

PH2.2 TAX RELIEF FOR ACCESS TO HOME OWNERSHIP

Definitions and methodology

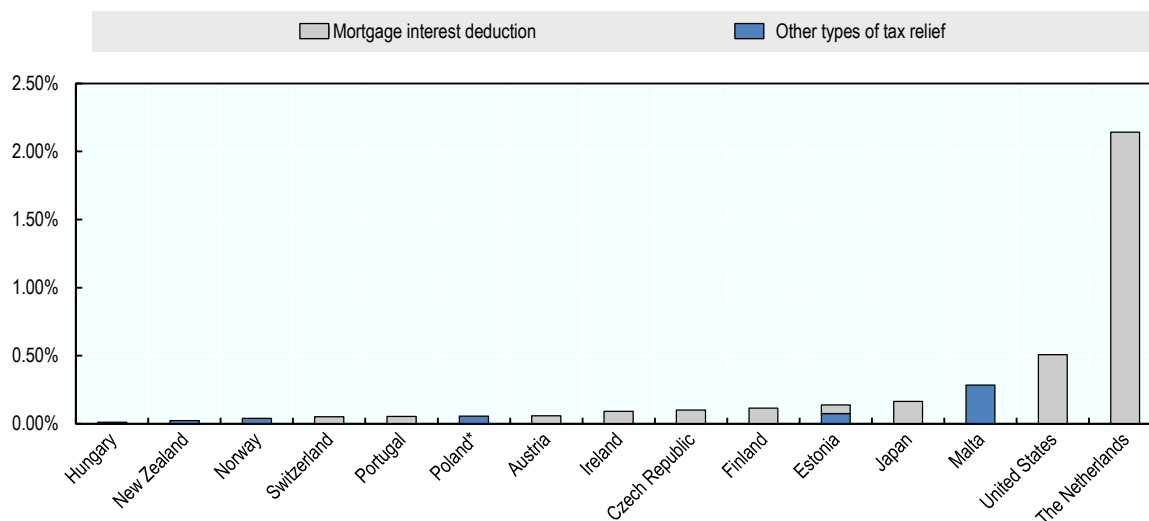
In many OECD countries home owners enjoy subsidies through a favorable tax treatment, in addition to grants and credit support to home buyers (See PH 2.1). This indicator looks at tax relief to support access to home ownership, as reported in the OECD Questionnaire on Social and Affordable Housing (OECD QuASH 2016). Tax relief for access to homeownership mainly consists of tax exemptions for costs associated with the purchase of a home (such as property transfer tax, stamp duty, legal fees/notary deeds), and deductibility of mortgage interests.

Key findings

Tax relief accounts for a significant share of homeownership support in a number of countries. Mortgage interest deductibility costs 0.5% of GDP in the United States and 2.1% of GDP in the Netherlands (Figure PH 2.2.1).

Figure PH2.2.1: Forgone tax revenue due to tax relief for access to home ownership

Percentage of GDP, 2015 or latest year available^{1 2}



1. Year of reference: 2015, except for Australia (2014-15), Canada (2013), the Netherlands (2014), Poland (2014), Portugal (2013) and the United States (2012).

2. No information was provided for Belgium, Turkey, Bulgaria, Greece, Korea, Israel, Italy, Romania, the Slovak Republic, and the United Kingdom.

3. Cyprus, France, Germany, Korea, Latvia, Lithuania, Mexico and Slovenia do not apply tax relief for access to home ownership.

Source: OECD Questionnaire on Affordable and Social Housing (2016).

Tax relief on costs associated with the purchase of a home are often reserved for first-home buyers and they usually are either means tested – as in Croatia and New Zealand – or capped in terms of the dwelling’s price, as in Australia and Hungary.

Some countries apply other types of tax relief supporting home buyers such as preferential tax treatment of savings towards home purchase (Australia, Luxembourg and Norway), and of advanced payments from pension benefits or private pensions schemes for the purpose of buying a home (Canada and Switzerland).

Tax deductions of mortgage interest payments are the most widespread instrument of tax relief for homebuyers in responding countries. They are rarely means-tested, although they are generally - but not always- capped. Furthermore, these deductions are not always restricted to first-time home buyers. Austria, Chile, the Czech Republic, Denmark, Spain, Estonia, Finland, Japan, Luxembourg, the Netherlands, Portugal, Sweden, and the United States all provide this type of tax incentive, and only Austria, Chile and Japan apply some degree of means-testing. In Norway and Switzerland, interests on mortgage payments are deductible but so are interests on all types of loans. This was meant to ensure symmetrical treatment of income and expenses. Ireland discontinued tax deductions for mortgage payments for new buyers in 2013 and will phase them out for existing mortgages by end 2017. At the same time a new Help to Buy scheme is being introduced (see notes to Table PH2.2.1 below).

Details of the different measures applied in each country are provided in Table 2.2.1 below.

Table PH2.2.1: Tax relief supporting access to home-ownership: overview of existing measures^{1 2}

	Measure name	Description	Income limit	Other eligibility criteria	Type of aid	Responsible administration level
Australia	First Home Savers Account (Australian Government)	The First Home Savers account benefits from low taxation of savings	No	First time buyers holding a First Home Savers account	Preferential taxation of savings	National/Federal
Australia	First Home - New Home Scheme (New South Wales Government)	The scheme provides first home buyers in New South Wales with exemptions from transfer duty on new homes valued up to ASD 550,000 and sliding scale concessions for up to ASD 650,000. Corresponding provisions are available for residential land purchase up to ASD350,000 and for between ASD350,000 and ASD450,000	No	First time buyers. Must occupy the home within 12 months and live in the home for a continuous period of at least 6 months	One-off tax relief for home buyers	Regional/State
Austria	Tax relief "Topfsonderausgaben"	Tax deduction of mortgage interest payments and of expenses incurred for the construction or regeneration of housing.	Yes	Conditions related to the dwelling size/value	Tax relief for mortgage payments	National/Federal
Canada	First-Time Home Buyers' Tax Credit	Non-refundable federal tax credit, up to CAD750	No	First time home buyers	One-off tax relief for home buyers	National/Federal

Canada	Home Buyers' Plan	The Home Buyers' Plan (HBP) assists first time home buyers by allowing them to withdraw up to CAD25,000 from a Registered Retirement Savings Plan (RRSP) to purchase or build a home. Unlike ordinary RRSP withdrawals, HBP withdrawals are not included in income for tax purposes. Amounts withdrawn must be repaid within a 15-year period.	No	Reserved for first time buyers, with some exceptions (persons with a disability or their relatives buying or building a qualifying home)	Preferential taxation of advanced payments	National/Federal
Canada	GST/HST New Housing Rebate	Tax rebate eligible for new homes, materials to build homes and certain renovations.	No	The dwelling fair market value at the time of purchase or upon completion of the renovations cannot exceed CAD450,000. If the rebate concerns the purchase of a new home, it is only available to first time buyers.	One-off tax relief for home buyers	National/Federal
Chile	Tax deduction for mortgage interests	Deduction of a share (inversely proportional to the household income) of mortgage interest from income tax. Taxpayers whose annual income is lower than CLP 48,551,400 can deduct 100%, those with higher incomes can deduct only a lesser share.	No	This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit, and cannot exceed CLP 4,315,680 per year.	Tax relief for mortgage payments	National/Federal
Chile	Non-taxable part of the tax base	Deduction of mortgage interest from income tax	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Croatia	Programme of state-subsidised housing construction (POS)	Buyers who benefit from POS programme are exempt from paying real estate transfer tax. The exemption covers an amount which depends on the size of the purchased dwelling and number of persons in the household.	Yes	..	One-off tax relief for home buyers	Regional
Croatia	Tax exemption for buying first real estate property for own housing	First time buyers are exempt from paying the 5% transfer tax	No	First time buyers	One-off tax relief for home buyers	Regional
Denmark	Tax deductibility of interest payments (<i>Rentefradragsret</i>)	Interest payments can be deducted from taxable income, for a share of 33%. The percentage is being gradually reduced.	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Estonia	The tax exemption on land under homes	Owners of the land where they live are exempted from land tax for a total up to 0.15 hectares in towns and up to 2 hectares elsewhere	No	No (all individuals are eligible)	Exemption from land taxes	National/Federal
Estonia	Deductible housing loan interest	Deduction of mortgage interests from income tax	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Finland	Tax credit on interest payments	Tax credit corresponding to a share of interests paid on a loan for home purchase or for major home improvements. In 2013, 80 % of home-loan interest was deductible from capital income. For those who have no capital income, 30% of the deductible interest payments are credited against earned-income tax (32% for first-time buyers).	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Hungary	Tax allowance for first-home buyers	50% discount on transfer duty for young first time buyers	No	First time buyers aged under 35. The market value of the dwelling purchased must be below HUF 15 million	One-off tax relief for home buyers	National/Federal

Ireland ⁷	Relief for interest paid on certain home loans	Tax deduction of interest on loans used for the purchase, repair or improvement of a home. This relief ceased to be available for new entrants from 1 January 2013 and will be completely abolished by end 2017	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Japan ³	Tax relief for purchase of house with mortgage	Deduction of 1% of remaining mortgage loan balance from income tax up to a maximum amount, for ten years. If the deduction exceeds the beneficiary's income tax liability, the remainder may be deducted from municipal tax up to a maximum amount. Different rules apply for homes bought before and after 2014, and for new or second hand properties. Bonus payments are provided for those on low incomes.	Yes	The relief applies to owner-occupied main residential dwelling, with floor area over 50 square meters. The mortgage term must be longer than 10 years	Tax relief for mortgage payments	Joint (national and municipal)
Luxemburg	Tax deductibility of mortgage interests	Deduction of interest payments from income taxes	No	Permanent residence	Tax relief for mortgage payments	National/Federal
Luxemburg	Deductibility of the payment protection insurance premium	Deduction of the premium for loan repayment insurance from income taxes, as a one-off premium or as an annual premium. As an annual premium, the maximum deduction is EUR 672€ for each person in the household. As a one-off premium, the amount depends on the number of adults and children in the household, as well as the age of the insured party: the amount varies between EUR6,000 for an individual taxpayer aged under 30 without children, to EUR 40,560 for a couple with 3 children for an insured party aged over 50.	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Luxemburg	Deductibility of the contribution to a property savings plan	Deductibility of yearly contributions to a property savings plan (" <i>plan d'épargne logement</i> "). A maximum EUR672 per person in the household is deductible from income tax	No	First time home buyers	Preferential taxation of savings	National/Federal
Luxemburg	Tax credit on notary deeds (" <i>Bëllegen Akt</i> ")	An individual can benefit from the tax credit on notary deeds several times, until he reaches the lifetime threshold of € 20,000.	No	The recipient must occupy the dwelling for at least 2 years (and not rent it out) as his/her permanent residence.	One-off tax relief for home buyers	National/Federal
Malta	First time buyers Scheme	The first EUR 150,000 of the transfer value of the immovable property is exempt from stamp duty, up to a maximum discount of EUR 5,000	No	First time property buyer, provided that the property is purchased for the beneficiary's own residence	One-off tax relief for home buyers	National
Malta	Own Residence	Preferential rate on stamp duty for those buying a home to be used as their sole main residence	No	Available to all, provided that this credit was not already availed of on another property	One-off tax relief for home buyers	National
Netherlands	Deductible mortgage interest rate	Deduction of mortgage interest payments. There is a maximum deduction percentage of 51% in 2015. This maximum is reduced by 0,5%-point every year until it reaches 38%. The interest deductibility is conditional on amortization: at least based on an annuity scheme with a 30-years repayment scheme.	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
New Zealand	Rates Rebate Scheme	Government subsidy to low-income homeowners to pay their taxes or 'rates'. Individual amounts vary depending on rates bill and income, and the maximum amount a household can receive is NZD 605	Yes	No	Other	Regional/State

Norway ⁶	Home savings for the young	A home savings account can be established by anyone under the age of 34. There are caps on the maximum annual deposit and total deposit in the savings account, and the deposit must be used to purchase a dwelling or to pay off loans on a dwelling that has been acquired after the account was established. 20% of the annual savings amount is deductible from taxes	No	Persons aged under 34	Tax deduction linked to a saving plan	National/Federal
Poland	Housing relief	Income gained through the transfer/sale of immovable property is exempted from income tax, if it is spent within 2 years on purchase or/and regeneration of the taxpayer's own dwelling.	No	No (all individuals are eligible)	Other	National/Federal
Poland	Exemption from taxation of interest rate subsidies	Exemption from taxation for interest rate subsidies to preferential loans applied on the basis of the Act on financial support for families and other people in purchasing their own dwelling.	..	It applies to beneficiaries of interest rate subsidies on the basis of the Law on financial support for families and other people in purchasing their home	Other	National/Federal
Poland	Exemption from taxation of public financial support for homebuyers and reimbursement of expenses on acquisition of building materials	Exemption from taxation of amounts of public financial support and of amounts of reimbursement of expenses on acquisition of building materials, granted on the grounds of the Act on the state aid in acquisition of the first residential apartment by young people.	..	Recipients of support granted based on the Act on the state aid in acquisition of the first residential apartment by young people.	Other	National/Federal
Portugal	Tax relief for mortgage payment	Deduction of mortgage interests from income tax	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Spain	Tax deduction for mortgage payments	Deduction of mortgage interests from income tax	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Sweden ⁴	Tax deduction of interest expenditure	Mortgage interest expenditures up to SEK 100,000 are deductible by 30 %, and interest expenditures above this threshold are deductible by 22 %	No	No (all individuals are eligible)	Tax relief for mortgage payments	National/Federal
Switzerland ⁶	Encouraging home ownership (2nd pillar)	Preferential tax rate on advanced payments up to the amount of vested benefits from occupational benefit plans concerning old-age (2nd pillar), survivors and invalidity (1st pillar) used to finance a principal home property	No	The amount that can be withdrawn is limited for persons aged over 50	Preferential taxation of advanced payments	Federal, regional, or municipal (depending on the canton)
Switzerland	Encouraging home ownership (3rd pillar)	Early payments for the purchase by the insured person (private pension schemes, 3rd pillar) of his/her home property are taxed at a lower marginal income tax rate	No	No further requirements	Preferential taxation of advanced payments	National/Federal
United States ⁵	Mortgage interest deduction	Mortgage interest deductibility from federally taxable income: homeowners are allowed to deduct the interest they pay on a mortgage that finances a primary or secondary residence as long as they itemize their tax deductions	Yes	The dwelling must be used for owner-occupation. The maximum mortgage amount is USD1,000,000 on first or second homes if the loan was taken after Oct 13, 1987	Tax relief for mortgage payments	National/Federal

1. No information was provided for Belgium, Bulgaria, Greece, Israel, Italy, Romania, Slovakia, Turkey and the United Kingdom.
2. Cyprus, France, Germany, Korea, Latvia, Lithuania, Mexico and Slovenia do not apply tax relief for access to home ownership.
3. Japan: income limit to benefit from mortgage tax credit is 30 million yen.

4. Sweden: there is also an exemption from paying property tax on new-built dwellings for 15 years, but it applies not only owner occupied dwellings but also rental.
5. United States: income cutoff for mortgage interest deduction is \$250,000 for singles and \$300,000 for married couples.
6. Norway and Switzerland: mortgage interests are deductible like interests on all other kinds of debt.
7. Ireland: a new Help to Buy Scheme will be operational from January 2017. The scheme allows first-time buyers to claim a rebate on income tax on bank savings paid over the four years prior to the year they are buying or building their first home. The rebate can be up to 5% of the value of the property for a total amount up to €20,000. The scheme only applies to property valued up to €500,000.

Source: OECD Questionnaire on Affordable and Social Housing (2016).

Data and comparability issues

As indicated in the notes to Figure 2.2, information on the amount of foregone tax revenue is missing for a number of measures, and some countries could not provide any estimates altogether.

Besides this limitation, tax relief supporting access to home ownership should be looked at in the wider context of housing taxation, but additional research is needed to be able to provide a full picture.

For instance, residential property receives preferential tax treatment compared to other assets (Salvi del Pero et al., 2016). Support provided to homeowners in OECD countries through tax relief for residential housing was not quantified in OECD QuASH, but the literature shows that taxes on residential property are often limited and the valuation of the property value is also generally much lower than market value (OECD, 2011). A more equal tax treatment of residential property can be achieved by taxing housing investments as part of income tax, i.e. by taxing imputed net rental income (OECD, 2011), but only very few countries do so, namely Iceland, Luxembourg, the Netherlands, Slovenia and Switzerland.

Sources and further reading:

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