

5 Tax and Regulation

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5.1 Introduction: Combining taxation and regulation as means to raise housing affordability

The EqualHouse report, Financial, Fiscal and Monetary Forces Shaping Europe's Housing Systems (D4.1) undertook a comparative analysis of how policies supporting those forces have shaped European housing systems over the past two decades. The report took a macro-level overview of the European housing systems within the remit of the EqualHouse project and sought to capture the relations between housing, tax and finance across these by assembling and analysing available secondary datasets. This chapter engages with tax and regulation for housing by identifying examples of how these modes of public intervention are applied and analysing these with respect to specific policy instruments used to achieve housing goals.

Governments' use of tax and regulatory instruments within housing markets and non-market housing provision is a common means of addressing issues of quantity, quality and pricing. A common characteristic of the tax and regulation of housing is that particular instruments target particular markets and tenures, producing direct effects within the market and / or tenure in which they operate but also indirect effects across markets and tenures. For example, the regulation of mortgage markets impacts on effective demand for owner occupied housing but also impacts the tenure balance between owner occupied and rented housing, with effects on overall affordability contingent upon the starting allocation of households between tenures. A temporal dimension might also be evident, as where taxes on housing are set at a lower level than for alternative assets. In this first instance, this may raise affordability by lowering the tax burden on homeowners though over time, where supply is inelastic to demand, favourable tax treatment of housing can capitalise into increased house prices.

This chapter investigates how three examples of tax and regulatory policy instruments are used across Europe with respect to housing affordability. The three instruments covered are: rent regulations; tax breaks; and housing regulation. Regulation and taxation are not typically grouped together by either economists or political scientists (Rixen and Unger, 2021). Where the primary function of regulation is to direct behaviour using rules and sanctions to support their enforcement, the primary function of taxation is to raise revenue. As this introduction will go on to note, however, overlaps are evident with respect to the behavioural effects on housing market participants that taxation measures cause alongside their revenue-raising function, as well as where regulation can substitute for taxation. The remainder of the introduction will discuss the functions and features of regulation and taxation before the chapter moves on to address four examples of policy instruments using regulation and taxation to address housing affordability.

Welfare economists distinguish between regulation, finance (including taxes), production and income transfers as alternative types of state intervention that are used to address market failures and achieve public policy goals (Barr, 2020), including housing affordability. In a distinct but analogous literature, political scientists define policy instruments as specific tools used by governments or public bodies empowered by governments to intervene in markets with the aim of achieving policy goals by means of adjustments to the quantity, price, or other aspect of goods and services (Capano and Howlett, 2020). The means used to change these aspects include regulation, grants, loans and loan guarantees, insurance, and vouchers (Salamon, 2002).

Regulation and tax, as the policy instruments affecting housing affordability that are the focus of this chapter, must be understood as two separate types of intervention with distinct market effects but also in acknowledgement of overlaps with respect to one another, including where each might partially achieve the effects more closely associated with the other.

Whereas taxation is a well-defined and much-studied concept with a clear and extensive basis within economics, regulation is a concept lacking in clarity and broad in scope, with interest from across the social sciences (Koop and Lodge,

2015). Broader definitions incorporate social control and acknowledge unintentional and non-state modes (Baldwin et al., 2012) in a sense that hews close to informal institutions such as social norms. More narrowly, regulation is characterised as being exercised under the authority of the state and involving deliberate and sustained controls to bring about desired outcomes (Selznick, 1985). While regulation may be used to alter behaviour in accordance with social standards (for example rules governing the sale of alcohol), it is often primarily intended to affect markets by raising the quality of information (e.g. food ingredients), ensuring standards of professional practice (e.g. for dentists), or setting prices (e.g. minimum wages) (Barr, 2020). Alongside the imposition of rules, inherent in regulation is the use of third-party sanctions by government to enforce those rules. In its simplest form, this defines regulation as a legal mandate backed by sanctions (Koop and Lodge, 2015), though broader definitions may encompass social or self-sanction, as for professional or ethical standards (OECD, 1993).

A concept with much greater conceptual clarity, taxation refers to the taxes paid by firms and households or, in a broader sense, the combination of taxes raised and transfers issued using tax revenue (Salanié, 2011). While taxes are most closely associated with their revenue-raising function, they also affect the behaviour of agents paying (and not paying) taxes. The distinction between the formal incidence and the economic incidence of a tax is salient in this respect (Gibb, 2026). The formal (or legal) incidence of a tax is the levying of the tax on firms or households in the form of a burden of payment. The economic incidence describes how economic welfare changes due to how the market responds to the tax. In the first instance, the levying or adjustment of a tax offers incentives to agents who adjust their behaviour in order to reduce or avoid their tax burden. This is most obvious in the case of taxes introduced with the stated purpose of incentivising particular outcomes, as in the case of taxes on sugar designed to disincentivise sugar consumption and lead to improved health outcomes (Alcott et al., 2019).

Beyond direct behavioural impacts, taxes have indirect second round effects on income and substitution. Taxes on income or property levied on households

reduce funds available for consumption and thereby affect decisions on spending across the board. Taxes on particular goods, as in the case of sugar, cause agents to substitute alternative goods. An important quality of the economic effects of taxes is that they are felt beyond the party on which they are levied, being spread between consumers and producers as each receives different price signals. While consumers adjust spending according to where taxes are levied, producers likewise reduce production within a price system that is no longer coordinated (Salanié, 2011).

As taxation impacts upon the behaviour of market participants, so too are there instances where regulation may substitute for taxation. Lunde and Whitehead (2021: 23-24) suggest that in the case of capped rents on social housing in the UK and France 'regulation is substituting for taxation', as social housing providers are being asked to reduce their revenue to provide a social benefit for tenants rather than to pay a greater proportion of their revenue as tax which may in turn be used to subsidise rent paid by social tenants.

Within housing, regulation and taxation are used to serve varying revenue-raising and economic purposes. Tax on housing, comprising recurrent taxes on immovable property, estate, inheritance and gift taxes, recurrent taxes on net wealth, taxes on transactions, and others, made up an average of around 5.5% of total tax revenues across the OECD in 2020, with the largest share of this being the 62% collected as recurrent tax on immovable property and accruing to local governments (OECE, 2022). Totals collected from taxation on housing represent a significant source of revenue for local and national governments, illustrating that their revenue raising role is important and must be considered where taxes are designed or adjusted with their economic incidence in mind.

Housing regulation addresses a wide range of aspects, including: physical characteristics grouped under the category of building regulations; regulations for social housing, which may represent sector-specific physical requirements (for example, in England space standards exist for social housing only) or standards for operators; rent regulations; and the regulation of finance for housing through the mortgage market. Regulations aim directly to guide the behaviour of market participants, analogous to the economic incidence of taxes, whether by ensuring

standards of operation with the provision of social housing or by controlling effective demand for housing acquisition through financial regulation.

The remainder of the chapter is structured as follows. First, we set out how rent regulations are used across Europe to address housing unaffordability.

5.2 Rent Regulations

This section establishes the meaning of rent regulations, extending this to their varied form and application in use. It goes on to address the strengths and weaknesses of rent regulations as a form of policy used to address housing affordability, and details selected policy snapshots of cases in which rent regulations of different sorts have been applied.

5.2.1 Definition

Kettenun and Ruonavaara (2021:1447) define ‘rent regulation as a type of tenure legislation that states limitations to rent setting and rent increases by private (i.e. for profit) landlords.’ Rent regulations are typically classified into three generations. The ‘first generation’ of rent controls, common in the twentieth century, can be defined as ‘a nominal rent freeze that leads to a fall in real rents and to a rent level that is significantly below the market rent level’ (Lind, 2001:43, cited Gibb et al., 2022:13). ‘Second generation’ rent controls are viewed as regulations rather than controls and can be varied. The term covers a variety of controls which ‘try to mediate the behavioural impacts of regulation by allowing rental adjustments to reflect, among other things, challenging market conditions, cost inflation, or the costs of refurbishment’ (Gibb et al., 2022:14). Second generation rent controls can also include ‘further features such as enhanced security of tenure or other changes in tenancy protections or tenants’ rights’ (ibid.). ‘Third generation’ rent control refers to ‘rents being “reset” at market levels between tenancies’ (ibid.:14). Second and third generation rent controls are typically viewed as ‘rent stabilisation.’

5.2.2 Use and implementation

Rent controls can be implemented at a local, regional or national level. Stacy et al. (2021:5) identify the 'key components of rent control regulations' to be implemented. Firstly, they identify 'permitted rent increases' as 'the maximum rent or increase in rent that a landlord can charge to a tenant and how such increases are determined.' Secondly, they note the 'types of housing covered', defined as the 'characteristics that make rental housing ineligible for rent regulation.' Thirdly, they mention 'unit decontrol', 'the process through which a unit or building becomes deregulated.' Fourth are 'exceptions to rent caps,' defined as 'individualised increases granted to owners under certain conditions, such as cost pass-throughs for improvements or appeals for right to fair returns.' Fifth, are 'tenant protections,' for example 'just cause eviction and protection against harassment by landlords' (ibid.).

Rent controls are typically decided based on 'the age and size of the property and the landlord's portfolio' (Stacy et al., 2021:8). Rent controls frequently exclude new properties due to pressure by 'developer and real estate lobbies' who often argue that 'rent control may dampen new development, unfairly burden small landlords, or reduce their profit margins' (Stacy et al., 2021:8). They may also 'exempt buildings constructed after a certain date, or offer a grace period before a building is incorporated into the controlled stock' (Stacy et al., 2021:8).

In the European context, Sisson and Bowyer-Pont (2023) identify 19 countries in Europe that implement some form of rent control: Austria, Belgium, Croatia, Cyprus, Denmark, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Norway, Poland, Portugal, Scotland, Spain, Sweden and Switzerland.

Furthermore, Kettenun & Ruonavaara (2021) examine rent regulation across Europe. They assess the 'hardness' of rent regulation across 33 European countries in relation to the generation of rent control (see Appendix 1). They classify rent regulation as being second or third generation for 'countries that regulate rents or rent increases,' while they classify those 'with no rent regulation... as having free rental markets' (ibid.:1447). A total of six countries were classified as Second Generation, ten as Third Generation and 17 were classified as not having any form of rent regulation.

5.2.3 Strengths and weaknesses

Kholodilin (2024:2) reviewed 206 outputs from 1967 to 2023, of which 112 were ‘empirical published articles,’ to examine ‘the effects of rent control.’ He found that ‘rent controls lead to lower rents in controlled housing and higher ownership’ (Kholodilin, 2024:no page). Other impacts can be ‘higher homeownership rates or lower inequality’ (Kholodilin, 2024:no page). Moreover, Wheatley et al. (2019:3) identify the key benefits of rent controls as helping to potentially ‘reduce poverty, and to enable or speed up the route into owner occupation.’ Singer Hobbs et al. (2026: 6) also identify benefits in terms of ‘reducing rents and slowing rent growth in covered units, with spillover benefits for health and education’.

However, Kholodilin (2024:2) argues that despite the benefits, those who benefit are usually ‘long-term residents of the area,’ while new residents ‘often end up living in more expensive uncontrolled housing or lower quality regulated rental units’ (ibid.:2). Further, on the negative side, Kholodilin (2024:2) suggests that landlords will typically respond to lower rental prices by taking actions ‘such as reducing maintenance spending, attempting to convert their rental properties into owner-occupied homes, and constructing fewer new rental housing units.’ He predicts that ‘low rental prices create an excess demand for housing,’ which can lead to ‘a mismatch between available housing units and the number of households seeking housing,’ as well as reduced labour mobility. He argues that ‘discrimination can also intensify, as marginalised groups find themselves disproportionately affected by the housing shortage’ (ibid.).

Kholodilin (2024:no page) thus identifies a range of indirect impacts: ‘reduced supply of rental housing; reduced construction; reduced housing quality; reduced mobility; increased misallocation of housing; [and] increased rents in housing not subject to rent control,’ thus affecting the welfare of tenants in these properties (see also Singer Hobbs et al., 2026). Even for tenants in rent-controlled properties, he argues that there can be negative effects as a reduction in the maintenance of these properties, which can cause ‘a decreased housing quality’ (ibid.). Rent controls can also impact ‘the overall supply of [rental] housing’ (ibid.).

Kholodilin published work on this literature review earlier in 2022. He analysed the effects of rent control by continent by recording the number of studies in which each effect was examined (ibid.:6). In North America, he found the largest number of studies identified the following effects: controlled rents, mobility, quality, construction, homeownership, homelessness, uncontrolled rents, value, supply, misallocation, segregation, vacancy, net welfare, commute times, inequality, profitability and tax base. In Europe, the largest number of papers noted: controlled rents, mobility, construction, homeownership, misallocation, supply, uncontrolled rents, quality, segregation, value and vacancy. A small number of papers identified effects in Africa (controlled rents, supply, marriage, side payments); Asia (net welfare, vacancy, homeownership and mobility); Oceania (controlled rents, mobility, homeownership and uncontrolled rents); and South America (controlled rents). Overall, 19 ‘socioeconomic, demographic and security effects of rent control’ were noted, which were ‘ordered by the number of studies and thus, by their prominence from the perspective of researchers,’ thus listing them as follows: ‘controlled rents, mobility, homeownership, construction, quality, supply, uncontrolled rents, homelessness, misallocation, value, segregation, vacancy, net welfare, commute times, inequality, marriage, profitability, side payments and tax base’ (ibid.:7). Thus he argued that while rent regulations may have the intended aim of controlling rents, there are many unintended effects too (ibid.). From this review, Kholodilin (2022:17) concluded that:

‘although rent control appears to be very effective in achieving its main goal – lower rents – it also results in a number of undesired effects, for example, lower mobility and residential construction. These unintended effects counteract the desired effect and, thus, diminish the net benefit of rent control. Therefore the overall impact of rent control policy on the welfare of society is not clear.’

However, despite this evidence, Gibb and Marsh (2024, p.2) highlight the challenges of evaluating the evidence on the impacts of rent controls, arguing that:

‘It is difficult to separate rent regulation and its effects from other components of the private rented sector regulatory architecture e.g., tenancy length and

security. In addition, enforcement shapes the impact of regulatory intervention but the need for, and challenges regarding, effective enforcement in the private rented sector is not always given prominence. Also, a key feature of the debate is the weight given to context, history and institutions and how they interact with any given mechanism for rent regulation. The more importance placed upon these contextual factors and design details, the less the findings from empirical studies can be generalised' (*ibid.*).

Policy snapshot 5.1: Germany

By 2018, on average, nearly half (49%) of households in Germany lived in rented homes, perhaps partly due to strong tenants rights in Germany law (Breidenbach et al., 2022). However, while rents in Germany were relatively stagnant from 1995 until 2010, they have increased rapidly since this time, at the same time as rates of vacancy have declined (Mense et al., 2023:5).

German tenancy law thus aims to help protect tenants, typically providing open ended contracts and stipulating that rents cannot be increased by over 20% within three years, unless there is 'substantial investment.' It also does not allow rents to be increased above 'the comparative rent index once a contract is signed' (Breidenbach et al., 2022:1). If landlords wish to increase rents, this must therefore be done through new lettings, rather than existing contracts (Breidenbach et al., 2022).

The current rent controls in place in Germany were introduced by the Federal Government in 2015 in response to increasing rental prices (Breidenbach et al., 2022). Prior to this, in 2013, the German government introduced a policy to increase the construction of affordable housing in response to increasing rental prices (Breidenbach et al., 2022). This led to the *Tenancy Law Amendment Act*, introduced in June 2015, legislating for rent controls; this was followed by a second amendment in January 2019 'to strengthen tenants' rights when being asked to pay excessive rents (Breidenbach et al., 2022:2). Through this legislation, rent controls can be introduced for five years at a federal state level, with the federal state government being responsible for deciding which municipalities should have rent controls in their state regulations (Breidenbach et al., 2022). Rent regulations can thus be introduced where there are deemed to be 'tight markets', based on four criteria:

'(1) rents in the municipality rise faster than the national average, (2) the average rent burden ratio is higher than the national average, (3) the population is growing while new construction activity is not keeping pace, and (4) the vacancy rate is low while demand is high' (Breidenbach et al., 2022:7).

Through the *German Tenancy Law Amendment Act*, properties can be exempted from rent controls if they meet certain criteria (Breidenbach et al., 2022). Firstly, for properties rented out for the first time after 1st October 2014,

with the aim being to encourage construction. Secondly, so as not to act as a deterrent for investment, homes can be exempted (i) if a home is rented for the first time after a 'comprehensive modernisation'; (ii) if improvements were made 'in the three years prior to the introduction of the rent control, the rent is exceeded by the amount of the modernisation apportionment possible for this modernisation during the lease'; and (iii) 'If the rent was already above the maximum value, the protection of existing buildings applies, and the dwelling can still be offered and rented at this price' (Breidenbach et al., 2022:2).

Using 'a triple difference event study approach on rental offer price data,' Breidenbach et al. (2022: 1) subsequently found that rental costs have reduced by up to 5% for all dwellings (and up to 9% for specific types), partly helped by this legislation. However, they find that the effect only lasts up to a year, with little impact on rental prices going forward. They also found that rental controls tended to benefit properties in neighbourhoods that tend to be home to higher-income households, thus not achieving the original aim; and that rent controls affect the quality of the dwellings (Breidenbach et al., 2022:1).

Moreover, Saxenberger (2024: no page) reflects that it is difficult to evaluate the effectiveness of these measures because of 'a lack of nation-wide, specific, and conclusive data on parameters (such as past rent levels or renovation activities)' They also identify insufficient recent studies since 2020, with many of the existing studies being published in 2016-2018. In this context of insufficient data, they highlight that many of these studies are 'based on simulations, experiences from other countries, or possibly distorted models which leave out crucial other effects for rent price formation' (*ibid.*:no page).

Despite these challenges, they find that most studies conclude that 'while the rent brake is somewhat effective in reducing rent prices, it is questionable whether it created the meaningful social impact it was intended to have,' although it has seemingly led to 'a slight decrease in the growth of rent (with regional differences) and heightened awareness among landlords and tenants regarding the dynamics of rent pricing,' while the concerns about limiting 'renovations, maintenance and construction of new dwellings did not materialise,' due to the exemptions noted above (*ibid.*:no page).

Based on the evidence, they identify key actors limiting the effectiveness of the policy. Firstly, that its 'vague formulation and non-uniform implementation limits its basic functionality.' Secondly, that compliance amongst landlords can be a challenge, with different strategies being adopted to avoid adhering to the policy. Thirdly, they identify issues with the rent calculation system (*ibid.*). Finally, they highlight a deficiency in country-level data on key metrics, such as 'modernisation activities, previous rent levels and current rent levels'; and secondly, they find that research tends to agree with the need for a combination of different 'strategies and instruments' to address 'housing shortages and inequality' in the PRS (*ibid.*; see also Baye & Dinger, 2024).

The policy has now been extended until 2029 'in response to the ongoing housing affordability crisis, high inflation and rapidly rising rents in the country's largest cities' (Centrarium, 2025: no page).

Source: Breidenbach et al. (2022); Mense et al. (2023); Centrarium (2025); Baye & Dinger (2024)

Policy snapshot 5.2: Scotland

The Scottish National Party government in Scotland has introduced a range of policies over the last decade or so aiming to improve conditions for tenants in the PRS. The 2016 *Private Housing (Tenancies) (Scotland) Act* introduced, from 2017, Private Residential Tenancies to replace short-assured and assured tenancies and also provided local authorities with additional ‘powers to implement rent caps in designated areas so-called “rent pressure zones” where rent increases were deemed to be “excessive”’ (Serpa & Robertson, 2020:16). However, no rent pressure zone was ever implemented (*ibid.*).

In response to the Covid-19 pandemic and its impact on tenants, the Scottish Government then ‘introduced a rent freeze and eviction moratorium for existing tenancies as part of measures to tackle the cost-of-living crisis’ in 2022; in April 2023, the rent freeze was extended and changed to a 3% cap; it was then further extended until March 2024 (Bangham et al., 2026:35).

The *Housing (Scotland) Act 2025* further strengthens these rights, introducing the power ‘for long-term, evidence-based rent controls to be introduced in areas where rents are rising steeply’ (Scottish Government, no date: no page). Since the introduction of this law on 1 April 2026, local authorities have a legal obligation to ‘assess rent conditions in their area’ and must ‘submit a report to Scottish Ministers at least once every 5 years’ (*ibid.*). Based on these assessments, decisions will be made regarding whether or not to ‘designate a rent control area.’ Rent control areas can only be imposed by Scottish Ministers ‘if they are satisfied that restricting rent increases is: necessary and proportionate to protect the social and economic interests of tenants in that area; [and] a necessary and proportionate control of landlords’ use of their property’ (*ibid.*).

The rent cap limits rent increases to the Consumer Price Index (CPI) plus 1%, up to a maximum of 6% (Scottish Government, no date: no page). The restrictions apply ‘both during a tenancy and between tenancies’ and rents in a rent-controlled area are only allowed to be raised once a year, regardless of whether the tenants have changed or not (*ibid.*). Tenants can challenge any increases they deem to be against these regulations through a Rent Officer or the First-tier Tribunal (Housing and Property Chamber) (*ibid.*).

However, this policy does not apply in all circumstances, with it not being applicable:

‘...at the start of a new tenancy in a property that: is completely new to the private rented sector; was bought by a landlord with vacant possession, and the new tenancy is the first since that purchase; has not had a private residential tenancy in the previous 12 months’ (Scottish Government, no date: no page).

Certain properties are also exempt, including Mid-Market Rent and some Build-to-Rent properties. In certain circumstances, increases above the rent cap may be permitted, for example in 'cases where rent has been consistently below market rate or where a landlord has invested in improving the property' (Scottish Government, no date: no page).

Sources: Serpa & Robertson (2020); Scottish Government (no date); Bangham et al. (2026)

Policy snapshot 5.3: The Netherlands

The Netherlands implemented rent freezes and subsidy structures in the 1960s. While the policy has shifted since this time, rent controls remain in both the private and social rented stock (Haffner, cited in Whitehead and Williams, 2018). The country has typically been characterised by a strong social housing sector, although there has been a trend towards home ownership in recent years (Hochstenbach, 2023; Haffner & Hulse, 2026).

In 2016, temporary two-year rent contracts were introduced through the Rental Market Transition Act (see Lankhuizen & Rouwendal, 2024), applying less stringent controls in the PRS, when compared to the social rented sector (Haffner, cited in Whitehead & Williams, 2018:22). Rental values in the PRS were no longer set using a points system and there was no limit on the maximum rent that can be charged. This trend has therefore been characterised as one of ‘continuing decontrol of higher valued properties’ (*ibid.*:22).

At this time, the ‘liberalisation’ rent level was set; any rent equivalent to or below this level was regulated, while anything above it was not, a so-called ‘liberalised rent’ (Haffner, cited in Whitehead & Williams, 2018:21). Rents are regulated based on ‘quality points’ through the Dwelling Valuation System, with points being calculated in relation to the dwelling’s ‘quality and access to local amenities’ (*ibid.*). From this, a maximum rent is set, based on the number of points. In 2018, PRS rents were 84% of the maximum rent on average (*ibid.*:21-22).

The temporary two-year contracts were stopped in 2023, with a recognition in 2022 by the reinstated Minister of Housing regarding ‘the need for more intervention and regulation’ (Lankhuizen & Rouwendal, 2024:282).

More recently, the Dutch government introduced the *Good Landlordship Act* in July 2023 and the *Affordable Rent Act* in April 2024 to try and remedy high rental costs (Housing Europe 2024, see also Haffner, 2025). These Acts both aimed to strengthen housing affordability and tenants’ rights, introducing rent controls for homes in the middle range (Housing Europe, 2024:no page). This applied regulations previously only relevant for the regulated and social sectors, involving the implementation of a cap based on the Home Valuation System. This uses quality indicators to allocate points to each dwelling, which are then tied to a maximum rent (*ibid.*). The legislation makes the Home Valuation System compulsory, prohibiting rents from being greater than those set by the Home Valuation System (*ibid.*). It also introduces protections for tenants from large rent increases above +1% of wage development. However, it is only mandatory for new rental agreements. Nevertheless, it therefore helps provide more options for those on a middle income to access affordable accommodation close to their employment and social lives (*ibid.*).

Source: Haffner, M. in Whitehead and Williams (2018); Hochstenbach, (2023); Lankhuizen & Rouwendal (2024); Housing Europe (2024); Haffner (2025); Haffner & Hulse (2026)

5.3 Tax breaks

This section establishes what is meant by tax breaks and introduces the rationales underlying the use of this instrument in the promotion of housing affordability. Following this it sets out how tax breaks are used within policy, noting scales of government and conditions of application, before going on to cover the strengths and weaknesses of the instrument. Finally, selected policy snapshots give practical examples where tax breaks have been used within Europe.

5.3.1 Definition

Taxes foregone, or more commonly tax breaks, are taxes that are potentially collected but which a tax collecting body elects not to collect as a means to incentivise a particular behaviour. A helpful way to consider this is as a decision not to tax what would 'normally' be collected in a baseline scenario, based on the principle that, unless there are reasons to do otherwise, similar activities should be taxed in similar ways (IFS, 2025). In the case of housing, the baseline scenario would be to assume that housing would be taxed in the same way as are other investments, then to identify the ways in which the treatment of housing diverges from this.

Housing is, for the typical household, the largest investment, greatest monthly outgoing, and most substantial component of gross wealth (Meen and Whitehead, 2020). Moreover, housing differs from other assets in both serving demand and satisfying need. While Wood (2003) argues that broader fiscal concerns tend to dominate housing policy goals in the design of taxation measures, elsewhere there is a perception that governments have, with respect to taxation, tended to favour the ownership of housing over that of other assets, negatively impacting not only upon asset portfolio neutrality but also tenure neutrality in housing (Bramley et al., 2004). Indeed, it has been argued that there exists a perception of owner occupation as a preferred tenure across many countries, with consequences for the balance of tenures within the housing system as a whole that may counteract supports for the affordability of owner occupation (Scanlon and Whitehead, 2004; Ronald, 2008). A suggestion prevails

that support for owner occupation through the tax system is a fair response of policymakers to the aspirations of potential homeowners. O'Sullivan and Gibb (2012, p.273) suggest that this rationale must be tested against competing benefits of tenure-neutral taxation of housing as well as the costs of such supports for owner occupation. In this respect the authors advance a number of arguments in support of taxing housing without preference to owner occupation as a tenure.

- To make available savings for investment in more productive assets.
- To reduce the quantity of investment capitalised into land values, thereby acting as a demand stimulus that puts pressure on land-use planning.
- The aim of promoting housing market and housing system stability is not best served by favourable tax treatment of owner occupation.
- Preferable treatment of owner occupation is regressive due to the uneven distribution of housing wealth, with a particularly strong effect due to inter-generational differences.
- Housing wealth as a potential source of tax revenue is left untapped.

In spite of these criticisms, as a substantial and lumpy asset for households, changes to the tax treatment of housing have powerful and potentially heavily detrimental effects on household finances. Political will to eliminate tax breaks is therefore difficult to muster and may need to be expended where the balance of costs and benefits make it more feasible, as for example when mortgage interest tax relief was removed during a period of low interest rates when debt servicing costs were comparatively low in the UK.

5.3.2 Use and implementation

Housing taxation sits within country-specific systems that encompass multiple tenures and combine tax incentives with subsidies. Moreover, the efficiency and equity effects of particular taxes and their levels are dependent upon mortgage markets and their regulation, banking systems, and the broader institutional and regulatory apparatuses that govern housing markets in a given national context (Wieser and Mundt, 2014). As with other sorts of taxes and tax incentives, a full understanding of the fiscal and behavioural effects of changes to a given tax can

only be fully comprehended with a full knowledge of the rest of the tax and fiscal regime.

Were housing assets taxed at the same rate as other investment goods, it would be expected that income or imputed income (the income effectively generated when an owner occupier forgoes a rental income on their property in exchange for not themselves paying rent) would be taxed alongside asset value, accounting for depreciation (Lunde and Whitehead, 2021). Indeed, this expectation is to a great extent – though not entirely – met in the case of private landlords, who are across Europe generally liable for tax on rental income, and must also pay capital gains tax on value uplift, albeit with exemptions – especially for the latter – in a number of countries. For owner occupiers, by contrast, imputed rent is taxed only in the Netherlands (at a very low rate), having been historically taxed in a wider range of countries, while capital gains tax exemptions are widespread (Wieser and Mundt, 2014; Lunde and Whitehead, 2021). A further tax break offered to owner occupiers in a minority of countries, and in a policy that has in previous decades been more widespread, is mortgage interest tax relief (Barrios et al., 2019). While mortgage debt might be expected to be considered as expenditure rather than income for private landlords, the granting of mortgage interest tax relief is mixed across Europe, with a range of levels of relief granted (Lunde and Whitehead, 2021).

5.3.3 Strengths and weaknesses

Tax breaks may be considered as direct subsidies where they are offered with the explicit aim of achieving a policy goal, deviating from the normal tax system in order to favour a particular industry or outcome (Surrey and McDaniel, 1979). By this definition, the preferential tax treatment of owner occupation is not presented as, but nevertheless has the economic effects of, a subsidy. Yates (2012) distinguishes between targeted and indirect subsidies for housing, arguing that tax concessions to users of housing, though they are not taken into account as budget outlays spent in exchange for an increase in a particular tenure or pattern of consumption, are in effect indirect subsidies.

The rationale underlying the use of tax breaks to incentivise particular behaviours within the housing market, with resulting effects on the housing system as a whole, is that the preferred behaviour generates welfare benefits and / or positive externalities. As noted already, housing generally represents the greatest source of savings and wealth for most households (Meen and Whitehead, 2020) and acts as a complement to pensions by removing the burden of rent payments in retirement (Eckardt et al., 2018). Additionally, home ownership has been argued to lead to better maintenance of property and lower crime rates (Disney et al., 2023; Gatzlaff et al., 1998). Whitehead et al. (2005), in examining housing policy in England, suggest a desire to reduce government expenditure on housing as a motivation for the encouragement of owner occupation. This is supported by the suggestion that the role of homeownership in complementing pension income noted above can also be understood as a reduction in the governmental welfare bill for pensioners (Smith and Searle, 2010).

These benefits come in the first instance at the cost of reduced tax revenues, though a number of additional trade-offs result. Favourable tax treatment of housing relative to other assets generates deadweight welfare losses because it distorts investment decision-making to result in an overallocation of resources into housing (Skinner, 1996). Distortions may also result in labour markets due to differences in house prices between regions with stronger and weaker employment and wages. Households attempting to move from weaker to stronger housing market areas are constrained by the need for additional equity whereas households moving from stronger to weaker housing market areas are able to reduce their borrowings (Cameron and Muellbauer, 1998).

A further inefficiency cost results where tax breaks are capitalised into house prices, the extent to which this capitalisation occurs being in part dependent upon the price elasticity of the supply of housing (Hilber and Turner, 2014). Tax policy for housing focuses on the demand side of housing markets and, without coordination with supply side policies, may result in increased demand against a relatively inelastic supply of housing. This can produce the perverse outcome that tax breaks for homeowners in fact raise the cost of owner occupation in the long-

term by causing households to bid up prices (O'Sullivan and Gibb, 2012), with increased price volatility also a possible consequence (Splinter, 2018).

Distributional effects are evident where benefits of favourable tax treatment accrue to owners of more expensive housing, for whom tax reliefs are worth more, as in the case of capital gains tax and mortgage income tax reliefs (Oxley and Haffner, 2010). Fairness concerns also arise with respect to intergenerational concerns and an incentive among existing homeowners to maintain the status quo in taxation of owner occupation (O'Sullivan and Gibb, 2012).

Policy snapshot 5.4: Ireland's Help to Buy Scheme

Introduced in 2016 as a temporary measure within the broader Rebuilding Ireland programme and set to run at the time of writing until the end of 2029, the Help to Buy (HTB) scheme benefits first time buyers purchasing a new home, including self-build. The scheme is designed to support home ownership (though the wider programme of which it is a part includes social housing investments) alongside the supply of new housing. Benefits offered come in the form of a refund of income tax and Deposit Income Retention Tax (paid on interest earned on savings) over the four-year period prior to the purchase, up to a limit of €30,000 or 10% of the value of the property, for which the Loan to Value ratio is capped at 70% (Irish Tax and Customs, 2026). Although the scheme is styled as a tax refund, it functions effectively as a subsidy not directly linked to future capital growth that would return to government, unlike for example comparable schemes in which subsidy is granted in the form of an equity share.

A report for the Central Bank of Ireland (Bandoni and Pratap Singh, 2024) identifies a number of trends evident in the use of HTB. Homes purchased under the scheme are typically more expensive compared to properties bought by FTBs outside of the scheme. This may be an effect of the type of properties available to the scheme, being disproportionately larger suburban houses, with the per sqm value being similar between first time buyer properties bought using HTB and other first time buyer properties. Scheme beneficiaries are typically higher earners, which most likely reflects the fact that the scheme is used to purchase more expensive homes. HTB buyers are on average a year younger than other FTBs, which may be attributable to the maximum deposit constraint and could have supported scheme beneficiaries to become owner occupiers at a younger age than would otherwise have been possible. As an explicit demand-side stimulus, the effect of the scheme on supply is indirect, acting to reduce market risk for residential developers. Analysis from the Irish Department of Finance (2021) attributes a small increase in average house prices to HTB, while the Parliamentary Budget Office (2022) argues that the scheme has served to inflate the size of deposits, based on the suggestion that a third of recipients were able to raise a 10% deposit without accessing HTB and has used the scheme to raise a greater deposit.

Sources: Irish Tax and Customs (2026), Bandoni, E. and Pratap Singh, A. (2024), Department of Finance (2021), Parliamentary Budget Office (2022).



Policy snapshot 5.5: France's 228ispositive PINEL

Tax incentives can be used to incentivise investment in affordable housing, as in the case of the *dipositif* PINEL in France, named for the Minister for Housing at the time of its introduction in 2015, Sylvia Pinel. The *dipositif* (device, instrument) offers a nominal reduction in income tax to owners of newly developed and acquired property rented out as affordable housing, as determined by locally set rent regulations and the income of tenants. The income tax reduction is set according to a percentage of the property price and along a scale relative to the period for which the property is let at an affordable rate. Accordingly, a property let as affordable housing for six years grants an income tax reduction equal to 12% of the property's value, while property let for nine years is worth a discount of 18% of its value, and for 12 years 21% (Ministère de l'Action et des Comptes Publiques, 2024).

This is a use of a tax break on the supply side, incentivising landlords to increase the supply of affordable housing by offering reductions in tax contributions in exchange for affordable housing provision. A distributional problem stemming from this approach is that those with the means to invest in additional property are typically comparatively wealthy. Indeed, more than 50% of investors taking advantage of the *dipositif* PINEL were found to belong to the top income decile (Deniau et al., 2019, cited in OECD, 2022). A further criticism levelled at this approach to affordable housing delivery is that, where supply is inelastic to demand, tax incentives may encourage a substitution of affordable housing in place of, rather than in addition to, market rate housing (OECD, 2022). The scheme was closed to new applicants on 31st December 2024 following a number of evaluations raising criticisms including those cited above, though the response of the French Court of Auditors responded to the closure by pointing to the ability of the *dipositif* to supply quality housing in high demand areas to households struggling to find property in the private and social sectors (Chocron, 2024).

Sources : Chocron, V. (2024), Deniau, F.-X., Krieff, D., Maréchal-Dereu, C., Apers, É., Bégassat, L. and Guillou, A. (2019), Ministère de l'Action et des Comptes Publiques (2024), OECD (2022).

Policy snapshot 5.6: Removal of Mortgage Interest Tax Relief: Ireland

Functioning as an incentive to home ownership achieved through use of a mortgage loan, Mortgage Interest Tax Relief (MITR) allows mortgage holders to deduct the interest component of mortgage repayments from their tax liabilities. Across much of the EU this practice is common, with MITR granted in Belgium, Czechia, Estonia, Italy, Luxembourg, the Netherlands, Finland, and Sweden, while in Ireland, Spain, France, Lithuania and Portugal (Leodolter and Rutkowski, 2022), as well as the UK (Lunde and Whitehead, 2021), MITR has been removed since the beginning of the 21st century.

Ireland has, since 2009, gradually phased out MITR for owner occupiers with a mortgage, relief being fully abolished in 2021. As a member state with a level of homeownership close to the EU average (OECD, 2026) and which has, within the past 30 years, undergone a period of economic growth well above the EU average (World Bank, 2026), Ireland's house price inflation and volatility in the years leading up to the Global Financial Crisis led to a reassessment of the costs and benefits of MITR. The removal of MITR may in the first instance increase owner occupied household tax payments and therefore be a barrier to affordability. Yet tax incentives to home ownership have a tendency to raise demand for housing by increasing the returns to homeowners and may therefore in the long-run raise house prices and reduce affordability. This policy snapshot is an example of how the removal of a tax break may serve to increase affordability overall.

Sources: Leodolter, A. and Rutkowski, A. (2022), Lunde, J and Whitehead, C. (2021), OECD (2026), World Bank (2026)

5.4 Housing Regulation and Affordability

This section defines the use of housing regulation within the context of housing affordability. It establishes the meaning of regulation for housing affordability and in the particular case of the regulation of social housing provision, before describing the use and implementation of housing regulation for affordability across a range of examples in Europe. Finally, the section addresses the strengths and weaknesses of approaches taken.

5.4.1 Definition

Barr (2004) identifies four main modes of intervention in response to market failures or social justice concerns around provision of welfare services broadly conceived. These are regulation, subsidies (including tax concessions), direct provision by the State or its agencies, and transfer payments through the benefits and tax system. Barr is concerned also with the fitness of each mode of intervention in relation to the specifics of the market failure or injustice found,



going so far as to argue that certain interventions are less effective and even deleterious to outcomes compared to alternative interventions not chosen. Thus, as is often argued by economists, rather than using rent regulation, well-designed transfer payments or other subsidies may be better able to deliver housing affordability with less adverse unintended consequences (see Stephens and Gibb, 2024, for a more nuanced position).

Regulation of housing can be considered by sector or by function. Across sectors or tenures, we can distinguish regulatory regimes and effects relating to the providers of rented, as well as social tenants or households in affordable housing, for private tenants and for mortgage borrowers (as well as consumers more broadly). Functionally, we might usefully distinguish between price and non-price regulation. Elsewhere in this paper we look closely at rent regulation in the private rental sector, but we also consider how regulatory governance of social and affordable housing can support or indeed inhibit the provision of such housing and affordability outcomes for those living in such housing.

5.4.2 Regulation of social and affordable housing

Regulation is a complex and multi-dimensional set of actions and relationships with different consequences across European national housing systems. Analysis of regulation-based public policy asks why it came about, what its objectives are, why it takes the form it does, what are the outcomes it generates, how is it evaluated and how different parties acquiesce to, resist or attempt to manage or even capture the regulatory process (Lawson and Davies, 2021).

There is considerable academic and practical interest in whether regulation is too light, whether it is deemed to be excessive, and within that debate, a sense of the impacts and outcomes associated with regulations, by themselves or in conjunction other interventions and sector contexts (OECD, 2021). Changing stances to regulation may also reflect wider debates about markets, (de)regulation and neo-liberal discourses. It is also apparent in the housing sphere that wider regulatory forces play a key role e.g. international banking and financial regulation, micro and macro prudential regulation post 2008, the governance of executive agencies and non-departmental public bodies, the

wider nature of civil, charity and criminal law including property rights in a given nation public health standards, enforcement and cultural attitudes to regulatory compliance (Earley et al, 2025).

Looking across Europe, social and affordable housing tends to have responsible government departments making policy and channelling public funds to support below market provision. The government role is often augmented by a regulatory, supervisory or oversight function. This may be provided directly by the government department, though it is often housed in a national housing agency for non-market housing, in local government, or through dedicated regulatory agencies.

Social housing regulation has multiple functions. It seeks to ensure that public money made available to providers is properly used and that there is value for money for taxpayers. They also may establish monitoring of management and financial performance, as well as collecting annual data returns on performance and adequacy, and ensuring the provider fulfil their legal duties as landlords (e.g. with respect to health and safety laws). This may be part of a wider programme of continuous improvement. Regulators may also take specific interest in the capital funding, asset management and treasury management practices. This is both about assurance but also provides comfort to lenders who have long term financial relationships with providers. In some countries working closely with the regulator under such statutory regimes is necessary for the receipt of public funding.

Regulatory systems also, explicitly or implicitly, operate to further the interests of the tenants of such non-market providers. This may be simply to secure a strong system of social and affordable housing by maintaining standards as set out above. It might also be through guaranteeing tenant rights and even acting as a mechanism to protect tenants in their homes if the provider gets into financial or governance difficulties. Clearly, this system of regulation also enables and supports affordability for individual tenants by facilitating below market rent regimes, reducing the cost of borrowing and providing a key part of the superstructure that keeps tenants secure in their home.

Before proceeding further, a point on method. Social housing regulation across Europe is a difficult area to research in relation to often indirect affordability impacts. It is also by definition highly path dependent on the individual policy, institutional and legislative developments of individual nations. This is particularly the case with social housing regulation, for which there is little international literature (rare examples are Housing 2030, Gilmore, 2017; Lawson and Davies, 2021; and OECD/EU, 2025). However, we were able to benefit additionally from the work done last year for the Irish government by Housing Europe which examined social housing to a common template across the EU (plus the four nations of the UK). We are grateful to Michelle Norris who shared the relevant parts of the country studies she synthesised for that project. This also indicated considerable variation in how social housing regulation is understood and carried out. We are also grateful to our colleague Julie Lawson who provided several directly relevant international comparative references which among other things provide a rigorous analysis of regulation systems and outcomes.

Social housing regulation performs a necessary function to support the resilience of social and affordable housing and in doing so protects stable below market rents, critical for affordability and for low to moderate oncome household wider choices. By doing so it supports the affordability component of the right to adequate housing. Regulation can also explicitly support targeted or indeed universal access to and allocation of non-market housing, as well as work in different ways and to different levels of participation, to ensure tenant voice, consultation and in some case community control is embedded in the system of social housing (Lawson et al, 2020; Lawson and Davies, 202). Of course, the absence or weakness in these relationships and duties can in turn weaken the reality and potential of social housing systems and hence affordability outcomes and choices.

5.4.3 Use and implementation

There is a closely integrated relationship interwoven between effective social and affordable housing systems and their models of regulation. As mentioned earlier it is important to a stress that regulation mode is designed to function

alongside specific forms of social housing system in terms of rent-setting, public funding, scale and ownership forms: not for profit or limited profit models, council housing, and for-profit operators. It is important to remember that such models do not readily transfer between different types of social housing system. This is another reflection of path dependency and the risks of untutored policy transfer. Regulation does not exist in a vacuum and operates alongside other forms of regulatory presence such as charity regulators, finance and banking regulation, consumer protection and much more – all of which have EU as well as national features. Nations with more limited social housing often will have less overt social housing regulation mechanisms (and that is part of the lock-in reasoning for the under-development of those systems).

A key element of change within the social rented and affordable housing sectors has been the advent of hybridity or combining the traditional social or community mission of not-for-profit providers with diversification into commercial activities and subsidiaries. This began with a range of community activities allowing surpluses to be recycled but has, as a response to finite and sometimes reduced public funding supports, grown into commercial housing offers as well as public private partnerships, sale and leaseback, local housing companies emerging from council housing in England, and larger providers evolving into complex and varied group structures of social businesses. All of these in different ways make regulation more complex but also add risk which may ironically make regulation more rigid and conservative to manage the dilution and masking of the social mission into different forms of provider hybridity.

Social and affordable housing providers generally face networks of overlapping regulation: statutory or governmental regulation (which may be provided by national government, local government or standalone agencies with varying powers), but also where appropriate oversight and regulation as charities or foundations, or as carriers of financial debt, and also if specific duties are performed such as care home provision.

5.4.4 Strengths and weaknesses

Overall, a strong but appropriate regulation system can sustain and support active and successful social housing systems generating resilient and affordable housing outcomes consistent with a range of wider housing, public policy and social objectives. These are path dependent and embedded in national housing systems – they cannot simply be transplanted. Nonetheless, there are wider lessons to learn. What are the key strengths and weaknesses?

Strengths

Effective regulation can support and enforce affordability across national social and affordable housing sectors. It can allocate housing progressively to the more vulnerable, protect tenants from precarity and insecurity by providing long term stability.

Supervisory regulation can raise standards in the sector and incentivise through sanctions and rewards compliance and positive innovation by provider governing and executive bodies (though this gets harder if innovation means complex new legal entities that are harder to regulate).

Regulation done well can reduce the risk profile of the sector reducing or capping the cost of private finance and providing comfort for lenders, both of which can support or facilitate a more affordable set of outcomes for tenants.

Regulators can play wider progressive roles such as using their data/monitoring power to undertake research and advise policy through evidence-based analysis.

Housing 2030 also identifies further strengths of good affordable housing regulation. It can build capacity, promote tenant and other stakeholder interests and hold providers accountable to commercial partners and communities served, it can update expectations socially and in wider sense for what is required of good provider standards, and it can promote good value for public money and reduce misuse of public funds.

Gilmour (2017, p.8) reviewing social housing regulation across the OECD provides a general statement of what good regulation looks like:

- Equally protect the rights of tenants and investors (public or private) in

social housing

- Be uniform across the country
- If possible, cover all tenants, public and private. At a minimum enforce the same standards across all types of social landlords
- Be open and transparent, allowing tenants and the media to see the real story
- Have a strong regulator, fully at arm's length from government, prepared to take action
- Encompass meaningful inspections of social housing providers.

Lawson and Davies (2021, p42) drawing lessons for the state of Victoria in Australia conclude that:

'Good regulation is not a straight-jacket, rather it facilitates purposeful innovation and experimentation, while ensuring prudent compliance in use of public and private funds. It also empowers rather than confines tenants and ensures engagement with their communities. Such regulation need not be top down and onerous, and is best if driven by providers themselves. It should be embedded in their founding constitutions, mission statements and everyday processes and interactions. Social housing is core business, and not something that should be a side interest or even an outsourced task.'

Weaknesses

Municipal discretion based on settled governance positions on decentralisation can lead to unintended consequences - undermining the national system of regulation which in turn can lead to capital flight, making it harder to deliver social housing in certain places despite the evidence of housing need. As one possible model, there is no reason why local and regional government should not implement, enforce compliance and manage social housing regulation but consistency within a wider national framework seems to be a necessary condition for effectiveness.

Regulation can be complex both in terms of multi-level governance but also overlapping regulatory and oversight requirements which produce a

disproportionate burden on providers, challenging some of the value for money benefits that strong and consistent regulation can offer (Marsh, 2018).

Despite relative regulatory independence from the state in many national cases, politics and political change can undermine stability and predictability for what are long term permanent organisations with financing and investment decisions measured in decades not electoral cycles. Over the last 25 years, the English model of social housing regulation has been beset by regular volatile swings in politically-led regulatory scope and practice which does not support system continuity or resilience. This may also be reflected in changing emphasis on core housing policy issues – privatisation, rent-setting, allocations, social mix, governmental tenure preferences, etc.).

Housing 2030 (chapter 1) identifies several further important regulatory weaknesses, such as bureaucratic inefficiencies, stifling innovation and not dealing with non-compliance.

Policy snapshot 5.7. Social housing regulations across Europe

The Housing Europe study for the Irish government (forthcoming) indicates a wide range of social housing regulation in terms of institutional form, powers, multi-level governance and policy stance. It is also the case where social housing is much less developed that there is not always well-developed, institutional regulation of such provision as there is. Countries of particular interest who illustrate the spectrum of regulatory practice for social housing include:

Austria – a long-standing legal framework governs the limited profit housing sector such that the distinctive cost-based rents and limited profit system with a strong revolving fund model, is overseen by strict government oversight which combines accountability with financial stability and social objectives. Different federal government departments play this role with specific roles for municipalities. Austria also has municipal housing which often charges rents below cost-based levels but caters to the most vulnerable in society (more so than the non-profits). Lawson and Davies (2021p.46) view Austria’s social housing model as the exemplar and this extends to its regulation: *‘Clearly defined limited profit housing regulation plays a strong and prescriptive role in the Austrian model. These national laws concerning the setting of costs, rents, restriction of activities, reinvestment of profits and supervision of activities. Regulation defines acceptable activities for housing providers, sets rules for rent-setting, imposes an income ceiling on managers and promotes national design principles. At the regional level, guidelines specify the conditions which must be met in order to receive subsidies (such as cost, size and target households) and, together with municipalities, establish building and planning regulations. Profits are limited, surpluses must be reinvested and cannot be*

dispersed to any shareholders rents are cost based and increases are regulated, and surpluses must be reinvested in new supply’.

Finland – in 2008 the Finnish housing board became the housing finance and development centre (ARA), a comprehensive affordable/social housing agency which includes oversight and supervision of social housing providers – both municipal companies and foundations. Internationally deemed to be highly effective it, however, fell foul of political change in Finland when in 2024 it was abolished – how this will be fully replaced and the wider implications remains unclear.

Ireland – since 2021 ABHRA has been established as the regulator of approved housing bodies; municipal council housing which is dominant in the provision of existing stock social housing is not included. ABHRA is focused on protecting the assets and supporting the management of approved bodies, their finances, housing management, and operation of standards. Council housing regulation on the other hand is based around national audit processes.

Netherlands – social housing was restructured under 2015 legislation establishing a new independent regulator (Aw) for the housing association sector overseeing new well-defined statutory rules and prohibitions relating to legitimate activities. (This includes determining whether board and executive staff meet fit and proper tests).

Denmark – The Danish Authority of Social Services and Housing is a national public body that plays an important supervisory role for housing, including providing consultancy services to municipalities to improve local housing outcomes and inform policymaking. Lawson and Davies (2021) argue that the effective tenant empowerment of the Danish system means that tenant voice can effectively protect social housing assets, e.g. from privatisation in a way that does not happen elsewhere. They summarise the Danish case (p.47) as follows: *‘Clearly defined not for profit, cost rent housing, outlined in [legislation], reinforces tenant service orientation and prohibits acting commercially. There is no national supervisor, as local government plays a key role. Social housing must be run on a limited profit cost rent basis, accessible to all households but be allocated on the basis of local needs, social harmony and commuting patterns and an external and internal waiting list....Local authorities determine 25% of allocations and strongly influence pace of new build and favour special needs housing as providers of start capital and mortgage guarantees’.*

France – social housing in its diverse forms (including private not for profits and council provision) is publicly regulated. A multi-level governance system involves the relevant national ministry, municipalities and other actors at the regional/department level. In addition national agencies regarding urban renewal, housing improvement, nationally based funding agencies and ‘social housing control’ all contribute to oversight and regulation.

Latvia – regulation oversight is charged to municipalities who have discretion and consequently there are different provisions and levels of regulation across the country. This is an indication that wider governance stances regarding local autonomies matter for issues like the regulatory impact on social housing.



Poland – in a system of multiple provider types the framework for regulation and supervision comes from the national ministry but is in practice devolved to municipalities wherein there is discretion in regulation in practice as well the extent to which municipalities are involved in the delivery of providers themselves. Consequently, variation is observed in the extent and depth of that regulation locally.

Romania – while there is a national agency for funding public housing sitting under a funding programme for social and affordable housing that operates nationally, there is no centralised monitoring system tracking how social provision functions, leading to variety of practice locally e.g. cases where municipalities favour tenants who can pay relative to the more vulnerable in society. There is also often lack of resources and capacity to deliver social housing locally, which reinforces these problems.

UK (i.e. England and Scotland) – modern process of regulating housing associations began in 1960s but ramped up in 1989 with the advent of mixed financing (grant subsidy and commercial loans for new development) and the need to monitor and oversee all existing business and operations of the non-municipal social and affordable sector. Separate regulators operate in England and Scotland. They are similar but with different emphases. The Regulator in both countries is an arms-length non-departmental public body charged to supervise practice, financial operations and the ongoing basis of providers, and by so doing facilitates access to the grant system and private finance. They are also charged to protect tenant interests and have strong powers to take over and appoint staff and governing boards, often facilitating mergers or take overs with other non-profits to ensure tenants cannot lose their homes (normally these interventions are the result of challenges of poor internal governance or financial problems), and to maintain the integrity of the system as a whole. Despite many individual providers getting into difficulty, since 1989 no tenants have lost their home due to provider failure.

Source: Housing Europe (forthcoming)

5.5 Conclusions

The use of tax and regulatory policy instruments to address housing affordability in Europe is wide-ranging and affects housing systems in diverse ways. Temporal trends and spatial patterns across Europe are difficult to discern across the focus of the chapter as a whole. This is in part due to the breadth in fields of public policy covered under the grouping of taxation and regulation, which as noted in the chapter introduction are not typically bracketed in economic or political science analysis, but which nevertheless have in common an impact upon market behaviour, albeit this may be unintended or absent from policy design in the case of taxation. Conclusions can nevertheless be drawn as



to the characteristics, use and effectiveness of each of the three instruments covered in the chapter and are outlined below.

Rent regulations

Rent regulation limits rent levels or increases in private housing and is commonly divided into three types: strict rent freezes, flexible systems linked to costs or inflation, and models allowing market resets between tenancies. Policies vary widely in scope and design, including rent caps, property coverage rules, exemptions, and tenant protections. Widely used across Europe, these measures can reduce rents, alleviate poverty, and improve social outcomes. However, benefits often favour long-term tenants, while newcomers may experience disadvantages. Unintended effects include reduced housing supply, weaker maintenance, higher unregulated rents, and market distortions, making overall impacts mixed and highly dependent on design and context.

Tax breaks

Tax breaks in housing are implicit subsidies that entail governments forgoing revenue by deviating from a baseline taxation scenario. They often favour owner-occupation through concessions such as capital gains exemptions or mortgage interest tax relief, influencing investment decisions. Critics argue that tax breaks that favour owner occupation distort markets, inflate house prices, and disproportionately benefit wealthier households while reducing public revenues and economic efficiency. Housing tax systems vary widely, with landlords typically taxed more than homeowners. Although tax breaks can promote homeownership and maintenance, and reduce welfare costs, especially in retirement, they may also create inequalities, constrain labour mobility, and divert investment from more productive sectors, making reform both necessary and politically challenging.

Housing regulation and affordability

Housing regulation across Europe is complex, multi-dimensional, and shaped by national institutions and policy traditions. It serves multiple purposes,

including ensuring effective use of public funds, monitoring provider performance, protecting tenants, and supporting affordability through below-market rents. Systems vary widely and are influenced by broader regulatory environments and housing models, making international comparison difficult. Regulation also helps maintain sector stability and lender confidence but must balance oversight with flexibility. Increasing provider “hybridity” and overlapping regulatory frameworks add complexity and risk. Overall, strong, well-designed regulation is essential to sustain resilient social housing systems and protect affordability and tenant security.

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