified measures used in other countries to incentivise landlords to improve the private rented sector for people in poverty (Clarke and Oxley, 2017).

This report takes three of the possible options considered and makes estimates of the possible costs associated with implementing versions of these measures in England.

The three proposed measures are:

- allowing landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of Local Housing Allowance (LHA) and charge rents that are no higher than LHA – through the introduction of a Rental Incentive Allowance (Proposal 1)
- specified improvements to properties to be tax deductible against income tax (rather than Capital Gains Tax, as at present) (Proposal 2)
- vouchers that guarantee the payment of rent for low-income households prioritised by their local authority – landlords would be incentivised to accept tenants that they might consider higher risk (Proposal 3).

The costs of introducing these measures are inherently uncertain as there are unknown factors, not least the way in which landlords might change their behaviour in response to the incentives. This behavioural change could have both additional costs (if more landlords are claiming the tax incentive, for example) and benefits to households in poverty, and also to agencies on whom the costs associated with poverty and homelessness may fall, such as local authorities. The estimates here are therefore broad-brush, intended to give an indication of the likely scale of costs associated with introducing each of the three measures in England.

With these caveats in mind, the tax deductions for renting at LHA levels (Proposal 1) have been costed at £354 million per year; offsetting some improvement costs against income tax (Proposal 2) at £36 million in the first year, rising to £86 million after nine years; and vouchers to guarantee rent for low-income households (Proposal 3) at £170 million per year.

The estimated costs can be compared with the gains to HM Treasury from the recent tax increases for private rental landlords. These include gains from restrictions on mortgage interest deductions for income tax, reform of landlords’ Wear and Tear Allowance and additional Stamp Duty Land Tax due on the purchase of second homes. These will generate substantially more additional revenue than the costs of the three proposed incentives. This report shows that the £808 million increase in tax revenues in 2021–22 alone, from restricting finance relief to the basic rate of income tax, is much higher than the estimated costs of any of the proposals.
1 Introduction

The rise in the private rented sector in England has led to growing numbers of households facing housing insecurity and high costs. The private rented sector also has the highest rates of disrepair. There is therefore growing concern to improve the private rented sector, especially for families.

Housing costs are higher as a proportion of income for more disadvantaged households, and more so for renters. More than 70% of private renters in poverty spend at least a third of their income on housing, compared with under 50% in the social rented sector and 28% for those who own their own homes (Tinson et al, 2016).

The security of tenure associated with home-ownership and social renting is not generally offered by the private rented sector. The end of an assured shorthold tenancy is now the largest single cause of homelessness acceptances (Tinson et al, 2016).

There are also problems of access. While the growth in the private rented sector ought, in principle, to present growing opportunities for people to find a new home, this is not always the case for low-income households. Recent research found that ‘half of all local authorities, and virtually all in London, described it as “very difficult” to assist their applicants into private rental tenancies. These difficulties were attributed to the combined effects of rising rents and welfare benefit restrictions, particularly frozen Local Housing Allowance rates’ (Fitzpatrick et al, 2017, p. 10).

Compared with other tenures, the private rented sector also has the highest rates of poor-quality housing. Rates of unsafe housing, damp problems and homes that fail to meet the Decent Homes Standard are highest in the private rented sector (Tinson et al, 2016).

The Joseph Rowntree Foundation (JRF) is therefore interested in ways of making the private rented sector work better as a source of accommodation for those in poverty. Encouraging landlords to let to low-income households, and to improve the quality, affordability and security of the housing they offer, is key.

Recent changes to taxation in the private rented sector have focused interest on the possible use of tax as a means of changing behaviour. The abolition of the Wear and Tear Allowance in 2016 increases incentives for landlords to invest in maintaining furnishings, while the increase in Stamp Duty is likely to weight the market in favour of first-time buyers, rather than buy-to-let investors. Landlords remain concerned about the changes to income tax and mortgage interest, and are lobbying for changes to this new measure. It is therefore extremely timely to consider whether there are ways of incentivising landlords to offer affordable, good-quality and secure housing to low-income households, and to families in particular.

The Cambridge Centre for Housing & Planning Research, in partnership with JRF, therefore undertook a policy-focused international review to identify incentive-based policy interventions used elsewhere in the world that may be transferable to England (Clarke and Oxley, 2017). The focus was on incentives that have the potential to improve:
• access to housing
• affordability
• housing quality
• security of tenure.

This report takes just three of the possible options considered, and makes estimates of the possible costs associated with implementing the measures.

The three proposed measures are:

• allowing landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of Local Housing Allowance (LHA) and charge rents that are no higher than LHA – through the introduction of a Rental Incentive Allowance (Proposal 1)
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The costs are inherently uncertain as there are unknown factors, not least the way in which landlords might change their behaviour in response to the incentives. This behavioural change could have both additional costs (if more landlords are claiming the tax incentive, for example) and benefits to households in poverty, and also to agencies on whom the costs associated with poverty and homelessness may fall, such as local authorities.

The estimates here are therefore broad-brush, intended to give an indication of the likely scale of costs associated with each of the three measures in England, although it should be noted that Proposals 1 and 2 operate via the tax system, which is UK-wide, and might more easily be implemented on a UK-wide basis.

The selection of the three proposals to develop further drew on the international review, and also on the views of a project advisory group, which helped to determine which policy measures in use elsewhere could have the most potential in the English context.

The project advisory group consisted of representatives from the following bodies:

• Association of Residential Letting Agents (ARLA)
• Chartered Institute of Housing (CIH)
• Department for Communities and Local Government (DCLG)
• Greater London Authority (GLA)
• Greater Manchester Combined Authority (GMCA)
• HM Revenue and Customs (HMRC)
• Joseph Rowntree Foundation (JRF)
• London Borough of Newham
• National Approved Letting Scheme (NALS)
• National Landlords Association (NLA)
• PricewaterhouseCoopers (PwC)
• Residential Landlords Association (RLA)
• University of Sheffield
• University of York.
2 The current English context

Taxation and private landlords

Private landlords in England are either individuals or companies. At present, they are treated separately in the tax system.

Individual landlords

Individual landlords pay income tax on the profits from their rental property at the same rates of tax as other earned income. Any income they receive from property rental will be included in their tax return. They therefore receive an annual personal allowance (£11,500 in 2016/17), pay 20% tax on income up to £45,000 in any given year, 40% on income up to £150,000 and 45% on income over £150,000 (as well as losing the personal allowance from £125,000). Before they work out the profit on which they will be taxed, landlords may deduct the costs of managing the property (such as letting agency fees), legal fees, replacement furniture, insurance, any utility bills or Council Tax they are responsible for, ground rent and expenditure on maintenance and upkeep (but not improvements).

Until recently, landlords could also deduct mortgage interest payments as an allowable expense. However, from 2017 to 2020, new rules are being phased in, which limit the amount of tax relief on mortgage interest payments to 20%, rather than 40% or 45%, as would normally be claimed by landlords with higher gross incomes. This increases the tax bill for landlords whose gross income from letting properties is in excess of the higher-rate tax allowance.

Individual landlords also pay Capital Gains Tax when they come to sell a property. The capital gain is worked out as the increase in value of the property when sold, compared with the price paid (if after 1982). Current rates of Capital Gains Tax are 18% and 28%, with the higher rate due on profits and income over the higher-rate tax threshold (currently £45,000). The cost of buying and selling the property is tax deductible, as are the costs of any improvements (but not maintenance) made to the property. The first £11,300 of capital gain is tax free in any one tax year.

Landlords would not normally pay Value Added Tax (VAT) on their profits, as letting property is an exempt activity for VAT. Landlords pay VAT on goods and services used in maintaining or improving their property and can only claim this back if they are registered for VAT.

It is usually tenants rather than landlords who are liable for Council Tax. However, if a property is let as a House in Multiple Occupation (HMO) or shared house with separate tenancies granted to each tenant, then this responsibility falls on the landlord rather than the tenants.

If being a landlord is their main employment, landlords will also pay Class 2 National Insurance contributions of £2.85 per week, where their profits are more than £6,025 per year.

Stamp Duty is a transaction tax on buying property, with differential rates depending on the value of the property. Since 2016, landlords who purchase a new property have had to pay Stamp Duty at a rate that is three percentage points higher than what home-owners have to pay.
Company landlords

Company landlords pay tax in the same way as any other business does. This means they pay employers’ National Insurance contributions on pay to staff. Their staff pay income tax and employees’ National Insurance contributions as normal.

Companies pay Corporation Tax (currently 19%) on both their profits and any capital gains from selling properties, although there is an indexation allowance to compensate for the effect of inflation while the asset was owned. They can also delay paying tax on capital gains if they reinvest the proceeds in buying new properties, by making use of Business Assets Rollover Relief. The tax due will then be payable only when the replacement property is later sold.

Company landlords can pay out profits to shareholders in the form of dividends. These are taxed at 7.5% (basic rate), 32.5% (higher rate) or 38.1% (additional rate), after a tax-free allowance of £5,000. No National Insurance contributions are payable on dividend income.

Companies can deduct the costs of running their business from their taxable profit. Unlike individual landlords, they can still deduct interest on loans in full from their taxable profits.

Company landlords pay Stamp Duty Land Tax in the same manner as individual landlords, also paying the additional 3% levy. They are also liable for Council Tax in the same situations as individual landlords.

Incentives

There are already some financial incentives in England aimed at reducing rents (possibly via increasing supply), improving housing quality and housing people in poverty. These include the following.

Rent a Room Scheme

The Rent a Room Scheme was designed to encourage people to take in a lodger and therefore increase the availability of rented housing, exerting a downward pressure on rents. The first £7,500 received in rent from a lodger is tax exempt. This was increased in April 2016 from £4,250.

Tax relief on property maintenance

Changes were recently made to reduce tax relief on mortgage interest payments but landlords can still claim full relief on the cost of maintaining their properties. Since the abolition of the Wear and Tear Allowance in 2016, landlords have to physically spend the money on the maintenance of furnished lettings in order to claim the tax relief. This strengthens the incentive for them to do so.

Capital Gains Tax deductions for improvements made to a property

Landlords have to pay Capital Gains Tax on the uplift in value of a property when they come to sell it. Improvements that are tax deductible can include installing energy-efficiency measures or building an extension, but do not include normal maintenance of the property, such as decorating.

Lettings relief on Capital Gains Tax

Lettings relief is a reduction to Capital Gains Tax given to people who rent out a home that they have previously lived in. It is worth up to £40,000 and provides an incentive for home-owners to let out their home (rather than leave it empty) if they are away for a long period.
VAT reductions

Most work on properties (by builders, plumbers and so on) is charged at the standard rate of VAT (20%). However, there is a zero rate for building a new property, or for carrying out work for disabled people in their home. There are also reduced rates of VAT for installing energy-saving products and mobility aids for people aged over 60, as well as for renovating a property that has been empty for two or more years.

Accredited landlord schemes

Some local authorities seek to improve the physical standards of housing stock and standards of management by offering accreditation to local landlords. Landlords who join such schemes receive benefits such as being able to advertise their properties on online portals, being locally recognised as a good landlord, receiving tenant referrals from the council and discounts on HMO licence fees. Membership organisations such as the National Landlords Association, the Residential Landlords Association and The Property Ombudsman also offer accreditation, and sometimes training and legal advice, to members.

Feed-in tariffs

Feed-in tariffs allow landlords (in common with owner-occupiers) to be paid by their energy supplier for installing electricity-generation technologies, such as solar panels, which feed surplus power back to the National Grid. Tenants benefit from lower fuel bills if landlords install such measures, as they can use the free electricity whenever the technology is generating it.

Direct benefit payments of rent to landlords

Private rented tenants are normally expected to pay their rent themselves and claim any benefit entitlement (either Housing Benefit or Universal Credit) separately. However, the Department for Work and Pensions can make payments direct to landlords on behalf of disadvantaged tenants who are judged to be at high risk of failing to pay their rent or losing their home. Landlords can also apply to receive payments direct for any tenants, once they are eight weeks in arrears (two months for those in receipt of Universal Credit). These measures help to incentivise landlords to let to tenants with poor payment histories, and to retain tenants who have failed to pay their rent but are entitled to benefits. Such tenants must still pay any shortfall between the LHA amount and the actual rent direct to the landlord.

Energy-efficiency incentives

There are currently no financial incentives available in England to encourage landlords to improve the energy efficiency of their properties (as opposed to micro-generation – the production of heat or power on a very small scale, for example by individuals – via the feed-in tariff). The Landlord’s Energy Saving Allowance (LESA) was abolished in 2015. It had been designed to encourage landlords to improve the energy efficiency of their properties and allowed them to claim up to £1,500 per year on expenditure relating to insulation and draft proofing.

In contrast, in Scotland, there are grants and loans available to landlords to improve the energy efficiency of their housing, including:
• the Home Energy Scotland Loan (Energy Saving Trust, no date, a)
• the Home Energy Efficiency Programmes for Scotland (HEEPS) Equity Loan (Energy Saving Trust, no date, b)
• the Resource Efficient Scotland SME (small- to medium-sized enterprise) Loan (Energy Saving Trust, no date, c).

There is, however, free advice available to landlords on improving the energy efficiency of their properties in England from the Energy Saving Trust (Energy Saving Trust, no date, d).

The Green Deal – a government initiative to encourage home-owners and landlords to use more green measures in their properties – has been relaunched recently but under private finance, and is yet to make many loans. The demise of government funding in this area has left a deficit of incentives to improve energy efficiency and hence improve the affordability of housing. A variety of possible alternatives have been proposed (APPG, 2016; Hall and Caldecott, 2016; Westminster Sustainable Business Forum, 2016). Looking specifically at incentives, a report by the UK Green Building Council (2013) assessed a range of possible options and recommended variable Stamp Duty, variable Council Tax rates, and also a feed-in tariff (which was subsequently adopted by government).

Disincentives

In understanding the context of the private rented sector in England, it is important to consider not just the financial incentives for landlords, but also the disincentives to house low-income groups, improve the quality of housing or offer greater security to tenants. These include the following.

Welfare cuts

Since 2010, cuts to welfare benefits have meant that increasing numbers of tenants who rely on benefits are finding that their Housing Benefit (or the housing component of Universal Credit) does not cover their rent. Recent cuts include the freezing of and below-inflation increases to LHA, as well as the implementation of the benefit cap affecting families in high-rent areas in particular. Sanctions imposed on tenants for failing to keep their jobseeking agreements also commonly cause gaps in LHA payments, in turn causing arrears. Administrative errors and delays can also cause problems. Landlords are aware of the LHA limits and the risk of arrears from tenants receiving benefits, and are therefore often unwilling to let to low-income tenants who they fear will be unable to pay their rent.

Restrictions posed by mortgage lenders

Landlords with a mortgage must comply with any restrictions that their lender places on letting out their property. These sometimes include a ban on letting to tenants who are receiving benefits, and a requirement that the property is let on a six- to twelve-month assured shorthold tenancy. Recent research by the Residential Landlords Association suggests that about 90% of the buy-to-let market is covered by lenders who currently prohibit landlords from letting to tenants who are in receipt of benefits (Da Silva, 2017). This can prevent landlords from offering longer tenancies or housing tenants in poverty.  

Long delays in evicting tenants

Delays in the court system cause risks for landlords, exacerbated by policies in some local authorities requiring tenants to remain in a property, after notice has expired, in order to be eligible for rehousing. It had been hoped that the Homelessness Reduction Act 2017 would end this practice, but the final
wording of the Act does not explicitly do so. The possibility of a long delay with no rent causes landlords to be risk adverse when considering housing tenants deemed likely to fail to pay their rent.

**HMO regulation and licensing**

Mandatory and selective licensing for HMOs, and more stringent safety standards, even for small HMOs, provide disincentives for landlords to let their properties as shared housing. This may help families to find accommodation but make it harder for single people, in particular those aged under 35, to find a room to rent (Pattison and Reeve, 2017).

**Tax changes**

The taxation of private landlords has increased over recent years. Changes to personal taxation mean that if their gross income (including rent) is over the higher-rate tax threshold, they can no longer offset mortgage interest against tax in full. Landlords with large amounts of borrowing are likely to be most affected and could look to increase rents to compensate, or exit the sector, possibly causing a reduction in private rented housing and a resultant increase in rents. Furthermore, a 3% levy on Stamp Duty for landlords buying a new home was introduced in 2016. This is likely to dampen the rate at which the sector grows, exerting an upward pressure on rents.

**Right to Rent checks**

Right to Rent checks by private landlords in England were introduced in February 2016. These require landlords to ensure that tenants have the documentation necessary to satisfy a Right to Rent check, such as a UK or European Economic Area (EEA) passport or an immigration status document. If tenants lack these, they must provide other documentary proof, such as a birth certificate, a driving licence, benefits paperwork or a letter from certain government departments. A recent survey by the Residential Landlords Association (2017) found that landlords were now less likely to consider letting to those without a British passport, or to those with only temporary rights to reside in the UK. These include UK-born people without passports and migrants, many of the most deprived people in the UK.

**Existing suggestions to improve incentives**

A report by the Chartered Institute of Housing and the Resolution Foundation (2014) explored the issue of landlord incentives and made a number of recommendations. These focused on establishing a nationally agreed set of standards for accreditation, covering both property conditions and housing management, as well as introducing a range of tax changes to incentivise landlords to become accredited.

The recommendations were as follows:

- allowing accredited landlords to deduct an amount for repairs and maintenance in excess of what is spent and/or limiting the allowance for expenditure on repairs and maintenance that non-accredited landlords can offset (with the proviso that work needed to bring a property up to accreditation standard is always fully tax deductible)
- allowing accredited landlords to benefit from Capital Gains Tax rollover relief, meaning that if a rented property is sold and the proceeds are reinvested in another, the landlord can defer the payment of Capital Gains Tax on any profit they have made – the report suggested linking rollover relief to the length of time for which the property has been rented out and the length of time for which the landlord has been accredited
• reinvigorating the Green Deal (which has since been disbanded) – under the deal, landlords were able to make energy-efficiency improvements without having to pay all the costs upfront (Department for Business, Energy and Industrial Strategy, 2013)

• treating property improvements that result in a higher Standard Assessment Procedure (SAP) energy-efficiency rating as an allowable expense – current practice is for these to be treated as improvements to a property, and therefore tax deductible in terms of Capital Gains Tax (but not income tax) when a landlord comes to sell

• supporting local authorities to increase tenancy support services to tenants at high risk of tenancy failure – this support could be offered to tenants of accredited landlords.

Meanwhile, landlord bodies have made other suggestions for reductions in taxation on landlords and other incentives, many of which could have a positive impact on tenants in poverty. These include:

• treating private landlords as businesses in terms of rollover relief for Capital Gains Tax, to enable them to manage their portfolios more flexibly (NLA, no date, a)

• incentivising long-term ownership, by reintroducing the tapering of Capital Gains Tax on a similar basis to the indexation allowance permitted for company landlords (NLA, no date, a)

• reversing the cuts to mortgage interest tax relief, as landlords say they are planning to increase rents as a result (Simcock, 2016) or leave the market

• reducing VAT on renovations and home improvements (NLA, no date, b)

• addressing the complexity of Council Tax liability for HMOs (NLA, no date, d)

• addressing the problems caused by welfare reforms (NLA, no date, c)

• preventing excessive fees for HMO licences and reducing the use of selective licensing for HMOs (NLA, no date, e)

• improving the efficiency of the court system (NLA, no date, f)

• removing the Right to Rent checks, on the grounds that landlords are less likely to rent to those without a British passport – often those who are the most disadvantaged in society (NLA, 2017).

Other possible changes to the private rented sector that may improve security for tenants offer no particular benefit to landlords. Research into landlords’ views on types of tenancy, however, found that landlords were much more likely to consider offering longer tenancies if tax incentives were offered (Clarke et al, 2015).

Table 1 shows our analysis of the possible impacts of the different incentives and disincentives discussed in this chapter.
### Table 1: Possible impacts of incentives and disincentives

<table>
<thead>
<tr>
<th>Incentives currently operating in England</th>
<th>Possible impact</th>
<th>Reduces costs by increasing supply</th>
<th>Reduces costs by other means</th>
<th>Increases quality</th>
<th>Improves stability/security</th>
<th>Improves access for households in poverty</th>
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<td>Rent a Room Scheme</td>
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<td>Capital gains allowances for improvements</td>
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<td>VAT reductions</td>
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<td>Lettings relief on capital gains</td>
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<td>Accredited landlord schemes</td>
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<td>Feed-in tariffs</td>
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<td>Direct benefit payments</td>
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<td>Energy-efficiency advice</td>
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<tr>
<th>Disincentives currently operating in England</th>
<th>Possible impact</th>
<th>Reduces costs by reducing supply</th>
<th>Reduces costs by other means</th>
<th>Reduces quality</th>
<th>Reduces stability/security</th>
<th>Reduces access for households in poverty</th>
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<td>Welfare cuts</td>
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<td>Lender restrictions</td>
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<td>Delays in evictions</td>
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<td>Tax changes</td>
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<td>Right to Rent checks</td>
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### Table 1 continued

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<thead>
<tr>
<th>Possible impact</th>
<th>Chartered Institute of Housing and Resolution Foundation (2014) recommendations</th>
<th>Landlords’ recommendations</th>
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<tr>
<td></td>
<td>Reduces costs by increasing supply</td>
<td>Reduces costs by other means</td>
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<td>Accreditation standards</td>
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<td>Energy-efficiency improvements as a tax-deductible expense</td>
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<td>Rollover relief for Capital Gains Tax</td>
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<td>Tapering Capital Gains Tax by length of ownership</td>
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<td>Removing VAT on renovations and improvements</td>
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<td>Addressing the complexity of Council Tax liability for HMOs</td>
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<td>Reducing HMO licensing/costs</td>
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<td>Removing the Right to Rent checks</td>
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<td>Reversing cuts to mortgage interest tax relief</td>
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Source: Authors’ own analysis
3 The three proposed incentives

From the international review to identify incentive-based policy interventions used elsewhere in the world that may be transferable to England (Clarke and Oxley, 2017), a shortlist of potential incentives that might work in England to improve the private rented sector for people in poverty was produced. The focus was on incentives that have the potential to improve:

- access to housing
- affordability
- housing quality
- security of tenure.

With input from the project advisory group, the following three measures were selected for further development:

- allowing landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of LHA and charge rents that are no more than LHA – through the introduction of a Rental Incentive Allowance (Proposal 1)
- specified improvements to properties to be tax deductible against income tax (rather than Capital Gains Tax, as at present) (Proposal 2)
- vouchers that guarantee the payment of rent for low-income households prioritised by their local authority – landlords would be incentivised to accept tenants that they might consider higher risk (Proposal 3).

The costs of these three measures were then estimated for England, although it should be noted that they could potentially operate throughout the UK, and that Proposals 1 and 2 might more easily operate at this scale.

The project advisory group had an input into the selection of the measures. The measures were chosen on the basis of their potential to tackle poverty in England, the scope for adapting and applying each measure in an English context (especially compatibility with taxation and welfare benefits systems) and the likely cost of the initiative relative to other expenditures, such as the provision of social housing. JRF was keen to consider new ideas that were not so large-scale and expensive that they were unlikely to be realistic candidates for implementation.

A discussion of other possible incentives that were not developed further can be found in the Appendix.
4 Costing the measures

Proposal 1: Rental Incentive Allowance

A Rental Incentive Allowance scheme would allow landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of LHA and charge rents that are no more than LHA.

This option is intended to enable more people in poverty to access private rented sector accommodation that is affordable to them.

International context and the proposal for England

The international research underpinning this report has shown that, in other countries, there are several examples of tax incentives that encourage landlords to rent to low-income households. These incentives reduce the tax that landlords pay by allowing either a proportion of income to be tax free or a given proportion of costs to be deductible from gross rental income in order to determine taxable income. Such fiscal incentives that reduce landlords’ taxable income generally apply to individual landlords.

For example, in France, there has been a series of initiatives that allow deductions of a proportion of rental income to arrive at taxable income. The latest of these is the Louer Abordable tax incentive, which gives a tax income deduction of up to 85% of rental income, depending on the location, rent levels and incomes of the tenants. It is intended to promote rentals at submarket levels for low-income households.

In Ireland, there are conditions attached to tax relief on borrowing costs, with larger deductions for the provision of housing to low-income groups. The availability of the tax deduction is conditional on tenancy registration, thus promoting checks on quality. Such an approach is in line with the Chartered Institute of Housing and Resolution Foundation’s (2014) proposals for tax incentives to be linked to tenancy registration and compliance with national property standards. A disadvantage of the Irish approach is that only landlords with mortgages get the benefit of the tax deduction. In the UK, it is estimated that around two-thirds of private rented sector stock does not have a mortgage secured on it (Scanlon and Whitehead, 2016).

We therefore propose that an approach closer to the French model is adopted so that a proportion of rental income is tax deductible, thus reducing a landlord’s income tax bill if a prescribed set of conditions is met. The Irish system of tenancy registration linked to tax advantages does, however, provide a useful model of the practicalities of how to link tax reductions to assurances that the incentive conditions have been met.

The prime condition that we suggest for England is that landlords let to households in receipt of LHA and charge rents that are no higher than LHA. The tax deduction would be per tenancy, but landlords do not currently pay tax separately on each property let. An intermediary agency would be needed to assess whether landlords were meeting the criteria. This could be done via a light-touch voluntary registration scheme. Such a scheme would build on local registration and licensing schemes where these operate, allowing landlords already registered locally to join the national register with minimal costs or bureaucracy. The costs of registration could be paid for by (tax-deductible) fees paid by landlords.
A landlord would be eligible for the tax deduction as long as the household receiving LHA was offered a tenancy during the tax year, or was living there at the start of the year and remained there for the whole of the tax year. If the household receiving LHA leaves during the year, the landlord would need to let to another household in receipt of LHA to preserve the tax deduction.

Once registration schemes are in operation, the overseeing body would be in a position to certify landlords as meeting the specified criteria, giving them a potential tax incentive. Without registration, HMRC would have to do this directly, via information supplied in tax returns, which is much more limiting as tax returns do not collect information on individual properties. A registration body would be able to check that accommodation was occupied by households in poverty and that rents were at or below LHA levels.

It is possible that a compulsory registration scheme may bring cost savings. The London Borough of Newham has indicated that its compulsory registration scheme for landlords has resulted in large numbers of landlords’ details being passed to HMRC, to whom they were previously unknown, suggesting that there may be potential for a compulsory registration scheme to make substantial savings to HM Treasury by reducing tax evasion (Collinson, 2017). Without knowledge of the extent of tax evasion before and after establishing a registration scheme, it is impossible to factor in this impact, and the benefits would only be realised via a compulsory and well-enforced registration scheme, rather than a voluntary one (which offers no financial benefits to landlords who are currently failing to declare their taxable income).

In Ireland, all landlords have to register their tenancies with the Residential Tenancies Board (RTB). Without this, they cannot seek tax relief on mortgage interest costs. The Revenue Commissioners (tax authorities) and the Residential Tenancies Board are legally empowered to share data, giving the potential for cross-checking of information from landlords. Landlords can register an undertaking with the Residential Tenancies Board to make a dwelling available for a period of three years to a tenant in receipt of Rent Supplement (housing benefit) or to a tenant whose (income-related) rent is payable by a local authority. The undertaking to house such tenants allows the landlord to apply to the Revenue Commissioners, after the end of the three-year period, for a 100% rather than a 75% deduction for interest on borrowings (Residential Tenancies Board, no date). From 1 January 2016, a landlord cannot discriminate against a person in receipt of Rent Supplement, housing assistance or any payment under the Social Welfare Acts, but accepting such a tenant can, as explained, give tax reductions (Revenue, 2016).

Registration currently costs landlords €90 per tenancy, provided that the completed application to register is received by the Residential Tenancies Board within one month of the tenancy commencement date. A late fee of €180 applies where an application to register a tenancy is received more than one month from the tenancy commencement date. A composite fee of €375 is charged for multiple tenancies in the building being registered at the same time by the one landlord, again within one month of the commencement date of the first tenancy. The Residential Tenancies Board provides information and advice for landlords and tenants and offers a mediation service (free) and adjudication and dispute resolution (€15 per case). The Residential Tenancies Board has replaced the courts for the vast majority of landlord and tenant disputes.

In England, the tax deduction could be set as a proportion of rent received from LHA (such as 20% to 100% of LHA), incentivising landlords to let to households in receipt of LHA and reflecting the difficulties that households receiving LHA currently have in accessing the private rented sector. We have called this tax reduction the Rental Incentive Allowance (RIA). The registration body would register individual tenancies, assess the level of LHA (or the housing component of Universal Credit) for that property, and
hence the tax deduction due to the landlord in question. Landlords would confirm occupancy by tenants in receipt of LHA to the registration body, which would have powers to check and verify this.

**Estimating costs to HM Treasury: Rental Incentive Allowance**

**Cost per tenancy**

The annual cost to HM Treasury is the tax saved by each property rented by a landlord who claims the Rental Incentive Allowance (RIA). For an individual property, the tax saving depends on the rent level, the percentage of the rent that is tax deductible (the tax incentive rate – Ti) and the landlord’s marginal rate of income tax. There would be some additional administrative costs borne by the registration body but we assume that these would be covered by a registration fee paid by the landlord.\(^5\)

For an individual landlord, the monthly value of the incentive (RIAm) is as follows:

\[
RIAm = \text{rent per month (Rm)} \times \text{tax incentive rate (Ti)} \times \text{marginal tax rate (MTR)}.
\]

Rather than allow any level of rent to be used for the basis of the Rental Incentive Allowance, it could, in practice, be a proportion of the monthly LHA for the property. These rates are recorded and periodically updated by the Valuation Office Agency. The rates vary by location and by the number of bedrooms in the property.\(^6\) The locations are termed ‘broad rental market areas’. There are 151 broad rental market areas in England.

For the purposes of calculating an indicative monthly value of the Rental Incentive Allowance per property, we do not have an average LHA for properties where tenants are in receipt of Housing Benefit (or the housing element of Universal Credit).

Data from the Department for Work and Pensions gives an indication of the size of properties occupied by households in receipt of LHA (see Table 2).

**Table 2: Entitled bedrooms for which LHA is calculated (England, May 2017)**

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Number of households</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared accommodation</td>
<td>86,863</td>
<td>8.3%</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>341,717</td>
<td>32.6%</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>375,350</td>
<td>35.8%</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>181,166</td>
<td>17.3%</td>
</tr>
<tr>
<td>4+ bedrooms</td>
<td>64,043</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

Note: This data is not currently available for households in receipt of Universal Credit.

Source: The Department for Work and Pensions’ Stat-Xplore online tool

A two-bedroom property is therefore the median size of home in which households in receipt of Housing Benefit live (assuming that tenants rent a home with the number of bedrooms for which they are entitled to claim Housing Benefit). For a two-bedroom home, the monthly LHA currently varies from £1,313.70 in the most expensive broad rental market areas (in London) to £369.35 in the least expensive broad rental market area (West Pennine). In order to estimate costs, we used the median LHA figure for a two-bedroom property. This is currently £532 (source: Valuation Office Agency). We worked out individual property (or tenancy) calculations for incentive rates of 20%, 40%, 60%, 80% and 100% of the rent that is tax deductible, for marginal tax rates of 20% and 40% (see Table 3).
Table 3: Cost per tenancy (£)

<table>
<thead>
<tr>
<th></th>
<th>A Median 2-bed LHA rate (Rm) (£)</th>
<th>B Incentive rate (Ti)</th>
<th>C Marginal tax rate (MTR)</th>
<th>D (= A x B x C) Rental Incentive Allowance per month (RIAm) (£)</th>
<th>Incentive value per year (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic-rate taxpayer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.2</td>
<td>0.2</td>
<td>21</td>
<td>255</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.4</td>
<td>0.2</td>
<td>34</td>
<td>413</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.6</td>
<td>0.2</td>
<td>52</td>
<td>619</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.8</td>
<td>0.2</td>
<td>69</td>
<td>826</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>1.0</td>
<td>0.2</td>
<td>86</td>
<td>1,032</td>
<td></td>
</tr>
<tr>
<td><strong>Higher-rate taxpayer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.2</td>
<td>0.4</td>
<td>34</td>
<td>413</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.4</td>
<td>0.4</td>
<td>69</td>
<td>826</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.6</td>
<td>0.4</td>
<td>103</td>
<td>1,238</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>0.8</td>
<td>0.4</td>
<td>138</td>
<td>1,651</td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>1.0</td>
<td>0.4</td>
<td>172</td>
<td>2,064</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2015–16 English Housing Survey, authors’ own calculations

Cost per year to HM Treasury

The total cost to HM Treasury depends on how many properties qualify for the Rental Incentive Allowance and the level of take-up. This depends on landlords’ behavioural response to the incentive and specifically how many extra properties are occupied by tenants receiving benefits. The 2015–16 Survey of English Housing estimated that 24% of private rental households are in receipt of Housing Benefit (Department for Communities and Local Government, 2017). In 2015, this represented 1.1 million households. However, the size of the private rented sector has increased since then, bringing the figure to an estimated 1.2 million households using the latest available figures.

In Table 4 we show calculations for the 1.2 million properties whose landlords would be eligible for the Rental Incentive Allowance. We also show calculations for 1.5 million properties, assuming that there is some increase in eligible numbers as a result of implementing the allowance. We do not know the additional number as this depends on landlords’ responses. There is likely to be a demand for additional dwellings from newly forming households and those in temporary accommodation. There are potentially further savings as a result of reduced costs of temporary accommodation, but these have not been costed.

The total cost to HM Treasury also depends on the marginal tax rates of the landlords who claim the incentive. In Table 4, we show calculations for a situation in which all eligible landlords are basic-rate taxpayers (or the allowance is only available at the basic tax rate). For the purposes of illustration, we also show costs if all eligible landlords are higher-rate taxpayers. Estimates suggest that only about a quarter of landlords are higher-rate taxpayers (Scanlon and Whitehead, 2016). We therefore show estimates if recipients of the incentive as a whole are 75% basic-rate and 25% higher-rate taxpayers.
### Table 4: Annual cost to HM Treasury

<table>
<thead>
<tr>
<th>Incentive rate</th>
<th>Incentive value – per per property (£)</th>
<th>If 1.2 million properties get the Rental Incentive Allowance (£ million)</th>
<th>If 1.5 million properties get the Rental Incentive Allowance (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If recipients are all basic-rate taxpayers</td>
<td>0.2</td>
<td>255</td>
<td>306</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>413</td>
<td>495</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>619</td>
<td>743</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>826</td>
<td>991</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>1,032</td>
<td>1,238</td>
</tr>
<tr>
<td>If recipients are all higher-rate taxpayers</td>
<td>0.2</td>
<td>413</td>
<td>495</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>826</td>
<td>991</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>1,238</td>
<td>1,486</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>1,651</td>
<td>1,981</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>2,064</td>
<td>2,477</td>
</tr>
<tr>
<td>If recipients are 75% basic-rate and 25% higher-rate taxpayers</td>
<td>0.2</td>
<td>354</td>
<td>442</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>619</td>
<td>774</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>929</td>
<td>1,161</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>1,238</td>
<td>1,548</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>1,548</td>
<td>1,935</td>
</tr>
</tbody>
</table>

Source: 2015–16 English Housing Survey, authors’ own calculations

With only current properties qualifying for the tax concession, the estimated annual costs to HM Treasury, on the basis of the assumptions made (that is, that 75% are basic-rate taxpayers and 25% are higher-rate taxpayers), vary from £354 million at an incentive rate of 20% of the rent/LHA, to £1,548 million at an incentive rate of 100%. If the incentive results in (say) an additional 300,000 properties being made available to tenants in receipt of benefits, the costs to HM Treasury range from £442 million to £1,935 million.

An incentive rate of 20% would cost an estimated **£354 million** per year for 1.2 million properties. Without knowing the likely response from landlords, it is impossible to gauge whether this would be sufficient to have a significant impact on the volume of properties available to low-income households. The incentive could be set at this rate initially and the response monitored to gauge its impact. For the purposes of the proposal, we have assumed an initial incentive rate of 20% of LHA, which, as noted, gives an estimated cost of £354 million.

At an incentive rate of 60% of LHA, the costs range from £929 million for the current number of properties, to £1,161 million for 1.5 million properties. Assuming that Housing Benefit (or the housing component of Universal Credit) is paid to the additional households, this would also need to be factored in to an estimate of the cost.

If the Rental Incentive Allowance is paid to all landlords accepting tenants in receipt of benefits, as we assume it would be, some of the costs of the initiative would apply to dwellings already housing...
low-income households, meaning that it is in effect a deadweight loss, and some would apply to additional dwellings made available to low-income households as a result of the incentive. As explained previously, without knowing landlords’ reactions, we are unable to estimate the number of additional dwellings.

Proposal 2: Tax-deductible property improvements

Specified improvements to properties would be tax deductible against income tax (rather than Capital Gains Tax, as at present).

This option would incentivise landlords to improve the quality of accommodation they offer to low-income households, and to invest in energy-efficiency measures, which would reduce fuel bills and hence improve affordability.

International context

There are examples from other countries where landlords can offset losses related to the depreciation of their property against tax, irrespective of whether they actually spend money on its upkeep. In Germany, depreciation allowances have been in use for some years, but while these may have had positive effects on supply, they have not necessarily resulted in lower rents for tenants or better-quality properties (Haffner et al, 2009). An alternative, which would better incentivise improvements to the housing stock, would be to allow landlords to offset specified improvements to their property against income tax – in the year in which the costs were incurred – rather than against Capital Gains Tax at the point at which the property is sold.

Individual landlords pay income tax on the profits from their rental properties. They therefore receive an annual personal allowance (£11,500 in 2016/17), and pay 20% tax on income up to £45,000 in any given year, 40% on income up to £150,000 and 45% on income over £150,000 (at which point they also lose their personal allowance). Before they work out the profit on which they are taxed, landlords may deduct the costs of expenses, including expenditure on maintenance and upkeep, but not improvements.

Landlords also pay Capital Gains Tax when they come to sell a property, based on how much the property has increased in value since it was acquired. Current rates of Capital Gains Tax are 18% and 28%, with the higher rate due on profits and income over the higher-rate tax threshold (currently £45,000). It is at this stage that landlords can deduct the value of any improvements made to the property from the taxable gain.

Landlords can therefore offset the cost of maintenance against tax in the year in which the maintenance costs occur, but must wait until they come to sell their property before they can offset the costs of improvements. This gives landlords less incentive to invest in properties in a way that improves housing conditions for tenants, because the funding for the improvements must be found upfront and cannot be offset against tax on rental income.

Landlord bodies have therefore campaigned for some improvements – such as those which improve energy efficiency – to be treated as maintenance, to encourage landlords to invest. This was also recommended by the Chartered Institute of Housing and the Resolution Foundation (2014) in their report into improving standards in the private rented sector. There was also support for such reform from the project advisory group for our research. Improvements that were offset against rental income would not then be eligible to be offset against Capital Gains Tax in the future, meaning that landlords would pay similar rates of tax overall, but could offset costs against income when they occur, rather than many years in the future.
In practice, there are already some grey areas between what counts as maintenance and what counts as an improvement, and definitions have changed over time, reflecting changing norms in housing standards. For instance, replacing single-glazed windows with double glazing was at first considered an improvement, but is currently recognised as maintenance.

In order to maximise the incentive to improve housing for people in poverty, it is therefore proposed that landlords can offset the following improvements to their properties against rental income for tax purposes:

- up to £10,000 per year per property, on improvements that result in an increase in the Standard Assessment Procedure (SAP) energy-efficiency rating
- up to £20,000 per year per property, on improvements that increase the quality or liveable space of the housing: (a) for properties where the current occupants are in receipt of Housing Benefit/Universal Credit or (b) where the landlord agrees to let the (currently vacant) property to a household referred by the local authority, at rents not exceeding LHA, for at least two years.

The first of these would be available to most landlords, which would include those letting to high-income groups. The limit of £10,000 per year per property has been used in order to provide sufficient incentive to cover most likely improvements, but to limit the extent to which landlords could offset the costs of high-end improvements to very high-value properties. Improvements to the energy efficiency of the housing stock would also have an environmental benefit, irrespective of who occupies the housing.

The second category is defined more broadly, allowing landlords to offset a variety of improvements, such as converting a loft, adding a walk-in shower or wet room, or installing central heating. The upper limit of £20,000 has been chosen to reflect a figure likely to cover a wide range of possible improvements.

It would be hard to envisage how such measures could be implemented without at least a voluntary landlord/tenancy registration scheme, which would assess when landlords had met the terms for tax-deductible expenditure on specific properties.

**Estimating costs to HM Treasury: tax-deductible property improvements**

The overall costs to HM Treasury of this reform would be limited, because most of the costs offset against income tax would not then be offset against Capital Gains Tax at a future date. There are some costs, however, which relate to:

- costs associated with the Capital Gains Tax rates being lower than income tax rates (18% and 28% for Capital Gains Tax, compared with 20%, 40% and 45% for income tax)
- costs associated with a delay in when tax income is received.

**How much might landlords spend on improvements that would become eligible for income tax relief?**

Before we can work out possible costs of this measure, we need to estimate how much investment landlords might make, which would then become income tax deductible.
Expenditure on energy efficiency

The English Housing Survey collects some data on the potential of the housing stock to improve its energy rating. Table 5 shows the proportion of the private rented sector estimated to be able to benefit from the most common improvements, along with illustrative and sector costs.

The figures in Table 5 suggest that if all landlords invested in appropriate energy-efficiency measures, they could spend a total of £8,409 million. In reality, not all landlords would invest in these measures. Most of the measures listed in Table 5 have been available for 40 years or more. If we assume that 25% of landlords invested in such measures over the next 10 years, this would give a total investment of £2,102 million over the 10-year period, or £210 million per year.

Expenditure on improvements to homes of people on low incomes

As discussed above, there are an estimated 1.2 million private rented sector properties that are occupied by people in receipt of Housing Benefit (or the housing element of Universal Credit), which means that their landlords are eligible for tax relief on expenditure that improves the quality or quantity of liveable space. The costs of such improvements vary, from very low costs associated with, for example, installing an extractor fan, to £10,000 or more for major works such as a loft conversion. We estimate that most landlords will only undertake more minor works – as they still need to fund the work and are unlikely to be able to recoup any of the costs via higher rent for a client group receiving fixed rates of Housing Benefit. We therefore estimate that a fifth of eligible landlords would invest each year, spending an average of £1,000 each – giving a sector expenditure figure of £240 million per year.

Taken together with the estimated expenditure on energy efficiency, this would give a total expenditure of £450 million per year.

Increased costs resulting from Capital Gains Tax being paid at a lower rate than the income tax rate

Income is taxed at 20% (basic rate), 40% (higher rate) or 45% (additional rate). Capital Gains Tax is taxed at the lower rates of 18% (for basic-rate taxpayers) or 28% (for higher-rate taxpayers). Offsetting expenditure against income rather than Capital Gains Tax therefore reduces the Government’s tax income.

Recent research by the Council of Mortgage Lenders estimated that a quarter of landlords are higher-rate taxpayers (Scanlon and Whitehead, 2016). No data is available on landlords who are additional-rate taxpayers, although nationally just over 1% of people pay the additional rate of tax. However, it is likely to be the case that the landlords with the largest portfolios are on average higher earning, and they may spend more in total on their properties, because there are more of them. The proportion of expenditure offset against higher-rate tax is therefore likely to be higher than the proportion of landlords who pay higher-rate tax.

We have therefore estimated the taxation losses (see Table 6).
## Table 5: Potential savings from energy-efficiency improvements

<table>
<thead>
<tr>
<th>Improvement</th>
<th>Potential</th>
<th>Illustrative cost (£)</th>
<th>Sector cost (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cavity wall installation</td>
<td>54% of the private rented sector has cavity walls, of which 47% are uninsulated, of which 70% would be not hard to insulate = 18% of the private rented sector</td>
<td>475†</td>
<td>399</td>
</tr>
<tr>
<td>Solid wall insulation</td>
<td>43% of the private rented sector has solid walls, of which 95% are uninsulated, of which 18% would not be hard to insulate = 7% of the private rented sector</td>
<td>11,750¥</td>
<td>3,988</td>
</tr>
<tr>
<td>Loft insulation</td>
<td>39% of the private rented sector has inadequate loft insulation, of which 66% would not be hard to insulate = 26% of the private rented sector</td>
<td>270‡</td>
<td>340</td>
</tr>
<tr>
<td>Double glazing</td>
<td>19% of the private rented sector is not entirely double glazed</td>
<td>4,000*</td>
<td>3,684</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>8,409§</strong></td>
</tr>
</tbody>
</table>

Notes and sources:

† 2015–16 English Housing Survey tables, authors’ own calculations.

‘Sector cost’ is the cost that would be paid in total if all landlords invested in energy-efficiency measures for which their property was suitable (‘not hard to treat’) – based on a private rented sector of 4.847 million (English Household Survey).

‡ Energy Saving Trust (no date, e).

Energy Saving Trust (no date, f). The midpoints of external and internal insulation were averaged to get a typical figure.

§ Energy Saving Trust (no date, g). The figures for full installation and partial installation (insulation from 120mm to 270mm) were averaged for a semi-detached house.

Householdquotes.co.uk (2017). The cost for a full house is approximately £6,000. The £4,000 figure is based on the assumption that half of houses without full double glazing are, on average, half-double-glazed already.

The figures do not sum to total due to rounding.
### Table 6: Taxation losses

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>Capital Gains Tax rate</th>
<th>Proportion of landlords at marginal tax rate</th>
<th>Estimated proportion of expenditure offset at this rate</th>
<th>Capital Gains Tax offset (£ million)</th>
<th>Income tax offset (£ million)</th>
<th>Cost (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>18%</td>
<td>75%</td>
<td>40%</td>
<td>36</td>
<td>32</td>
<td>4</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
<td>25%</td>
<td>58%</td>
<td>104</td>
<td>73</td>
<td>31</td>
</tr>
<tr>
<td>45%</td>
<td>28%</td>
<td>2%</td>
<td>2%</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td></td>
<td>144</td>
<td>108</td>
<td>36</td>
</tr>
</tbody>
</table>

Note: The figures may not sum to total due to rounding.

Source: See text, authors' own calculations

### Costs associated with a delay in when tax income is received

There is no ideal data on the average length of time a landlord holds onto a property for before selling it. Data from Countrywide (2015), however, suggests that an average property is held for 17 years. The delay in receiving the tax offset against rent instead of capital gains would therefore be an average of 8.5 years (half of 17, on the assumption that properties are on average half way through their period of ownership at the point when the tax change is introduced).

Applying the standard discount rate of 3.5% (HM Treasury, 2011), and allowing for 2% inflation, gives a nominal discount rate of 5.5%. Applying this to the 8.5-year delay in tax income means that the cost of delaying the tax income would be over £50 million per year (£108 million x 8.5 x 5.5%). This cost would arise gradually over the first nine years of the policy, and then remain steady (assuming that all other factors were constant).

Taken together, these two elements of costs represent an estimated total loss of tax income of £36 million in the first year, rising to £86 million after nine years (see Table 7).

### Table 7: Estimated costs of Proposal 2 over the first nine years (£ million)

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>42</td>
<td>49</td>
<td>55</td>
<td>61</td>
<td>67</td>
<td>74</td>
<td>80</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: See text, authors’ own calculations

### Proposal 3: Payment guarantee voucher scheme

A payment guarantee voucher scheme would guarantee the payment of rent for low-income households prioritised by their local authority. Landlords would be incentivised to take tenants that they might consider higher risk.

This option would incentivise landlords to let their property to low-income households, making it easier for them to access accommodation.
International context

In the international review of policy options for incentivising landlords to improve the private rented sector for people in poverty (Clarke and Oxley, 2017), on which this report draws, the United States and France each provided examples of the use of vouchers to support low-income tenants seeking accommodation in the private rented sector. In both cases, the voucher system reduces risks for private rented sector landlords, but the risk reduction works in different ways in the two countries. In the United States, Housing Choice Vouchers essentially guarantee the landlord a rent above that paid by the tenant; whereas the French Visale voucher system provides free insurance against the non-payment of rent. There are also differences, as will be explained below, in the eligibility criteria and the selection processes for tenants. The proposal for England draws on aspects of both the American and French models, but has several distinctive features that make the proposed approach compatible with the institutional arrangements in England.

In the United States, the Housing Choice Vouchers scheme provides a subsidy for tenants towards the cost of rent. It is for households selected for assistance who rent privately owned housing units that meet quality standards. The difference between the gross rent for the unit (up to a maximum ‘payment standard’) and 30% of the beneficiary household’s income is paid directly to the landlord. The scheme is funded and regulated by the federal government and administered by some 2,400 local public housing agencies. These agencies set the ‘payment standard’ for the rents.

In order to receive vouchers, households must have closely defined low incomes. Also, public housing agencies often give preference to target populations such as disabled or homeless people. There are long waiting lists for the limited number of vouchers. A proportion of the rent, typically large, is paid to the owner directly by the public housing agency, limiting the risk of non-payment. Rents that landlords charge tenants with a Housing Choice Voucher may be higher than they would be able to get from unassisted tenants, especially if the market rent is below the payment standard. This means that the scheme incentivises some private owners to not only accept assisted low-income households as tenants, but also to prefer such tenants.

In France, a landlord incentive is provided by the Visale rental guarantee initiative, which was introduced in the beginning of 2016. It offers private rental landlords a completely free insurance against non-paying tenants. The scheme is funded through an employer levy, reflecting the fact that one of its objectives is improved labour mobility, and it is supported by the Government.

To be eligible for the Visale rental guarantee, the private rental landlord must ask a monthly rent of less than €1,300 (€1,500 in Paris) and tenants are eligible to participate in the initiative if they meet one of the following conditions:

- they are less than 30 years old (students living at their parents’ home are not eligible)
- they have temporary/precarious employment in the private sector and have started this job less than three months before they sign the rental contract
- they rent a dwelling within the framework of rental intermediation – this means that an intermediary organisation (similar to a social rental agency) selects tenants and manages the dwelling, which is leased from a private rented sector landlord.
**Key features of the proposal for England**

The proposal for England envisages a centrally funded scheme administered by local authorities. Each local authority would have discretion over who received vouchers but this discretion would be exercised within national guidelines and within a budget constraint. Each local authority would set its budget constraint, which would in turn be determined by a combination of funding available from central government and any local funding that the authority decided to allocate to its voucher initiative.

Local authorities would allocate vouchers to households in housing need who they consider would benefit from housing in the private rented sector but who, without the voucher, would have difficulty in securing such accommodation. Eligible households might, for example, include those on local authority waiting lists accepted as homeless and/or in receipt of Housing Benefit. Within these broad categories, local authorities would be able to prioritise particular types of households, applying local judgements about housing need, and the suitability and likely availability of private sector rented housing. The local authorities would also undertake the Right to Rent checks required by government, giving a further incentive to landlords to accept such tenants, as they would not then have to complete these checks themselves.

A voucher scheme would add to the armoury of measures that local authorities have to discharge their responsibilities under the Homelessness Reduction Act 2017.

Households in receipt of a voucher would be able to present it to a local private rented sector landlord. Local authorities would be expected to maintain registers of landlords who would be prepared to accept vouchers, and to be proactive in increasing landlords’ awareness of the local voucher scheme and in encouraging them to accept tenants in receipt of a voucher.

In the French Visale system, Action Logement, the organisation that runs the scheme, will, in the case of a non-paying tenant, pay the rent on behalf of the tenant. In its turn, Action Logement will try to recover this money from the tenant at a later stage. The tenant is thus still liable for the debt.7

A similar continued tenant responsibility for the debt in an English system would help to ensure that tenants are still obliged to pay their rent. The voucher scheme would not therefore remove the tenant’s incentive to pay the rent as the tenant would remain liable for any unpaid rent and might ultimately face eviction.

Landlords accepting vouchers would have to offer rental contracts for minimum periods (of, say, at least 12 months). The accommodation would also have to be of an acceptable standard and local authorities would be able to inspect the property to ensure that standards were met. The accommodation would have to be let at LHA levels to be eligible.

The principal incentive would be a guarantee that rental income would be received for the full period of the tenancy. The landlord would also benefit from being able to let their property to tenants in receipt of a voucher, without the risks otherwise associated with low-income groups. This would help to reduce voids. Tenants meanwhile would benefit from a secure tenancy in rented accommodation of an acceptable standard.

**Estimating costs for a payment guarantee voucher scheme**

In order to estimate the possible costs of a voucher scheme, we have used figures from commercially available insurance offered to landlords. For instance, Coversure insurance company offers specialist ‘Rent Guarantee and Legal Protection Insurance’ for landlords accepting tenants in receipt of Housing
Benefit. The policy guarantees rental income to landlords (subject to caps and limits) for up to 12 months’ rental loss, excluding the first month’s arrears.8

The insurance also covers a landlord’s legal expenses for evictions. From the Coversure website, it is apparent that the premiums for this insurance are closely related to the rent charged. Using the Coversure online calculator, we find that premiums vary from, for example, 2.6% for a monthly rent of £1,300 to 4.2% for a monthly rent of £300.9

In Table 8, we have assumed that the average rent for insured properties is equal to the typical rent paid by people receiving LHA, estimated at £532 per month, or £6,384 per year. We have applied a premium rate of 4% to give a premium per property of £255, although the actual rate may be less than this.

If local authorities and HM Treasury covered the total cost of all eligible properties, the annual cost to the public sector would depend on the premium and the number of eligible properties. To estimate costs, we need criteria for and then estimates of the number of eligible properties.

The costs of the scheme depend very much on uptake, which would be at the discretion of local authorities. The scheme could in principle be funded at any level, with vouchers being made available to a smaller number of households if funding was more limited. However, as an upper estimate, we can work out the costs if the voucher scheme was to be used by all tenants in receipt of Housing Benefit (or the housing element of Universal Credit), which is 1.2 million households in England.

In addition, there are costs associated with administering the scheme, issuing vouchers to tenants and inspecting properties. We can estimate these approximately in terms of the staff time likely to be required. If we assume that two hours of staff time are spent per tenancy per year in issuing the voucher and inspecting the property, and we cost this at £20 per hour, this would add a further £24 million, if the scheme were used by 1.2 million households annually.

Taken together, these give the indicative costs shown in Table 8.

**Table 8: Voucher with rent protection insurance (potential annual costs)**

<table>
<thead>
<tr>
<th>Assumed annual rent (£)</th>
<th>Assumed premium</th>
<th>Annual premium cost per property (£)</th>
<th>Administrative cost per property (£)</th>
<th>Total cost per property (£)</th>
<th>Number of properties</th>
<th>Total cost to the public sector (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,384</td>
<td>4%</td>
<td>255</td>
<td>40</td>
<td>295</td>
<td>1.2 million</td>
<td>354</td>
</tr>
</tbody>
</table>

Source: See text, authors’ own calculations

The uptake may well be significantly lower than the 1.2 million households, depending on the nationally agreed parameters and the criteria for prioritising households, decided at the local level.

A key aspect to factor in is the suggested requirement that the rent payable is no more than LHA levels. This is essential in order to ensure that accommodation is actually affordable for low-income households. It is likely, however, that landlords whose current rent is significantly higher than LHA would prefer to let their accommodation outside of the voucher scheme, rather than take a drop in rent.

To estimate the proportion of landlords letting to households receiving LHA who would be likely to make use of the scheme, it is useful to examine the extent to which rents are higher than LHA. We have
therefore made estimates drawing on the 2015/16 Family Resources Survey and the 2016/17 Labour Force Survey (see Table 9).

**Table 9: Difference between LHA and rents**

<table>
<thead>
<tr>
<th>Difference between LHA and rents</th>
<th>Estimated proportion of tenancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent ≤ LHA</td>
<td>45%</td>
</tr>
<tr>
<td>LHA &lt; rent ≤ LHA + £5</td>
<td>3%</td>
</tr>
<tr>
<td>LHA + £5 &lt; rent ≤ LHA + £10</td>
<td>4%</td>
</tr>
<tr>
<td>LHA + £10 &lt; rent ≤ LHA + £20</td>
<td>5%</td>
</tr>
<tr>
<td>Rent &gt; LHA + £20</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: 2015/16 Family Resources Survey and 2016/17 Labour Force Survey, authors’ own calculations

The ‘value’ of the voucher is effectively worth around 4% of the rent, as that is what it would cost the landlord to obtain such insurance privately, although there is also the additional benefit of having the Right to Rent checks performed by the local authority. The median LHA rate for a two-bedroom property is £532 per month, or £123 per week; 4% of this is £4.92. We therefore estimate that landlords whose properties are currently let below LHA, at LHA, or within £5 of it, would be likely to use the scheme, and other landlords would not. This would give an estimated uptake of 48% of landlords.

If we assume that only 48% of the 1.2 million households in receipt of Housing Benefit use a voucher (576,000 households), the total estimated cost falls from £354 million to **£170 million**.

If this insurance-based voucher incentive scheme was subject to annual budgetary limits imposed by central and local government, the costs could be kept firmly under control, with vouchers allocated only to those most in need.
5 Conclusion

The costs of the three proposed incentives have been estimated using a range of data sources and estimates, to give a broad indication of their possible costs. In reality, precise costs would depend significantly on the detail of the proposals, eligibility criteria and so on. Proposal 3 (the payment guarantee voucher scheme), in particular, could be costed at any rate deemed affordable, with the impact being higher with greater funding.

Table 10 shows the estimated costs for each of the three proposals, over a five-year period.

Table 10: Estimated costs for the three proposals (£ million)

<table>
<thead>
<tr>
<th>Proposal 1: Rental Incentive Allowance</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal 2: Tax-deductible property improvements</td>
<td>36</td>
<td>42</td>
<td>49</td>
<td>55</td>
<td>61</td>
</tr>
<tr>
<td>Proposal 3: Payment guarantee voucher scheme</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: See text, authors’ own calculations

Comparison with gains to HM Treasury from recent tax increases for private landlords

The potential cost of each of the three new incentives can be compared with the gains to HM Treasury from the recent tax increases for individual private rental landlords (see Table 11).

Table 11: Gains to HM Treasury from recent private rented sector tax changes (£ million, UK data)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restriction of finance relief to basic-rate tax level (1)</td>
<td>N/A</td>
<td>+225</td>
<td>+430</td>
<td>+655</td>
<td>+940</td>
</tr>
<tr>
<td>Reform of the Wear and Tear Allowance (2)</td>
<td>+205</td>
<td>+165</td>
<td>+165</td>
<td>+170</td>
<td>N/A</td>
</tr>
<tr>
<td>Stamp Duty Land Tax: higher rate on additional properties (3)</td>
<td>+700</td>
<td>+760</td>
<td>+825</td>
<td>+880</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The official estimates shown in Table 11 suggest that the gain to HM Treasury in 2019–20 from the three key tax changes will be £1.425 billion. In 2021–22, the gain from restricting finance relief to the basic-rate tax level will, alone, bring HM Treasury an additional £940 million.

These are figures for the UK. We can compare these figures to ours by considering the proportion of the private rented sector that is in England (see Table 12).

Table 12: Size of the UK and England private rented sector, and stock of private rented sector dwellings (000s)

<table>
<thead>
<tr>
<th>Year</th>
<th>UK private rented sector</th>
<th>England private rented sector</th>
<th>UK total stock</th>
<th>England total stock</th>
<th>Private rented sector as a % of total UK stock</th>
<th>Private rented sector as a % of total England stock</th>
<th>Private rented sector as a % of UK private rented sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,343</td>
<td>4,773</td>
<td>28,073</td>
<td>23,543</td>
<td>19%</td>
<td>20.3%</td>
<td>89%</td>
</tr>
<tr>
<td>2016</td>
<td>N/A</td>
<td>4,847</td>
<td>N/A</td>
<td>23,733</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Department for Communities and Local Government, live tables on dwellings stock, tables 101 and 104

The data in Table 12 suggests that 89% of the UK private rental sector is in England. If the tax gains to HM Treasury are proportionate to the size of the sector, the tax gains in England will be approximately £1.268 billion in 2019–20 from all the changes; and £808 million in 2021–22 only, from restricting finance relief to the basic rate of income tax.

The £808 million in 2021–22 only, from restricting finance relief to the basic rate of income tax, is lower than any of the estimated costs of the proposals shown in Table 10. With tax deductions for renting at LHA levels costed at £354 million (Proposal 1), offsetting some improvement costs against income tax at £36 million, rising to £86 million after nine years (Proposal 2), and vouchers to guarantee rent for low-income households at £170 million (Proposal 3), any of the incentive measures would be fully funded from the increased tax revenue from the restriction of finance relief alone. With the gains to HM Treasury from the reform of the Wear and Tear Allowance and the additional Stamp Duty Land Tax revenues taken into account, there would still be considerable net gains to HM Treasury from a combination of increased revenue from the tax increases that are being implemented and the costs of any of the proposed incentive schemes.
Appendix: Other possible incentives not taken forward

As well as the three possible incentives to improve the private rented sector for people in poverty that have been discussed in this report, other ideas were found internationally but were not deemed so suitable for further exploration. This appendix briefly reviews these incentives and discusses why they might be less suitable for developing further for possible use in England.

Fiscal incentives for investors – tax breaks mainly for large-scale investors

Fiscal incentives are a key instrument used in the United States to deliver additional new (or newly refurbished/converted), acceptable, quality housing via Low Income Housing Tax Credits. This housing has low-income occupancy rules and/or limits on rents for fixed time periods.

There is a good deal of evidence from the United States of this policy working since 1986 and there has been some preparatory work on exploring implementation in the UK (see Oxley et al, 2014). It might be useful in further incentivising institutional investment in private renting, as it has the potential to reduce corporate taxation.

The disadvantages include the major changes to institutional arrangements that would be required to introduce tax credits in England. It would be a big change, requiring the acceptance of such tax credit arrangements by government, the establishment of a market in tax credits and a set of arrangements to monitor compliance with tax credit allocation, rent limits and dwelling quality requirements.

The benefits of such a system over incentivising housing associations to build are also unclear. England already has a housing association sector that is actively developing housing for long-term rental to low-income households.

Fiscal incentives that reduce landlords’ taxable income – many of which apply to individual landlords

Two of the three proposals taken forward in this report do fall under this heading (the Rental Incentive Allowance and tax-deductible property improvements), but there are other measures in use elsewhere that also serve to reduce landlords’ taxable income by deducting a proportion of rental income to arrive at a lower taxable income.

For instance, in France, the latest of these measures is the Louer Abordable tax incentive, which gives a tax income deduction of up to 85% of rental income depending on the location, rent level and income of the tenant. It is intended to promote rentals at submarket levels for low-income households. Such an incentive could work within the current system of income tax for rental landlords in England and could be tied to allocation, with a degree of negotiation by local authorities over the subsidy/allocation conditions, as happens with municipalities in Germany.
The availability of the tax deduction could, furthermore, as in the Irish case, be conditional on tenancy registration, thus promoting checks on housing quality. In this respect, it would, more generally, be in line with the Chartered Institute of Housing and Resolution Foundation’s (2014) proposal for tax incentives to be linked to tenancy registration and compliance with national property standards (see Chapter 2).

The advantages would include the availability of information from the operation of the initiative in Ireland, compatibility with the current system of income tax for rental landlords in England, and potential support from landlords (given that it could ease their tax burden after recent increases in tax liabilities, through lower allowable cost deductions).

Landlord bodies also suggested that, in the UK context, the cuts to mortgage interest tax relief could be reversed, or reversed in certain circumstances. However, we can see little direct benefit to households in poverty of a blanket reversal (nor any likely support in government). We also consider that tax incentives to house people in poverty would be better not tied to the mortgage interest tax relief because, first, a half of all landlords do not have a mortgage and so would not be incentivised and, second, the changes to mortgage interest tax relief that the Government has introduced have already made it much more complex and landlords will not be incentivised by a tax reform that they do not understand.

Capital Gains Tax provisions that promote long-term ownership of rental properties

In several countries, Capital Gains Tax liabilities fall the longer a property is owned. As explained in the international review of policy options for incentivising landlords to improve the private rented sector for people in poverty (Clarke and Oxley, 2017), there is no Capital Gains Tax liability for landlords in Germany after they have owned a property for 10 years, and liability reduces over time in France. While this is not tied specifically to long-term tenancies, the promotion of long-term ownership may increase the probability of long-term tenancies.

This change would be relatively easy to implement through the current taxation system. It would also be compatible with (although different from) calls for changes to rollover relief and the provision of tapered Capital Gains Tax liability – from the Chartered Institute of Housing and the Resolution Foundation (2014) and landlord organisations (see Chapter 3 of the International Policy Review).

However, on balance, the project advisory group for this research did not see this measure as a priority because the link between longer-term ownership and longer-term tenancies is unclear. Even if the measure promotes long-term tenancies, it may have little direct impact on households in poverty.

Cheap loans for the construction and acquisition of rental properties

Cheap loans have been used, particularly in France and Germany, to support privately owned rental housing with rent limits and income-related allocation systems.

It would be relatively easy to envisage this working within the English housing finance system. Extending and modifying the process of lending to housing associations so that lending is available on a similar basis to some landlords could be considered. However, this proposal was not taken forward because the project advisory group believed that cheap loans are already available commercially for landlords, and that low-cost lending would be best directed at housing associations or local authorities that are building social housing.
Rental agency arrangements that reduce landlords’ costs and risks

There are many variations of rental agency arrangements in the countries considered in the international review. The most developed example is the social rental agencies model in Flanders (Belgium), but there are also rental intermediaries (France), private rental brokerage schemes (Australia), public housing agencies (the United States) and local authorities engaged in a Rental Accommodation Scheme (Ireland). Each of these agency arrangements provides a means for landlords and tenants to achieve mutual gains from the services provided by the rental agencies. The agencies do not own dwellings but offer a variety of services to landlords that can reduce the costs and risks of accommodating tenants in poverty. For landlords, this includes, in several cases, the management of properties and rental guarantees. Tenants can also benefit from the advice and support services provided by the agencies. Their use can attract tax concessions, as in France and Flanders. In the Flemish case, the agencies ‘take over’ the dwellings and provide a full management service. In Australia, at the other end of the scale, the agencies are more a means simply to connect landlords and tenants.

There is a large information base related to the varied range of models within and between countries. A rental agencies approach is clearly compatible with the context in England, in that there are already several examples across the country of social rental agencies assisting in the provision of privately owned dwellings for low-income households. The current arrangements in England could be built on to provide additional incentives, for example the type present in Flanders, to encourage high-quality private sector supply for disadvantaged households.

In the English context, setting up local agencies to handle Housing Benefit (or the housing element of Universal Credit) claims for low-income households, collect any shortfalls from the households, and then pay the rent in full to the landlord, could be a valuable way to reduce the risks for landlords associated with housing low-income tenants, and therefore improve these tenants’ access to the private rented sector. The agency could negotiate slightly lower rents from landlords, in return for guaranteeing that rent will be paid, even if the tenant defaults, and removing the bureaucracy of liaising with the Department for Work and Pensions.

We think that this has value as a proposal, but as JRF is currently undertaking further work into social letting agencies, costings can best be made once this work is complete.

Rent gap payments

In the United States, tenants in receipt of low-income housing vouchers pay a submarket rent, but landlords receive a higher rent than this. The contractual provisions involve public housing agencies. These arrangements could be built on to develop a model for England that would incentivise landlords through the certainty of market rents. This would need to be sensitive to local housing markets and to local needs.

However, the project advisory group did not consider that this system was suitable for the English context because of the potential overlap with the existing Housing Benefit and Discretionary Housing Payment systems, and the desire not to add further complexity to the welfare system.
Schemes that rely on compulsory landlord registration

Several countries, including Ireland, operate mandatory landlord registration. There would be potential for savings to HM Treasury by establishing compulsory registration (via tax received from landlords currently not declaring their taxable income).

Once a mandatory registration scheme was in operation, other forms of incentive would be easier to implement, because the scheme could oversee compliance in a more detailed manner than is possible via a tax return. Possibilities to incentivise landlords to offer good-quality accommodation to low-income households include:

- assistance in letting accommodation via a local authority-run lettings service, where landlords agree to set rents at levels prescribed by the local authority and, in return, have their properties advertised (for example, via choice-based lettings scheme systems) and tenants screened for them, including Right to Rent checks
- free training and advice, provided by local authorities but funded by central government
- eligibility for a Good Landlord quality mark, in return for meeting quality standards set by government (for example, similar to the Decent Homes Standard, and including an energy-efficiency rating).

Some of these may work via an optional registration scheme, although the only real financial savings to the Government would come if registration was compulsory and thereby helped to reduce tax evasion.

However, the focus of the international review was on incentives, rather than regulation, and so compulsory registration has not been developed further as a means to incentivise landlords to improve housing for people in poverty.
Notes

1. Affordability is taken to relate to all housing costs — that is, to include both rent and utility bills. This means that energy-efficiency improvements and micro-generation (the production of heat or power on a very small scale, for example by individuals) are possible ways to reduce housing costs.

2. In Ireland, legislation outlaws discrimination against people in receipt of housing allowance (M Norris, personal communication).

3. Affordability is taken to relate to all housing costs — that is, to include both rent and utility bills. This means that energy-efficiency improvements and micro-generation (the production of heat or power on a very small scale, for example by individuals) are possible ways to reduce housing costs.


5. There may be some loss of revenue resulting from landlords’ taxable income falling after paying the registration fee, but this has not been costed.

6. For current rates, see Revenue (2016).

7. https://www.visale.fr/#!/.


9. See https://www.coversure.co.uk/da/settledsure.
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Da Silva, M (2017) ‘BTL lenders fuelling discrimination against tenants on Housing Benefit’, Landlord Today, 2 May


Acknowledgements

The authors wish to thank Richard Snook, Senior Economist at PricewaterhouseCoopers, for his invaluable help in costing the measures proposed in this report.

They would also like to thank the members of the project advisory group, who offered their views and expertise throughout the project.
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The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of JRF.

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© Cambridge University 2018
First published March 2018 by the Joseph Rowntree Foundation
PDF ISBN 978 1 911581 21 5
Cover image:

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Ref 3276
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