



# Make a house a home

How to give private renters a chance to buy and encourage longer tenancies

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ONWARD 

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# Summary

For a property-owning democracy, Britain consistently fails to create new homeowners. In the past two decades homeownership has plummeted as housebuilding has fallen and prices risen out of all proportion to incomes.

This year the Government celebrated the first year-on-year rise in homeownership in England in 15 years. The tide is turning, but it has a long way to catch up. For under-45s, homeownership is no higher than it was in 1971 and for under-35s it is lower than any point since records began.

Meanwhile the number of private renters, which was in decline as a proportion of homes as recently as the 1990s, has exploded in size. The private rented sector has doubled over the past 15 years, and more than 20% of households, representing 4.7 million households, are now rented privately.

These renting households pay a greater proportion of their living costs towards rent per month, stay in rented accommodation for longer, and do so with more children, than any generation before them. Unsurprisingly, the vast majority want to own: nine in ten people prefer home ownership over renting.

This paper argues for a new offer for private renters, based on a route to ownership and incentives to drive more secure, longer-term tenancies. The proposals would help 1 million people move from renting to ownership over five years.

First, policymakers should reward buy-to-let landlords and investors who sell to long-term tenants. Under our proposals, sales of buy-to-let properties that are currently rented out would be eligible for 100% relief on Capital Gains Tax (CGT) if they are sold to a sitting tenant who has lived in the property for three years or more.

Second, we argue that the gain from this relief should be split evenly between landlord and tenant - giving the landlord a windfall and the tenant much of their deposit. CGT is currently levied at 28% on second homes for upper-rate taxpayers, making this a healthy financial incentive for a landlord to offer secure tenancies and sell to long-term tenants.

For first time buyers, it would mean the prospect of a significant contribution to a mortgage deposit. We estimate the average gain per property to be £15,000 in

England or £39,000 in London, meaning tenants could receive up to £19,500 towards a deposit in some parts of the country.

Finally, we argue that other tax reliefs available on the sale of buy-to-let properties should be tightened to pay for the policy and support responsible landlordism. These include reducing the 18-month grace period for Private Residence Relief to six months, abolishing Lettings Relief entirely, and making Wear and Tear Allowance conditional on the landlord offering long-term tenancies to tenants. We argue that these changes could be made on a grandfathered basis, for all new buy-to-let properties, if the Government wanted to avoid penalising people who have invested in property in good faith previously.

These proposals would reward landlords who offer long-term tenancies and give today's generation of private renters an opportunity for ownership, just as Right to Buy did for a previous generation of council tenants.

It is time to give private renters the chance to make their a house their home.

# The challenge

England's housing market faces a number of big problems. This section details some of the main issues, especially in regard to the private rented sector.

## 1. House prices have spiralled and homeownership has fallen as we failed to build the homes we needed

- Over the last 40 years, real house prices have grown faster in Britain than in any other OECD country and real incomes failed to keep pace.<sup>1</sup> Studies by the ONS suggest that between 1997 and 2016, median annual earnings have increased by only 68%, whilst the median price for residential property has increased by 259%.<sup>2</sup>
- As Onward has set out previously, Britain ranked 24th out of 28 OECD members in terms of growth in the number of homes between 1990 and 2010. In 2016, only three of the 28 EU member states had lower rates of homeownership than Britain.<sup>3</sup>
- Since 1970, France has built roughly twice as many new homes each year as Britain, experienced half the level of real house price growth, and benefits from half the proportion of people spending more than 40% of their income on housing.<sup>4</sup>

## 2. More people are now renting than ever before and doing so for longer

- The private rented sector (PRS) in England was in terminal decline for most of the 20th Century but has since grown exponentially. In 1901, 90% of housing stock was privately rented, representing 5.6 million dwellings in England. Yet by 1986, just 1.6 million dwellings or 8.7 per cent of the housing stock in England was privately rented.<sup>5</sup> Since the early 1990s and the explosion of Buy-to-Let, the PRS has experienced a renaissance.
- The private rented sector more than doubled as a proportion of all households in the last twenty years, and now accounts for a fifth of all households. In 2016-17, there were 4.7 million private rented homes in England, up from 2.1 million in 1996-97. Over the last decade, the number of privately-owned homes in England has grown by around 165,000 a year, while the number of homes in the private rented sector of around 195,000 a year.<sup>6</sup>
- The average length of residence in the private rented sector is 3.9 years. In 2016-17, half (50%) of private renters had lived in the private rented sector for less than 5 years while 24% had been in the sector for 5-9 years and 27% for 10 or more



years.<sup>7</sup> This compares to 79% who had rented for less than 5 years, 10.3% for 5-9 years and 7.4% for 10+ years less than ten years ago in 2008-09.<sup>8</sup>

### **3. Renting has become more expensive and less secure**

- There is a documented association between high house prices and increased rents.<sup>9</sup> Previous analysis published by Onward and conducted by the House of Commons Library suggests that from the 1960s to the early 1980s private renters spent on average around 10% of their income on rent in most of the country, and around 15% in London. Today those figures have increased to over 30% and nearly 40% respectively.<sup>10</sup>
- There is considerable variation between types of renters and in different parts of the country. An average couple in the private rented sector spends approximately half their income on rent each month.<sup>11</sup> BBC Research has shown that average rents for a one-bedroom home comprise more than 30% of a typical salary in 65% of British postcode areas. Private renters in London spend 43% of their household income on rent compared to 32% outside of London.<sup>12</sup> This is usually markedly higher than the equivalent amount that homeowners are paying in mortgage costs.
- Estimates suggest that by 2015 housing costs had essentially “wip[ed] out most if not all of the modest income gains made by the bottom 56 per cent of working age households over a 13 year period.”<sup>13</sup> Last year, one third of private renters found it difficult to pay the rent and 9% were in arrears.<sup>14</sup>
- In 2014-15, 89% of private renters had an initial tenancy agreement of 12 months or less. Just 6% had tenancy agreements of more than 18 months. This is despite research that suggests that between a third and two thirds of tenants want a longer tenancy.<sup>15</sup>

### **4. The profile of private renting has changed significantly**

- Private renters are getting older. In 1996-97, 52% of private renters were aged under 35 years. This has fallen to 44% by 2016-17, driven by a huge rise in the proportion of 35-44 year olds living in the private rented sector from 16% in 1996-97 to 24% in 2016-17. Last year, there were more than three times as many 35-44 year olds renting privately than 20 years ago: an increase from 331,000 households in 1996-97 to 1.1 million in 2016-17.<sup>16</sup>
- For certain groups within these cohorts, the shift from ownership to renting has been even more stark. Earlier this year, the Institute for Fiscal Studies revealed that for 25-34 year olds earning between £22,200 and £30,600 a year, home ownership fell to just 27% in 2016, compared to 65% in 1995/6.

- There are growing numbers of families in the private rented sector. According to the English Housing Survey, the proportion of households in the private rented sector with children increased from 34% to 38% between 2006-07 and 2016-17.<sup>17</sup>
- There has simultaneously been a significant fall in the number of young people realising the dream of homeownership. Over just the past 10 years, the proportion of all 16–34-year-olds owning their own home fell from roughly half to a third. The fall in ownership was most concentrated amongst mid-income people aged 25–34, for whom ownership rates have been slashed from 65% in 1996 to 27% in 2016.<sup>18</sup>
- Given this, it is no surprise that a 2016 poll asking about expectations of home ownership found that 37% of respondents thought that they would never be likely to be able to own a home one day.<sup>19</sup>

# Political implications

The growth of the private rented sector has significant political implications.

At the 2017 General Election, turnout amongst private renters had a marked impact on the outcome, with turnout surging by 8 points among renters and 10 points among those renting in the private sector, compared with almost no change among homeowners.<sup>20</sup> At that election:

- 54% of private tenants voted Labour at the last election, a 15 point rise from 39% in 2015. 40% of mortgaged owners and 30% of outright owners voted Labour in 2017, compared to 31% and 22% respectively in 2015.
- The Conservative Party won 31% of private renters, a small rise of 3 points from 28% in 2015. The Conservative Party won 43% of mortgaged owners and 55% of outright owners in 2017, compared to 39% and 46% in 2015.

The importance of private renters at elections has been reinforced by recent political research. For example, in September 2018, Shelter conducted extensive polling in marginal constituencies, in partnership with Number Cruncher Politics. The study found that:

- Voting occupation for owner-occupiers was 52% for the Conservatives and 33% for Labour. Amongst renters these figures were reversed, with 50% voting Labour and 28% voting Conservative, a 22 point gap.<sup>21</sup>
- When asked what issues will affect their vote, housing is around 5th or 6th for most voters. However, for private renters in the top 60 marginal seats housing is in the top 3 issues – above the economy and behind only Brexit and the NHS.
- Data from the British Election Study revealed a swing from the Conservatives to Labour among private renters of 10% in 2017. This accounted for the entire 2% swing to Labour that cost the Conservatives their majority.<sup>22</sup>

This follows Onward's own research in June 2018 that found that the growth of the private rented sector was set to radically alter the composition of households by the time of the next election.<sup>23</sup> In particular:

- In 2001, there were just 18 seats in Great Britain where private renters made up more than 20% of households. By 2022, there will be an estimated 253 such seats.

- At the time of the 2001 General Election, there were 330 seats where owners comprised more than 70% of households. By the time of the next election, there will be only 88 such seats.
- The shift from homeownership to private renting is greater in marginal seats that the Conservative Party would need to gain to win a parliamentary majority than in seats the Conservatives hold.
- In the 20 most marginal Opposition-held seats, the proportion of households who were renters will have increased from 18.9% in 2017 to 21.8% in 2022. In contrast, the 20 safest Conservative-held seats held an average 13.4% of renting households in 2017, which will increase to an estimated 15.5% in 2022.

Exclusive polling for Onward by Survation alongside the study revealed that action to help with housing costs - 'reducing council tax' and 'reducing the cost of mortgages and rents' - were the top two political priorities for 25-34 year olds, the group which swung away from Conservatives in the largest numbers in 2017.

It is clear that winning a significant proportion of private renters, all parties will struggle to construct a significant majority in the next General Election.

# A new offer for private renters

This section outlines a package of measures intended to address the challenges outlined earlier in this report and to give more private renters a chance to own their own home. We do so by outlining a new pathway for renters to purchase the home that they have lived in for a long time, by reducing up-front costs and incentivising landlords and buy-to-let investors to sell to sitting tenants.

In doing so, we also respond to the recent Ministry of Housing, Communities and Local Government consultation, *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector*, which set out proposals for encouraging greater longer-term tenancies, and thus more security and stability, for private renters.

## **A new Chance to Buy for long-term private renters**

Onward has previously noted that the most significant subsidy for homeownership is capital gains tax relief on principal private dwellings.<sup>24</sup> The vast majority of this goes towards the zero rating on individuals' principal dwelling, protecting them from any capital gains liability on their main residence.

However, the complex system of reliefs available means that the subsidy is poorly targeted and people who let out additional homes are able to significantly reduce their capital gains tax liability on those properties.

We believe there is a strong case for reforming these reliefs to both reward existing landlords who sell to existing tenants and to encourage the use of long-term secure tenancies and to give long-term renters a chance to buy their own home. This would also likely lead to significant divestment of additional homes, at once reducing the size of the private rented sector and increasing home ownership.

To achieve this, we propose a number of changes to tax reliefs on the sale of Buy-to-Let properties, which together would create a new Chance to Buy for private renters:

**Recommendation 1:** The Government should introduce a 50% capital gains tax exemption, or 'Landlord Sales Relief', on existing rental properties that are sold to a tenants who have lived in a property for 3 or more years continuously. This would encourage landlords to offer long-term tenancies and sell to sitting tenants.

**Recommendation 2:** HMRC should offer any tenant buying a property in which they have lived continuously for 3 or more years a ‘Long-Term Tenants Credit’ equivalent to the remaining 50% of Capital Gains Tax relief on that property. This would operate as a contribution towards the deposit they require to secure a mortgage on the property.

These changes are intended to both provide an incentive for the landlord to sell the property and to give the tenant the realistic opportunity to purchase it. It would thus operate in a similar way as the original Right to Buy policy, where purchasing council tenants enjoyed a discounted asking price to help them to buy their council home.

In order to reduce the ability for investors to game the relief, the policy would only apply to properties that are currently rented out. This would prevent landlords from simply flipping additional properties or investors buying additional properties to benefit from this tax relief in 3 years’ time. To further encourage longer tenancies and landlord divestment, the Government could consider extending the relief to any landlords selling to long-term tenants of any property, not merely those currently resident in the landlords property. This would extend the scope of the policy.

### **Savings for landlords and tenants**

These changes would result in significant savings for participating landlords and a significant contribution towards a deposit for tenants. Our modelling suggests that:

- In England, an average landlord selling under the scheme could expect to benefit from Landlord Sales Relief worth an estimated £7,500. This rises to £19,500 in London, as set out below.
- The average tenant would set to benefit by up to £7,500 towards their deposit for a mortgage, providing significant help towards their first home. This rises to £19,500 in London, as set out below.

In practice, the set of incentives and effects would vary with the CGT liability, and therefore with factors such as how long the landlord has owned the house, the rate of house price growth, and the overall value of the property. This means that incentives will be higher in areas with higher house prices, or where the landlord has held the property for longer and therefore seen a larger increase in value over time. For example, our modelling suggests that the average deposit contribution per buyer in London would be closer to £19,500.

If the Government wanted to deliver a larger degree of uniformity in the credit being offered to buyers, it could pool these sums and providing an average credit to each recipient. In either case, we estimate that this relief would amount to a total subsidy of £0.66 billion each to landlords and tenants per year.

We anticipate that the incentives for landlords arising from this set of policies would be twofold:

- For landlords considering selling properties regardless of the policy environment, it would provide an incentive to prioritise existing tenants, increasing their stability and reducing the chance that they will lose their home due to it changing hands;
- For landlords holding one or more properties primarily as an asset, it provides a useful ‘exit strategy’ whereby they can minimise their CGT obligations by selling to an eligible tenant. This provides a material incentive for them to provide long-term and stable tenancies in the short-to-medium term, and to later sell the property so as to subsequently avoid the larger CGT bill.

There will of course be a large group of landlords and tenants for whom this policy is not suitable for. We have assumed sales volumes broadly consistent with turnover in the UK property market as a whole (4.7%), and for those individuals the incentives would remain broadly unchanged. We recognise that, on the margins, the increased CGT liability as a result of our reforms to Lettings Relief and the assumed PRR period would increase the incentives for accidental or casual landlords to exit the market, instead transferring ownership to those who live in the property itself.

For tenants, the incentives are clear. Those who would perhaps not be able to move from rental to ownership will now have an increased ability to do so, with a small but meaningful contribution to their deposit, and an incentive for their landlord to work with them on their journey to home ownership.

### **Number of households affected and costings of policy changes**

We estimate that at present some 1.9 million households would be eligible for these new reliefs, with around 88,000 households benefiting each year, based on current rates of churn and expected take-up.

Accounting for multi-person households, this would mean around 197,000 people per year would benefit from this offer and move from renting into ownership. Over 5 years, nearly 1 million households would benefit.

We estimate that the cost of this exemption against the new CGT baseline would be approximately £1.32 billion per year in total.

### **Reducing wider tax reliefs on CGT to support homeownership**

In order to ensure landlords are effectively incentivised, however, it is necessary to reform wider tax reliefs for second home buyers. At present, Capital Gains Tax is currently a relatively weak lever given the significant exemptions that already exist for landlords to avoid paying it upon property sales. The section below sets out how these operate, enabling additional homeowners to reduce their capital gains liability.

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### How CGT on rented property works<sup>25</sup>

Capital gains do not apply to people's primary residence if they have lived in it as their main home for all the time they have owned it. To simplify slightly, if you have rented out a property you own, you pay Capital Gains Tax on the difference between how much you paid for it and how much you sell it for, minus the cost of improvements you have made to it, minus the Stamp Duty and professional fees involved in buying and selling it, and minus Private Residence Relief.

Private Residence Relief reduces the chargeable gain which applies to landlords for:

- the years it was their main home
- the last 18 months you owned the home – even if was not your main home – and the first 12 months if the house was being renovated.

You can then claim Letting Relief. You get the lowest of the following:

- the same amount you got in Private Residence Relief
- £40,000
- the same amount as the chargeable gain you made from letting your home

Clearly it is reasonable that if you live in a house, you should get relief as other owner-occupiers do, even if you later let it out.

But the effect of these reliefs is that landlords will also receive at least 18 months' worth of Capital Gains Tax free and at least a further £40,000 of gains tax-free. Other capital gains do not enjoy these reliefs.

This is on top of the £11,850 Annual Exempt Amount which each partner in a couple is entitled to. Some people also then reduce the burden further by using a pension contribution or investment vehicle.

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While the Treasury does not publish figures, it is likely that many landlords pay little or no CGT at all when they sell a second home.

After accounting for the proportion of CGT raised by financial transactions and other elements, approximately £2-2.2 billion per year is raised by CGT on property. In total, exemptions for CGT, including for the main residential home, are worth approximately £27.8bn per year, the single highest source of tax relief in the UK.<sup>26</sup> It is not clear how much of this is being lost by exemptions for second homes, but estimates suggest that CGT is raising about a third of what it should, given rates of owner occupation in the UK.<sup>27</sup>

It is illustrative to use an example. Take a household of upper-rate taxpayers who own a second home which has appreciated in value by £120,000 over the course of eight years and which they resided in for the first two years. Their residence in the home would entitle them to relief on £30,000 of their gains and the final 18 months would count for an additional £22,500 of relief.

In addition, letting it out would entitle them to approximately £40,000 of Lettings Relief each, in addition to their personal annual exempt amounts. As such, they would be able to exempt themselves entirely from CGT for that property. Even with one owner, the liability would only be a few thousand pounds, assuming that there had been no transaction costs for the purchase or sale of the property.

These exemptions do little to drive long-term tenancies at present, and significantly affect the Exchequer's CGT baseline. As such, we propose a number of further changes to Capital Gains Tax reliefs on second homes, to reduce the CGT advantage on residential investment and to finance the costs of the policies set out above. These include:

**Recommendation:** Reducing in the number of months that Private Residence Relief is automatically claimed for the last period of ownership from 18 months to 6 months; and

**Recommendation:** Abolishing Lettings Relief of up to £40,000 entirely.

These changes could be made on a grandfathered basis, i.e. for all new buy-to-let properties, rather than for existing additional homes, if the Government wanted to reduce the impact on buy-to-let investors who had invested in good faith under the existing tax regime. This would delay the receipt of the tax take for the Exchequer.

This would substantially increase the CGT liability that landlords face upon the sale of the property. However the introduction of Landlord Sales Relief would provide them the opportunity to reduce this, either by selling to a long-term tenant, or by offering long-term tenancies with a view to doing so at a later date. As such, it would provide an

option for a landlord to pursue an exit strategy that exempted them from 50% of their CGT liability, saving them thousands of pounds.

If these incentives were insufficient, policymakers might consider further linking tax reliefs to longer-term secure tenancies. For example, Wear and Tear Allowance could be made conditional on the property being offered with a long-term tenancy of 3 years or more. This could be introduced alongside or instead of wider regulation to mandate landlords to introduce tenancies of 3 or more years, which the Government is currently considering following consultation.

### **Number of households affected and costings of policy changes**

As explored above, we estimate that 1.9 million properties would be eligible for the relief, and 88,000 would take up the scheme each year on average.

The total cost of the relief being offered would be £1.32 billion per year. Over a five year period, this would be nearly offset by the reforms to Lettings Relief and PRR, which would improve the CGT baseline by an estimated £1.12 billion per year, meaning that the total net cost of the policy would be £0.20 billion per year, or £0.98 billion over five years. Each of the components of the policy, and their relative costs, are explored below.

As part of investigating options to incentivise owners to sell to long-term renters, we have investigated and modelled CGT sums paid by different owners. We believe that the level of existing CGT exemptions is larger than can be reasonably justified, and that they are also open to abuse - for example through a landlord temporarily designating a property as their main residence in order to qualify for relief in the future.

Our modelling, based on conservative assumptions of the number of households affected, suggests that:

- Due to the generosity of reliefs currently available, the majority of buy-to-let property owners pay very little Capital Gains Tax, with the exception of properties in London or the surrounding areas, or properties that are substantially more expensive than the regional average for a first-time-buyer.
- HMRC is likely to be substantially under-collecting CGT, relative to what could be collected if some of the key exemptions were removed.

We estimate that the costs associated each policy would be as follows:

- Reducing the 18-month relief period for Private Residence Relief to 6 months would raise £0.55 billion each year for the Exchequer.

- Abolishing Lettings Relief entirely would raise £0.74 billion each year for the Exchequer.
- However, some of the reduced exemptions would mean a greater amount of the annual exempt allowance being used, reducing the tax take by £0.17 billion in total.

In total we estimate that this would result in approximately £1.12 billion more Capital Gains Tax being collected each year. It would also substantially increase the CGT liability landlords would face, providing further incentives to engage in policies and programmes that reduce their CGT burden. Accounting for the costs of the policy offer outlines above, the net cost per household to the Treasury would be approximately £2,200.

# Conclusion

The Government has made reform of the private rented sector a high priority.

The measures in the Housing White Paper mean that the majority of tenants in the build to rent sector are now being offered a minimum of three years. However for those who rent with private landlords, who make up nearly 90% of the market, this is not an option.

One way to achieve greater security of tenure is to introduce longer tenancies by regulation. Another, not mutually exclusive, way of achieving a similar aim would be to stack the incentives for landlords in favour of greater security of tenure for private renters.

In this way, the proposals in this report would not just help a million private renters into homeownership in five years, they would encourage millions of private landlords to offer longer term tenancies in order to take advantage of the tax benefits, in doing so helping the sector as a whole.

# Methodology

Data on Capital Gains Tax collected from property is limited – and consists mainly broad estimates on the proportion of the overall CGT take that can be attributed to property sales, rather than more detailed data on the source of the revenue or what is driving CGT patterns.

To address this data gap and to estimate the effects of our policy suggestions, we have modelled the estimated impacts using a set of assumptions drawn from a variety of Governmental datasets. Where possible we informed this approach with discussions with the ONS statisticians maintaining datasets, and others. The assumptions and model structures are summarised below.

To estimate the number of households that might be eligible for the program we drew on data from the Labour Force Survey (LFS) to determine how many households in each region had both lived in the same address for more than three years and were private renters. We then used transactions data from the Office for National Statistics to estimate the proportion of those properties that would be sold in a given year, and therefore subject to CGT.

The amount of CGT paid depends heavily on the duration of ownership, as property values tend to appreciate over time. To account for this, we used data from the Council of Mortgage Lenders on the amount of time that landlords had held their properties. The initial data was banded, and to provide more granular assumptions we used this set of figures to estimate a distribution of how long homes were owned for, and then applied it across our estimate of eligible properties.

Initial house sales prices were taken from land registry data on average prices paid by first-time buyers, as was variable regional house price growth, which was drawn from the land registry house price index. To account for the fact that prices are not uniform within a region, we allocated five categories of house prices, estimating that within a region, 15% of houses would be at 45% of the regional average, 27% would be at 70% of the average price, 25% would be at the average price, 26% would be at 140% of the average price, and 7% would be at 280% of the average price. This corresponded with rough distributions of land registry data, and allowed us to account for variation within regions without adding a misleading level of complexity to the model.

Having calculated an approximate sales price, we used the combination of house price index data to estimate the original purchase price. Combined, these inputs allowed us

to model the expected capital gains for a given house within the period. Prior to this, we also made deductions to account for sale and purchase costs (assumed as 1.0% of the total sales price) and improvement costs (estimated as 0.5% per year the property was owned). This gave an estimated CGT liability before exemptions were accounted for.

To estimate exemptions under the PRR, we applied the minimum 18 month figure, making the assumption that the properties had at some point been designated as a main residence, but otherwise underestimating the total level of PRR. This approach was also applied to the lettings relief, where the low level of assumed PRR relief meant the estimated relief was often under the £40,000 limit that might have otherwise applied. In both cases, this reflected a desire to be conservative and to overestimate the amount of CGT collected, such that any bias in the results would overestimate rather than underestimate the policy costs. The same logic dictated that we only applied lettings relief for one person – making the implicit assumption that landlords were the sole property owners, whereas in reality couples can often apply twice the lettings relief and annual exempt allowance.

Having calculated this total liability and applied the annual exempt allowance, we then applied the upper-rate threshold (28%) to the figure to estimate per-property CGT, and to then apply this to the proportion of properties that we estimated were sold in a given year. This set of figures yielded our baseline assumptions, including that there was an estimated CGT take from the properties we were considering of approximately £0.87 billion per year. To gain an understanding of how this might apply to the overall CGT take on property, we scaled these figures up proportionately to the estimated total £2.2 billion CGT take.

To estimate costs of our policy package we then looked at two sets of figures. First, we examined the total change in the baseline that would result from a given change in policy – looking at the total amount of CGT that would be raised or lost if the overall take changed proportionally after the abolition of lettings relief and reduction in the assumed PRR exemption. Second, we examined the extent to which the total CGT take for the group in question would vary. This was intended to permit us an understanding of both how the overall CGT take would change, and then the effect that this new baseline would have on the overall costs of exempting the properties from CGT.

For further information or more detailed figures please contact the authors.

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