PH2.1. PUBLIC SPENDING ON FINANCIAL SUPPORT AND TAX RELIEF FOR HOMEBUYERS AND HOMEOWNERS

Definitions and methodology

This indicator looks at financial support to homebuyers and homeowners through grants, loans, mortgage guarantees, tax relief, and other similar mechanisms, as reported in the OECD Questionnaire on Social and Affordable Housing (OECD QuASH 2023, 2021). The level of expenditure is presented as a share of GDP. Data refer to the total expenditure at the level of national/federal government, which may include transfers to regional/local governments that in turn deliver support to households.

This indicator includes expenditure on demand-side measures that aim to support households in buying a home, as well as support to help homeowners in financial distress remain in their home. Supply-side measures to support developers in the provision of affordable housing are excluded, except when such subsidies are made available to households to build a dwelling themselves. Expenditure at the local level is not included due to lack of available information on a comparative basis across countries

For the scope of this indicator, support to homebuyers is divided into four main types of measures, in addition to a range of supports introduced by governments to support homeowners and homebuyers, in response to the COVID-19 pandemic, and changes introduced to existing measures since 2020:

- *Grants to homebuyers*: transfers to households for the purchase (and in some cases construction) of a dwelling, covering part or all of the associated costs. There may be restrictions on the beneficiaries of such grants (e.g. first-time homebuyers and/or households with an income level below a given threshold) and/or the value, quality or location of the dwelling purchased with the subsidy. This indicator also includes implicit subsidies through discounted sales prices on publicly owned dwellings. See Table PH 2.1.1 in the online Excel file for a full list of measures reported by countries.
- *Subsidised mortgages and mortgage guarantees for homebuyers*: preferential mortgage loans provided or subsidised by the government or by a government agency/fund, for the purchase of a residential dwelling; measures can also consist of down-payment assistance or mortgage guarantees. Subsidies to buyers through contributions to special savings accounts are also included in this category. See Table PH 2.1.2 in the online Excel file for a full list of measures reported by countries.
- *Mortgage relief for over-indebted homeowners*: measures to avoid foreclosure on residential dwellings owned by households in financial distress. These include subsidies for mortgage payments and payments of arrears, postponement of payments, refinancing mortgages, and mortgage-to-rent schemes. These subsidies differ from subsidised mortgages to promote affordable home ownership because the latter are granted at the time of the purchase of the dwelling. See Table PH 2.1.3 in the online Excel file for a full list of measures reported by countries.
- *Tax relief for access to home ownership:* primarily tax exemptions for costs associated with the purchase of a home (such as property transfer tax, stamp duty, legal fees/notary deeds), as well as the deductibility of mortgage interest. See Table PH 2.1.4 in the online excel file for a full list of measures reported by countries.
- *Support for homeowners and homebuyers introduced in response to the COVID-19 pandemic:* This includes a range of support types, such as reduced interest rates, loans and grants for first-time homebuyers, temporary postponement of mortgage payments for homeowners in financial

distress and additional tax relief measures (reported separately in Table PH 2.1.5 in the online excel file).

- *Changes to existing measures since 2020*: This includes significant changes introduced by governments to existing measures, either as a long-term response to the COVID-19 pandemic or as part of addressing the housing crisis more broadly (reported separately in Table PH 2.1.6 in the online excel file).

Key findings

Public spending to facilitate home ownership is significant in many countries, though many data gaps persist

Grants, subsidised mortgages, mortgage guarantees and tax relief to help households access home ownership are used by a large number of OECD countries. Unfortunately, not all countries implementing this type of measures were able to provide estimates of the amount of public spending in this area, or countries provided information that was not directly comparable (see Data and comparability issues, below).

Figure PH 2.1.1 shows that the mix of measures varies considerably across countries. Chile, Costa Rica, Cyprus, Hungary, and Israel have significantly higher spending on grants to homebuyers relative to other countries. Meanwhile, Croatia, Estonia, and Norway allocate the largest share of GDP to support mortgage borrowers through mortgage guarantees, loans at preferential rates, and subsidies on interest paid on mortgage loans. Luxembourg, the Netherlands, and Sweden report the highest spending on tax relief measures for homebuyers and homeowners compared to other countries for which spending data is available.

Among countries that report spending estimates in the 2023 QuASH, the Netherlands provides the largest share of support to homebuyers (1.2% of GDP), through tax relief from mortgage payments and a property transfer tax (overdrachtsbelasting) exemption for individuals aged 18 to 35 who are purchasing a home. Chile spends roughly 0.5% of GDP to support homebuyers, largely through grants. The country operates two major programmes providing grants to low-income and middle-income households, complemented by subsidies towards mortgage repayments for beneficiaries of these programmes who manage to duly repay their debt (Salvi del Pero, 2016). Sweden reports approximately 0.40% of GDP dedicated to support homebuyers, through tax relief measures. Costa Rica spends about 0.35% of GDP on grants to home buyers.

Croatia, Cyprus, Estonia, Hungary, Israel, Luxembourg and Norway each spend between 0.1 and 0.3% of GDP on support to homeowners. The majority of support in Croatia, Estonia, Norway and Israel is provided through subsidised mortgages and guarantees, whereas Cyprus and Hungary provide the vast majority of public support through grants. Luxembourg provides the majority of public support through tax relief measures.

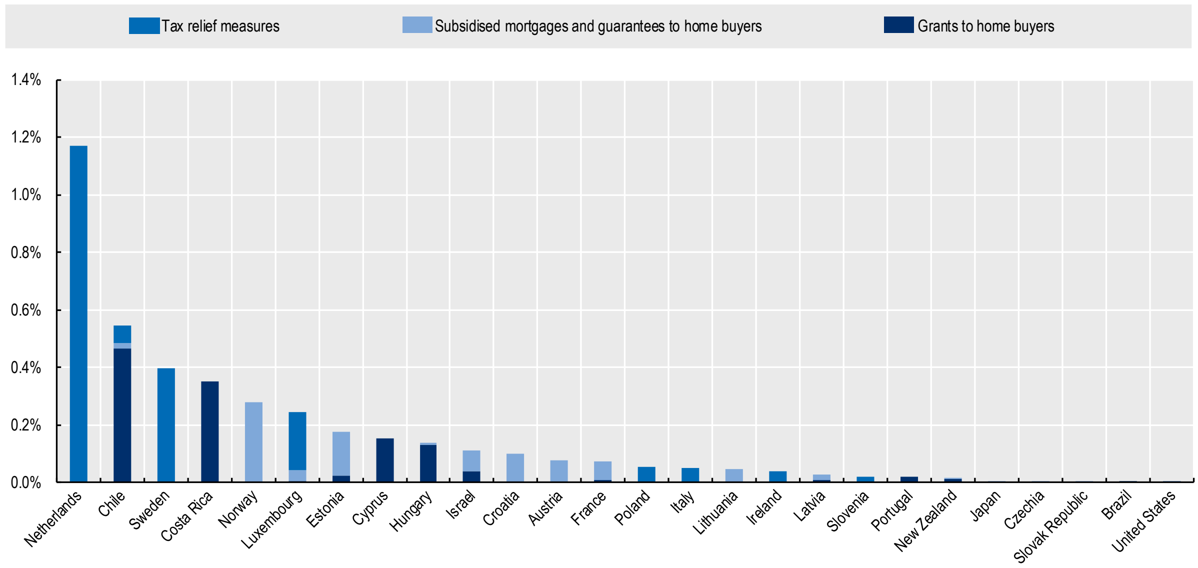
Austria, France, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Slovenia spend between 0.02% and 0.08% on support for homebuyers and homeowners. In Austria, France, Latvia, and Lithuania most of public support is provided through subsidised mortgages and guarantees, whereas in Ireland, Italy, Poland, and Slovenia public support is provided through tax relief measures. Portugal provides support to homebuyers and homeowners primarily through grants.

There is no straightforward correlation between the rate of home ownership and the current level of public support through financial support and tax relief for homebuyers and homeowners. Different factors influence this outcome. For example, countries that no longer provide subsidies or mortgage support may have done so in the past; current policy measures thus may not reflect previous policy priorities. For instance, in Ireland and Spain public programmes supporting access to home ownership experienced major cuts after the global financial crisis. There are also important historical considerations to keep in mind; for instance, many countries in Central and Eastern Europe implemented largescale privatisation programmes in the 1990s that boosted home ownership rates across the country, resulting in an overwhelming majority of outright homeowners and a relatively small rental market.

The full list of measures considered in figure PH2.1.1 are included in the annex.

Figure PH2.1.1: Public spending financial support and tax relief for homebuyers and homeowners

As % of GDP, 2022 or latest available year[1,2]



Note: Data refer to 2022 for Latvia, Luxembourg, New Zealand, Portugal, United States, Norway, Slovak Republic, Lithuania, Ireland, and Canada; to 2021 for Poland and Austria. For selected countries, spending data refers to different calendar years depending on the measure: for the Netherlands, 2021 and 2020; for Chile, 2022 and 2021; and for Israel and Croatia, 2023 and 2022. Data for Sweden, Cost Rica, Estonia, Cyprus, Hungary, France, Italy, Slovenia, Japan, Czechia, and Brazil refer to the 2021 QuaSH.

Source: 2023, 2021 OECD Questionnaire on Affordable and Social Housing (QuASH)

Across the OECD, 23 countries provide grants and/or housing subsidy measures to home buyers and homeowners

While 23 countries provide support to home buyers and homeowners through grants and/or housing subsidy measures, many countries have more than one measure in place. Of the 49 grant and housing subsidy measures listed in Table PH 2.1.1, 37 are means-tested with an upper income threshold. Ten of these measures use additional criteria to determine priority allocations. For instance, three measures reported by the government of Chile use a point system that prioritizes, *inter alia*, households with children and/or persons with disabilities, victims of political persecution, and members of the Fire Department. Many measures, such as Colombia's Priority Interest Housing Programme for Savers, require citizenship or permanent residency for eligibility and are restricted to first-time homebuyers. Some measures also impose additional caps on the value and/or size of the dwelling.

Table PH2.1.1 also includes 6 implicit subsidies that support homeownership through discounted sales prices on publicly owned dwellings. An example is Israel's Tenant's Price programme (*Mechir*

Lamishtaken), which aims to facilitate the purchase of a first apartment with preferential terms by enabling developers to compete for highly discounted land to develop below-market dwellings.

33 OECD countries report having a preferential mortgage scheme in place, offering mortgage guarantees, loans at preferential rates, interest subsidies, and subsidised savings accounts

Out of the 83 measures reported in Table PH 2.1.2, 22 are mortgage guarantee schemes. Among these, less than half impose an income threshold. These measures are primarily aimed at first-time homebuyers who are permanent residents or citizens and often include caps on the mortgage value. In Estonia, Italy, and Latvia, the schemes target younger individuals but remain open to other groups. In Slovenia, however, a strict age limit of 38 applies. Estonia, Latvia, New Zealand, and the United States have measures targeting specific groups, such as young families with children in Estonia, or veterans in the United States. In New Zealand, Kiwibank provides Kāinga Whenua loans, underwritten by Kāinga Ora, for Māori wishing to return to their ancestral land. These loans offer up to NZD 200,000 per house with no deposit required, and above NZD 200,000 with a 15% deposit requirement, up to a maximum of NZD 500,000. The dwelling must be on Māori land that cannot be mortgaged, owned by multiple owners, or vested in a Trust, and must meet size and quality requirements.

Countries also reported 55 preferential mortgage schemes provided or subsidised by governments or state agencies. These measures include loans at preferential (and/or fixed) rates, interest-free loans, and various forms of subsidies on interest paid on mortgage loans. Thirty-six schemes have an income eligibility criterion, although this varies by region or municipality in Australia and the Netherlands. In many cases, income eligibility criteria change based on the number of applicants (single or joint) and the household composition. For example, in Greece, single young adults must have a maximum annual income of EUR 16,000, couples can have a maximum annual income of EUR 24,000 plus an additional EUR 3,000 for each child, and single-parent families can have a maximum annual income of EUR 27,000 with an extra EUR 3,000 for each additional child. Many measures cap the property value and require beneficiaries to be first-time homebuyers who are citizens or residents. Ten measures target young individuals and families with an age limit criterion. For instance, in Czechia, the beneficiary must be aged up to 36 years, and in Finland, up to 30 years.

Additionally, Austria, New Zealand, Poland, Türkiye, and the United Kingdom reported subsidies to buyers through contributions to special savings accounts. For example, Poland's "First Apartment" program allows first-time buyers without current property ownership to open subsidized housing savings accounts. Individuals aged 13 or older must make regular monthly deposits of PLN 500 to PLN 2,000 for 3 to 10 years. An annual bonus is available for making at least 11 deposits of at least PLN 500 each. Interest on deposits is tax-exempt, and funds must be used within five years of saving.

Measures to provide mortgage relief for over-indebted homeowner also exist in 25 OECD countries (Table PH2.1.3). These measures generally aim to provide short-term support to vulnerable households in financial distress through advanced payments, interest-free loans, cash support, temporary postponement of payments, or mortgage refinancing. Eligibility requirements vary across countries. For example, in the Slovak Republic, a temporary postponement of mortgage payments is only available to parents who have recently given birth or adopted a child.

Across the OECD, 31 countries offer support to homebuyers and homeowners through a range of tax relief measures

Countries report different types of tax relief measures, including one-off tax relief for the purchase of a home; preferential tax treatment of savings or favourable tax treatment of savings and advanced pension payments related to housing; tax relief for mortgage payments; and other types of tax credits and deductions (Table PH2.1.4). Tax measures can be very regressive in that they can most benefit the relatively well-off: overall, just 12 of 67 tax relief measures reported by countries in the OECD QuASH are bound by an upper limit in taxable income.

Countries report 20 measures that provide one-off tax relief on costs associated with the purchase of a home (e.g. exemption from transfer or land taxes). Such support is often reserved for first-home buyers and in many cases require that the taxpayer resides in the dwelling as their primary residence for a minimum period of time. To benefit from the vast majority of these types of one-off tax relief, there is no upper limit in taxable income (with the exception of the *Chèque-Habitat* programme in Belgium (Walloon region), one-off tax relief measures under the National Financial System Law for Housing and BANHVI in Costa Rica, the zero-interest loan in France, and the Help to Buy incentive in Ireland. However, there is often a maximum dwelling price in order to benefit from such relief measures.

In some countries (Finland, the Netherlands, Norway, and the Slovak Republic), some tax relief measures are reserved for young taxpayers who do not exceed an age threshold. Latvia offers an additional fee reduction for registering ownership rights in the land registry to families with children who benefit from a state guarantee programme for housing.

Countries report 15 tax relief measures for mortgage or mortgage-interest payments: Belgium, Chile, Colombia, Czechia, Denmark, Estonia, Iceland, Italy, Japan, Luxembourg, the Netherlands, Portugal, Sweden, and the United States. Luxembourg reports two types of tax relief for mortgage payments. The minority of tax relief measures for mortgage payments (four out of fifteen) are means-tested in terms of income levels. In some cases, eligibility is restricted to citizens of the country (Chile, Colombia, and Italy). In Sweden, interest on mortgage payments is deductible, as is interest on all types of loans, in order to ensure symmetrical treatment of income and expenses.

Several countries offer a preferential tax treatment of savings towards the purchase of a home (Australia, Canada, Colombia, and Luxembourg), or of advanced payments from pension benefits or private pensions schemes for the purpose of buying a home (Switzerland).

Canada, France, Norway, the United Kingdom, and the United States report a capital gains tax exemption that provides tax relief on the proceeds from the sale of a taxpayer's dwelling. Generally, the dwelling must be the taxpayer's primary residence. Tax relief for existing homeowners is intended to provide them with additional financial support to purchase a new home. In the United States, there is a cap on the taxable income that may be exempted (up to USD 250,000, or USD 500,000 for jointly filing taxpayers).

Finally, countries report other types of tax relief to support home ownership, which may be in the form of tax credits or tax deductions. In some cases, such tax relief is targeted to low-income households or other specific groups. For instance, New Zealand's Rates Rebates Scheme provides a government subsidy of up to NZD 630 to low-income homeowners to pay their local government tax. Poland provides tax relief measures targeting different groups, including families with children, youth and the unemployed. Sweden offers a reduced property fee for people over 65 years old.

Several countries introduced emergency support programmes and tax relief measures for existing or prospective homeowners in response to the COVID-19 pandemic

A number of countries introduced new support, or modified existing forms of support, to help homeowners and homebuyers during the COVID-19 pandemic. To help existing homeowners in financial distress, thirteen countries introduced temporary mortgage holidays, enabling households to postpone mortgage payments for a period of time. To help homebuyers, three countries introduced grants to homebuyers (France, Japan, and Mexico); Australia extended an existing mortgage guarantee scheme; Belgium (Flanders) and Türkiye offered reduced interest rates; and France extended its interest-free loan scheme, which had been scheduled to be phased out.

Six countries introduced tax relief measures for homeowners during the COVID-19 pandemic: Australia (state government of Victoria), Chile, Israel, Japan, Latvia, and the United Kingdom. In four countries (Australia, Japan, Latvia, and the United Kingdom), this reflected a new form of support; Chile and Israel adapted existing tax relief schemes during the pandemic. The schemes in Australia, Chile, and the United Kingdom consisted of tax deductions for homeowners; Israel provided tax relief for down payments; Japan provided tax relief for mortgage payments; while Latvia provided local governments with the option to grant tax deferrals to homeowners for immovable property tax in 2020 and 2021. See Table PH2.1.5 in the online excel file for a full list of measures.

Data and comparability issues

There are important issues and limitations regarding both the coverage of existing measures and the comparability across different types of public support.

In terms of the coverage of existing measures, expenditure on support and tax relief for homebuyers and homeowners is not fully covered by this indicator due to lack of information. First, in most countries, expenditure figures are missing for one or more programmes at national level. As a result, the amounts presented are lower than the actual total expenditure. Second, expenditure at regional and/or local levels is largely unreported by countries in the OECD QuASH, with some exceptions. In the 2023 OECD QuASH, a number of countries report that programmes are in place in regions or municipalities, and thus reported spending data do not cover the full extent of public expenditure on housing in this category. For instance, support to homebuyers is administered at the regional level in Australia, Belgium and Canada, and are not included under Figure PH 2.1.1

Further, it is not always straightforward to compare the different types of public support for homeowners across countries. Grants consist of financial assistance (typically upfront) that is non-repayable. By contrast, loans are repaid by borrowers, along with an interest rate, over an agreed period of time. In the case of preferential loans (as for instance those granted by public bodies or by publicly owned agencies/funds), the subsidy element is hard to identify: it mainly consists of the difference in interest payments compared to rates that apply to a commercial loan, which vary significantly over time. Furthermore, preferential loans often imply a number of other advantages that cannot be quantified, such as a longer repayment period, the delayed start of repayment, and/or a small down payment.

Moreover, mortgage guarantees and other forms of loan insurance are increasingly used as an instrument of public policy to provide favourable loan conditions to borrowers; these include reduced interest rates and/or reduced down payments. Strictly speaking, this type of instrument does not represent expenditure as long as there is no default in payments. To simplify comparison, only the actual amounts that were claimed and paid out to lenders were included as expenditure on mortgage guarantees within this indicator. Nevertheless, the value of guarantees can be high and potentially involve a significant risk, in the case of widespread default that would result into high amounts of public spending.

Tax relief supporting access to home ownership should be considered in the wider context of housing taxation, and prevailing measures that are beyond the scope of this indicator. For instance, residential property receives preferential tax treatment compared to other assets (Salvi del Pero et al., 2016). Imputed rents (for homeowners) are generally not taxed in most OECD countries (Iceland, Luxembourg, the Netherlands, and Slovenia are the exceptions). To some extent, recurrent taxes on immovable property (e.g. property taxes) replace the taxes on imputed income in many countries, but revenue from property taxes tends to be low. Further, if flat rates apply, property taxes may have less scope than income taxes to be progressive, and less scope to redistribute, particularly if levied at the local level. See forthcoming work on housing taxation by the OECD Centre for Tax Policy, including, "Effective Tax Rates on Residential Property" and "Housing taxation policy, reconciling efficiency and equity objectives."

Sources and further reading

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Annex I

Figure PH 2.1 includes the following measures:

Austria

- Contract saving
- Promotion of construction of owner-occupied houses or condominiums

Brazil

- My Home, My Life Program
- Green and Yellow House Program

Canada

- First-Time Home Buyer Incentive

Chile

- Solidarity Fund for Housing Choices
- Integrated Housing Subsidy System
- Rural Habitability Programme
- Residential leasing subsidy
- State foreclosure guarantee
- Dividend subsidy for beneficiaries of DS01, DS19, and DS40
- Mortgage interest deduction
- DLF partial property tax exemption

Costa Rica

- Family Housing Subsidy

Croatia

- Subsidies and state guarantees for housing loans
- Programme of State Subsidised Housing Construction

Cyprus

- One-off grants

Czechia

- Private housing loan

Estonia

- Housing grant for large households
- Housing loan surety

France

- Amendment to the Housing Action Agreement
- Interest-free loan

Hungary

- Family Housing Subsidy
- Subsidized mortgage

Ireland

- First Home Scheme
- Help to Buy Scheme

Israel

- Apartment purchase grants
- Mortgage with subsidized interest

Italy

- Real estate leasing
- Tax deduction of interest paid on mortgage loans

Japan

- Flat 35S

Latvia

- State Assistance in Purchase or Construction of Residential Space

Lithuania

- Support for the acquisition of housing
- Financial incentive for young families acquiring a first home

Luxembourg

- Acquisition grant
- Construction grant
- Interest subsidy
- Interest relief
- State guarantee
- Tax credit on notary deeds

The Netherlands

- Deductible mortgage interest rate
- Exemption transfer-tax

New Zealand

- First Home Grant
- First Home Loan

Norway

- Start-Up Loan

Poland

- Housing relief

Portugal

- 1st Right - Housing Access Support Program

Slovenia

- Reduced VAT rate for purchasing new housing

Slovak Republic

- State Housing Development Fund

Sweden

- Tax deduction of interest expenditure

United States

- Housing Choice Vouchers - Homeowners HIP programme
- Veterans' Administration (VA) backed Home Loans
- FHA Mortgage Insurance