Rapid Evidence Assessment of Changes to Mortgage Interest Relief in Ireland 1998 to 2016

Final Report
For the Residential Landlords Association

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Project Team

The research team comprises Dr Richard Dunning and Dr Phil O’Brien from the University of Liverpool and Dr Tom Moore from the University of Sheffield. The *Department of Geography and Planning* at the University of Liverpool hosts some of the UK’s leading planning and housing experts and is the oldest school of planning in the world.

Dr Richard Dunning is Lecturer in Planning in the *Department of Geography and Planning* at the University of Liverpool and is Vice Chair of the *Housing Studies Association*. Richard regularly undertakes housing research for local and national governments, private organisations and the charitable sector.

Dr Phil O’Brien is Lecturer in the *Department of Geography and Planning* at the University of Liverpool. He is an expert in the role of regulation and planning in the construction of housing and development markets and is the lead academic for the *department* at the university’s London campus.

Dr Tom Moore is a Lecturer in the *Department of Urban Studies and Planning* at the University of Sheffield. His research specialism is in the area of housing policy and practice, with a particular focus on the private rented sector and on community land trusts. Tom has undertaken housing research for a range of organisations and funding councils, including the British Academy, local and national government, third-sector organisations, and JRF.

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Executive Summary

As in England and Wales, the private rented sector in Ireland plays a fundamental role in the functioning of housing provision. Whilst owner occupation remains the largest tenure, the Irish government has recently made significant and frequent changes to the administration and taxation of the private rented sector, including changes to the taxation subsidy Mortgage Interest Relief (MIR). In 1998, acting to reduce inflationary pressures, MIR was removed as part of a raft of changes to housing taxation and subsidisation. By 2002 that decision was reversed, with the reintroduction of MIR at 100%. In 2009 as a response to the financial crisis the government reduced the level of MIR from 100% to 75%. In 2015 this change was reversed for properties with tenants receiving social support, and in 2016 it was announced that there would be an incremental change annually to 100% for all landlords by 2021.

This assessment included a desk based review of the academic and public literature on MIR in Ireland between 1998 and 2016, and nine telephone interviews with landlords, their representatives, academics and private practice analysts in November 2017.

The widespread changes to policy, subsidy and taxation that have taken place in Ireland have occurred at a turbulent time for the economy, house prices and rental income. Disaggregating, with a high degree of certainty, the impact that changes to MIR have had upon landlords and the private rented sector collectively is challenging. The direct impact of altering the level of subsidy through MIR appears to have had very little impact upon landlords collectively and the private rented sector as a whole. This may be explained through three key findings:

- Fluctuations in rents and house prices have relativised the changes to MIR;
- Accidental landlords are a significant proportion of all landlords, many of whom are ‘locked in’ and not able to react to minor financial incentives; and
- Recent trends suggest that new landlords are frequently cash buyers and therefore MIR is not supporting significant numbers of leveraged landlords to enter the market.

These findings suggest that small scale changes to MIR are unlikely to act as a significant incentive or disincentive in markets that are not stable or where large proportions of landlords are not significantly affected by the changes. However, the level of MIR may act as an indicator of the government’s attitude towards landlords and therefore its function as a social signal may also act as a (dis)incentive beyond the direct impact upon landlord’s finances.

Introduction: The rationale and approach

Rationale

The full or partial deduction of mortgage interest from landlords' tax liability is a widespread private rented sector incentive internationally (e.g. USA, Hong Kong, Norway and Spain; Scanlon and Kochan, 2011). In recent years there have been a number of changes to Mortgage Interest Relief in Ireland, from which it may be possible to derive transferrable lessons about the impact of changes to tax liabilities within the private rented sector to other contexts, including England and Wales. Pertinently, from 2017 until 2021 the UK will gradually restrict the level of financial costs relief to the basic rate of Income Tax for individual recipients of rental income (HMRC, 2017).

The changes to MIR in England and Ireland occur within the context of significant growth in the private rented sector (PRS). It is now estimated that 20% of all households in both countries access their housing through the PRS (DCLG, 2016; Central Statistics Office, 2017), and in Wales the PRS accounts for around 14% of all households, paralleling a similar decline in owner occupation across each country (Welsh Government, 2017). The PRS is also becoming a permanent home to a range of households with diverse housing needs, including families, individuals and previously homeless households, rather than simply a short-term or transitional tenure (Rugg and Rhodes, 2008). The importance of a well-functioning PRS therefore results from its growth and composition, requiring an ongoing supply of PRS housing within changing financial structures for landlords.

Mortgage Interest Relief (MIR) is defined in Ireland as 'a tax relief based on the amount of interest that you pay in a tax year on a qualifying mortgage loan' (Irish Tax and Customs, 2017) and occurs as a subsidy by either directly reducing monthly mortgage payments or as credit in the mortgage account. The level of MIR in Ireland has fluctuated between 0% and 100% since the close of the twentieth century. Taxation and subsidisation of private landlords mirrors that of businesses rather than investors, as finance costs are a tax-deductible expenditure. In Ireland the current system for expenses against rental income covers a range of expenses, including: local authority rates; insurance premiums; maintenance; and others (see Appendix 1). Here, we assess the evidence of changes to MIR and the impact upon the PRS in Ireland through the period 1998 to 2016. This understanding requires framing within the wider trends and legal structures for tenants and landlords in Ireland.

Approach

To complete this rapid evidence assessment, we undertook a desk-based literature review covering: public policies, key secondary statistics and interpretations of the impact of the MIR drawing on both academic and practice based literatures. Whilst every effort has been made to accurately reflect views within the literature, the short time frame precluded a systematic exploration and hence the assessment is caveated by this limitation. This review raised issues concerning the scale of impact which was assessed through telephone interviews with nine experts on the PRS in Ireland, undertaken in November 2017. All interviewees had experience of either the direct changes to MIR or in the impact of the changes upon the sector. They comprise landlords, landlord representatives, academic analysts, third sector representatives and private practice analysts (some interviewees fulfilled multiple criteria). Interviewees were invited, via email, using a purposive sampling framework, while interviews followed a semi-structured format and were analysed by all members of the team.

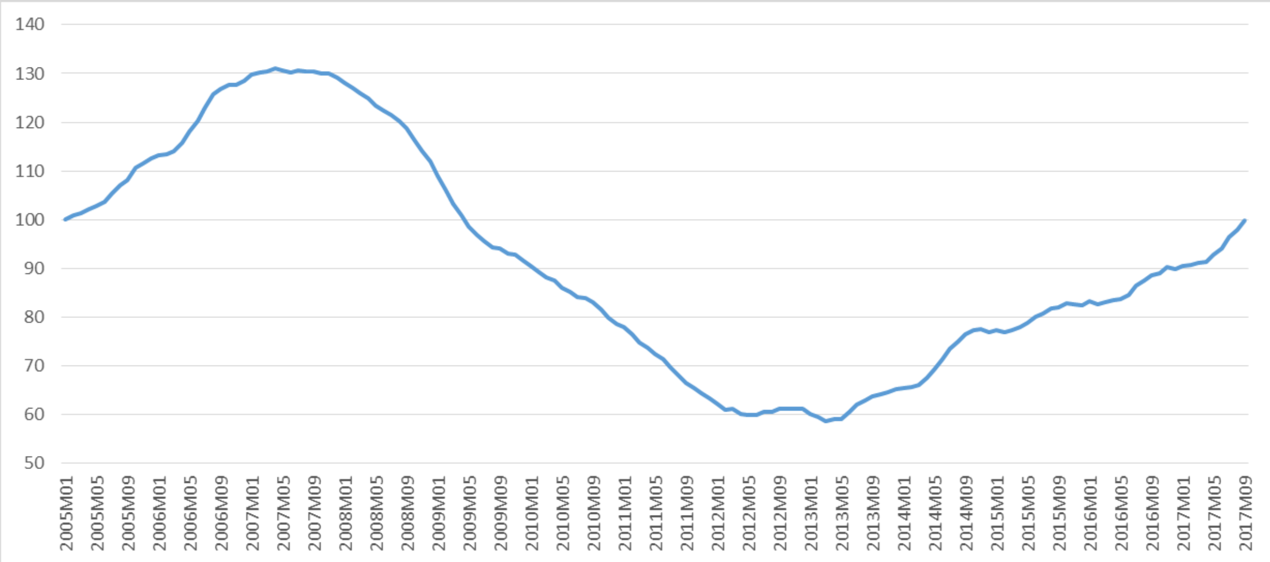
The significance of the Private Rented Sector in Ireland

The PRS in Ireland is vital to the functioning of both the housing market and the increasing proportion of the population housed in the sector. This section considers the role of the PRS in the context of the housing market in general, changes in the tenure structure and reasons for growth in the PRS in Ireland.

The housing market

The housing market in Ireland has undergone significant changes since the early 2000's. The Residential Property Price Index reveals that prices were rising until 2007, and then fell consistently until 2012, a phenomenon that occurred in many nations in the aftermath of the Global Financial Crisis. As the economy contracted disposable incomes fell and as house prices fell many households entered negative equity. Since 2012 national prices been increasing, but have not yet returned to the prices experienced in 2007. This national picture masks different fortunes within the regions, with Dublin and Fingal experiencing a much greater acceleration in house prices from about 2013 onwards than the rest of Ireland (see Appendix 2 for data).

Figure 1. Index of residential property prices in Ireland 2005-2017



Source: Central Statistics Office, Ireland, 2017

Restructuring of tenure in Ireland

Whilst the market has undergone significant changes, there have also been extensive changes in tenure composition and within the administration of PRS housing in Ireland. From the 1940's there was continuous growth in owner occupation, to the point that Ireland had one of the highest proportions in the world by the mid 1980's (Norris, 2013). At that time, the private rented sector was considered 'forgotten' and largely ignored politically (Duffy et al., 2017).

> "*the long decline in private renting was shaped in large part by government intervention in the form of subsidies, taxation, regulation and financing arrangements which reduced the attractiveness of this tenure for occupants and also for existing and potential landlords.*" (Norris, 2014, p.20)

Yet, this situation has changed since the 1990's. In 1991 only 180,000 households rented in Ireland. The majority of these households were accommodated in housing rented from the local authority and only 80,000 were in non-local authority rented accommodation (i.e. private or voluntary body). Since then, whilst there has been growth across all of

Ireland's tenures, the fastest growth has been in the non-local authority rented sector. By 2006 nearly 200,000 households were in non-local authority rented accommodation, rising to 325,000 by 2016 (all data from CSO Ireland), with a fall in owner occupation. By 2016 there were 310,000 households in the PRS; 19% of all households (Census, 2016).

Concomitantly there was little PRS policy attention up until the 1990's, yet there have been regular interventions since. In 1993 minimum accommodation standards were introduced, then revised in 2008, with local authority monitoring. In 2004 the Residential Tenancies Act introduced a large number of changes, including rent controls, limitations on rent reviews to annual occurrences, longer tenancies (after an initial six month period), the provision of designated reasons for tenancy termination and the introduction of mandatory registration of tenancies with the newly created Private Residential Tenancies Board (Norris, 2011, Moore and Dunning, 2016).

Table 1. An overview of regulation of the PRS in Ireland

Tenancy length	Part 4' tenancies last for up to four years, following an initial six-month period
Tenancy termination	Notice periods increase incrementally throughout tenancies. Eviction notices can only be issued if compliant with designated eviction clauses.
Rent control	Rents only reviewed once every two years and introduction of Rent Pressure Zones
Registration	Mandatory registration of all private sector tenancies

Source: adapted from Moore and Dunning, 2016

The PRS has increasingly become home to greater proportions of young adults and lower income households since the 1990's (NESC, 2014), with one third of PRS households in receipt of government assistance through a direct rent supplement (Norris, 2014). The PRS has therefore increased in size and significance throughout the study period.

Reasons for growth in the PRS

Duffy et al (2017) argue that growth in the PRS occurred from a wide number of potential factors from both supply and demand sides, including: population growth; increase in the number of students; the wide availability of buy-to-let mortgages coupled with greater difficulty in owner occupiers accessing mortgages; foreign direct investment; limitations to direct social housing supply (in part offset through increasing payments to tenants in the PRS); an increasing weariness of the risk of owner occupation and changes in the relationship between costs of renting and owner occupation.

Alongside capital increases from house price growth, some landlords have also responded to changes in rent. Whilst rental prices fell between 2008 and 2012 following the financial crisis, restrictions in supply and limitations on owner occupation mortgages meant that by 2013 rental prices were increasing and have continued to increase since (see Appendix 4 for data).

The composition of landlords in Ireland also changes over time, with turnover through new entry and exit from the market. Landlord's motivation and expertise in the sector is highly variegated, with over 86% of landlords holding just one or two properties (see Appendix 3 for data), one third having been a landlord for less than five years; typically motivated by property as a medium term investment and 36% classified as 'accidental landlords' (Duffy et al., 2017).

Changes to Mortgage Interest Relief in Ireland

A short history of Mortgage Interest Relief in Ireland

During most of the twentieth century the tax structure was more favourable to owner occupation than landlords and led to a decline in the condition of PRS stock and investment (O'Brien and Dillon, 1982). However, throughout most of the twentieth century some form of MIR as a subsidy for landlords was in operation, but within the context of taxation on the total of rental income rather than profit and similar incentives for owner occupation (Norris, 2014).

> *"Apart from the mortgage tax relief available to all house purchasers (owner occupiers as well as landlords), no financial measures were taken to increase the supply of private rented housing for most of the twentieth century*." (Galligan, 2005; p106, cited in Oxley, 2010).
>
> "*The tax treatment of the private residential sector remained unchanged for many years. Up until recently private landlords could write off the full costs of their mortgage interest, ongoing maintenance and upgrading of dwellings and major refurbishment against tax on their rental income. In addition, private tenants could write off a proportion of their rent against income tax, although the value of this relief is very modest compared to the Mortgage Interest Tax Relief available to home owners*." (Norris and Gkartzios, 2011, p.114)

Whilst the PRS has seen growth since the 1990's, it is difficult to attribute this to changes in the rate of MIR, the literature cities other factors as of greater significance. For example Rent Supplement was introduce in the 1970's to support social security recipients in PRS accommodation, which was then updated as the Rental Accommodation Scheme between 2004 2007, enabling authorities to create long-term private leases on properties which can then be sublet to benefits recipients on the basis of income (Clarke and Oxley, 2017).

> "*Rather than indirect subsidisation via tax relief, the advent and expansion of direct public subsidisation of the private rented sector is likely to have played a more central role in the tenure's recent revival*." (Norris, 2014, p.33)

The revival of the PRS since the 1990s is also attributed to a collection of policy and tax incentives (e.g. Memery, 2001), such as the Section 23 incentives (of the Finance Act 1981, which expired in 1984 then was subsequently reintroduced in 1988 under Sections 27-29 of the Finance Act) enabling landlords to discount the cost of purchase (net of site value) from rental income within particular priority areas (for example areas of urban renewal) as an indirect stimulus to the development industry in these areas.

By 1998 there were concern about house price inflation, and following the Bacon, MacCabe and Murphy report a range of measures were introduced to disincentivise short term focused capital gains investors, including changes to stamp duty (Berry et al., 2003). The Finance (No 2) Act 1998 ended MIR for the interest accrued on investment purchases regardless of when the money was borrowed. Crook and Rowley (2004) indicate that landlords argued that the result of the collective 'Bacon measures' was that investor demand evaporated overnight, freezing house prices and reducing supply within the PRS.

In the Finance Act 2002 MIR was restored for interest accrued after 1st January 2002 (regardless of when the property was purchased) as a result of political pressure from the construction industry (Crook and Rowley, 2004). Yet, in line with the continuous changes to the PRS, from 1st January 2006 in order to be eligible for MIR landlords were required to register all tenancies in relation to the property seeking MIR with the Private Residential Tenancies Board. During the early 2000s the increase in investment in the PRS was driven by a large number of middle income households becoming landlords, using their existing property to leverage new borrowing:

> "*Mortgage data indicate that investors appear to be 'ordinary' people in 'ordinary' jobs. Evidence in early 2002 suggested that landlords were then able to get about 80% mortgage on valuation, so needed to put in only 20% as equity … new landlords (and existing ones wanting to enlarge their portfolio) do not need additional equity to become an investor; they can lever in the equity from their own house… Examples quoted included policemen, teachers, and bank officials all investing in properties based on the value of their first houses and the capital rise expected from their investments*." (Crook and Rowley, 2004, p.6)

In 2009, following the financial crisis, the amount of interest relief that could be deducted was limited to 75% (accruing on or earlier than April 2009) as part of a wider reduction in the tax allowances in the PRS.

> "*MIR is a subsidy in economic terms. So in policy terms, the reductions are a rationalisation of all forms of tax relief. We've gone from systems of blanket beneficial treatment of all property assets in Ireland, to a rationalisation of tax based incentives*." (Academic interviewee)

Whilst this inevitably impacted on the costs of landlords, their relative tax costs in relation to owner occupiers changed through the reduction in owner occupier MIR, which had the effect that, as Norris writes, "consequently, residential property investors were able to compete on a more (but not entirely level) playing field against home owners in the housing market." (Norris, p.32, 2014).

Some researchers have raised concerns about the impact of the 2009 reduction on the capacity of the PRS.

> "*The restriction on the deductibility of interest on borrowings has the potential to have two effects. Firstly, the amendments are likely to impact on investors that acquired properties in the period from 2004 to 2007. DKM found that the costs of interest payments over time can be a very significant components of the overall costs of entering the residential investment/buy to let sector. Moreover, investors in the period 2004-2007 are most likely to be in negative equity*." (Duffy et al., 2017)

In the Finance Act 2015, for landlords with social tenants on certain housing support (for three years or more) the tax relief was increased to 100% (for interest accrued on or after April 2009) from 1st January 2016. This included the apportionment of interest borrowed over premised involving multiple rental units according to the composition of tenants.

In the 2016 budget, the Irish government indicated an increase in the level of MIR from 75% to 80% (in 2017) and rising by 5% per annum to 100% by 2021.

Table2. A summary of the changes in MIR from 1998 to 2016

Year	Change
1998	Removal of MIR for landlords (amid widespread changes to PRS finances)
2002	Reintroduction of MIR at 100% for interest accrued from January 2002
2009	Reduction of MIR to 75% for interest accrued from April 2009
2015	Increase in MIR to 100% (interest from Jan 2016) for social tenant landlords
2016	Incremental increases in MIR to 100% by 2021 for all landlords

Interviews: The impact of changes to Mortgage Interest Relief in Ireland

Mortgage Interest Relief is only one component in the financial operation of the PRS (including for example rent control, the introduction of REITs and socially supported tenants in the sector), and as such the findings should be contextualised by the complexity of disaggregating the impacts of MIR changes on the whole market.

The overall impact

It was widely recognised that the changes to MIR had repercussions on the finances of landlords. The removal of MIR in 1998 alongside widespread financial reforms caused a reduction in the number of landlords entering the market.

> "*MIR removal definitely had an impact by disadvantaging landlords, by 2001 the changes did the job, arresting the discernible headlong rush of landlords into the market.*" (Academic analyst)

The same argument was made regarding the reduction of MIR and other taxation changes in 2009:

> "*There have been a number of policies introduced, including the restriction of mortgage interest tax relief, which have led to a disincentive to invest and guys actually leaving the residential market.*" (Tax advisor)

However, whilst interviewees all argued that reduction in MIR subsidies had impacted some landlords' finances, the actual changes in landlord behaviour were largely attributed to wider market and policy changes. Therefore, it was widely perceived that the changes to MIR had played only a minimal role in altering landlord decisions. The minimal overall impact of changes to MIR on the PRS may be explained by the following three aspects, which present alternative trends to those currently being experienced in the English and Welsh rental markets.

Fluctuations in rents and house prices have relativised the changes to MIR.

Ireland has experienced a period of significant turbulence in the housing market, with fluctuations in both rents and house process since 1998. Whilst interviewees were more confident in discussing the recent changes to MIR, they frequently argued that market conditions were largely extrinsic to MIR changes and played a more fundamental role in determining landlord behaviour.

> "*I don't think you can isolate the impact of changes on MIR to as great an extent as people would suggest. The motivations for landlords buying properties can be very complex. They can be short or long term. If [Property Advisor] said there was going to be growth then people would come in.*" (PRS analyst)

A lack of confidence in the housing market generally was also cited as having had a bigger impact upon landlord entry and exit.

> "*Capital appreciation has traditionally been the profit, but people are wary of this since the crash, as some prices fell by 70%. Some investors, now in their 70's lost everything in the crash as the banks foreclosed, which has made people very cautious.*" (Landlord representative)

Furthermore, in addition to market conditions, the wider taxation of housing has played a more dominant role in determining supply in the PRS.

> "*The reality is that the government if they wanted to make more landlords come in need to give much larger tax breaks than the changes to MIR, it is the combination of all of them together.*" (Landlord representative)

> "*MIR is not the determinant of entry or exit for landlords. Stamp duty and capital gains are still in play.*" (Landlord representative)

When considering the future of the PRS in Ireland, interviewees articulated the strong yields that are likely to occur as the dominant factor in landlord entry which are only marginally affected by the recent inducements through enhanced MIR. This in part reflects the constrained supply of new housing across all tenure types, as the housebuilding industry in Ireland has failed to recover from its severe contraction following the Global Financial Crisis.

> "*It is going to be profitable for landlords in the top end of the market and property prices are going to grow. So it will be profitable. The problems are in the social end of the market, where the state would have been supporting tenants…the moment we hit any economic problem there is going to be problems at the bottom end of the market, when people lose their job and can't afford to pay the rent.*" (Academic analyst)

> "*there is an increasing recognition that the proportion of households going to rent is going to remain high, and given there is capital appreciation, which is running at about 13% per year and at rental growth of around 4% there is a healthy return at the moment.*" (Academic analyst)

In addition to the limited impact of MIR because of the relative significance of the wider changes to the market and taxation more generally, two further issues limited the impact that change to MIR could have. There is widespread variation in the finances of rental properties and the liability of landlords to tax. There are landlords and companies with large numbers of properties, which manage their finances and tax liability in a very different manner to single or few property landlords. Yet, it is the latter group who make up the largest proportion of landlords in Ireland. The extent to which MIR is a significant subsidy for small scale landlords is however also likely to be diverse, depending on local market conditions and fundamentally on the extent of borrowing on the property. Two types of landlord were considered to have had a dampening impact on the changes to MIR.

Accidental landlords and 'lock in'

As raised earlier in the report, one third of landlords in Ireland are accidental landlords (Duffy et al., 2017) and as such are less able to respond directly to fiscal incentives; the financial rationality of a change in MIR on their behaviour is heavily contingent upon the circumstances of their entrance to the market and the degree to which they are locked in. A number of examples were raised by interviewees. Accidental landlords were often in negative equity or unable to sell their property without making significant losses, and as such had become landlords. Where this is the case these landlords are 'locked in' to the market until market conditions improve and they are able to extricate their properties at a profit or minimising losses.

> "*There are accidental landlords, you know, more landlords entering the market, but these are people who can't sell their property, it's not willingly entering the market. Would they leave the market if they could?*" (Landlord)

> "*The overall impact of fiscal stimulus might be on the larger landlords, who are potentially more able to organise their finances in order to benefit from these incentives. Contrast that to some accidental landlords who can't respond even if they wanted to.*" (Academic analyst)

"*Housing and the PRS are very complex. You need to think through how changes are able to impact, for example there are an awful lot of accidental landlords.*" (Landlord representative)

Cash buyers and the limited number of leveraged landlords entering the market.

In addition to accidental landlords, non-mortgaged landlords are equally unlikely to respond to financial stimuli in the form of MIR. This is the case for mortgage free landlords already in the market, but also those entering.

"*So the sector is expanding, even though there are landlords leaving the market, or being forced to leave the market…operating expenses have increased, it's becoming harder to make a profit, and some of them are definitely leaving, but, equally, there's a reverse flow of cash, debt-free land lords flooding in, because what else are you going to do if you have €300,000 that's earning nothing in the bank and you can get a 6% gross yield investing in a residential property in Dublin.*" (Private sector analyst)

"*There hasn't been a major impact, many of our members properties are mortgage free…there are a lot of cash buyers, who took their money out in the boom, and their cash has been sitting in the bank. 50% of buyers are cash buyers.*" (Landlord representative)

"*The percentage of landlords who have only one property has grown. So the teacher, the guard, the one man band is difficult in Ireland, and not great if you've got debt, but an awful lot of landlords are buying with cash and so it's irrelevant.*" (Academic analyst)

"*Pension schemes: a lot of people are encouraged to buy a property, when you get to 60 you go along and discuss what you are going to do with the finance, they suggest putting it into the PRS, so you're a cash buyer.*" (Academic analyst)

The limited number of leveraged landlords entering the market at present, despite strong yields and regardless of the reincentivisation through an increased MIR rate, is in part explained by the difficulty in obtaining finance.

"*The availability of finance is the biggest issue for anybody over here now. You need a 30% deposit to get a buy to let mortgage, so that has closed off [a lot of small scale investment] for a lot of people.*" (Private sector analyst)

"*Banks are very restrictive now. Some banks are asking for a 40% deposit, so that is one of the difficulties. People need to be fairly well fixed, they will only get a mortgage for up to 10-12 years now on a rental.*" (Landlord representative)

"*Finances are restricted at the moment, mortgages. There's simply not enough property out there, but if there was finance available people would build them. But, the numbers aren't sticking up for the builders, so there's no incentive.*" (Landlord)

This trend is also forecasted to continue, despite the more advantageous treatment of MIR since 2016.

"*These buyers respond to the same incentives as large corporations, and have been a big part of the housing market in recent years. CSO statistics show that small private investors were behind 15% of all residential purchases in Dublin since the beginning of 2012 and these buyers – particularly those that are moderately geared or entirely funded with cash - will remain active as long as net yields* *continue to offer a risk-adjusted premium on the returns that are available on bonds and deposits*." (Savills, p.14, 2016)

The psychological impact of changes to MIR

Whilst the impact of financial changes, resulting from changes to the level of MIR, may have had only a limited impact upon the behaviour of landlords and the PRS, the changes also act as a signal to the market of government confidence and support for landlords. In 2009 when landlords were already under greater pressure from falling rents and house prices, the reduction in MIR had a psychological impact:

"*Changing MIR removed confidence from the market rather than the money. Most people probably didn't quantify the impact, but it was a psychological impact*." (Landlord)

Conclusions

There have been wholesale changes to the PRS in Ireland since 1998, within which there have been regular change to the level of MIR for landlords. There is no clear statistical evidence of changes to MIR having an impact upon the number of landlords in the PRS, and it is not possible to draw firm conclusions given the wider changes to the structure and operation of the PRS during this period. However, a view of some interviewees was that MIR will have an impact upon the behaviour of some landlords but will have a psychological impact upon the willingness of landlords to continue in a market that is unfavourable. However, it was repeatedly asserted that the smaller changes to MIR (such as the incremental change from 75% to 100% by 2021) were not significant enough to impact the market within the context of more significant economic and socio-demographic trends, for example:

"*Landlords suffer at the margins. It wouldn't make a huge difference on purchasers, but it would make them think when filling in the tax return. But this is marginal against the increase in capital gains that are currently forecast*." (Academic)

The direct impact of altering the level of subsidy through MIR therefore appears to have had very little impact upon the PRS collectively, although it will have influenced a small proportion of landlords. The reason for this may be explained through three key findings:

- Fluctuations in rents and house prices have had made the changes in level of MIR relatively less important;
- Accidental landlords are a significant proportion of all landlords, many of whom are 'locked in' and are not able to react to minor financial incentives; and
- Recent trends suggest that new landlords are frequently cash buyers, unaffected by changes to MIR, in addition difficulty in accessing finance is supporting significant numbers of leveraged landlords enter the market despite the recent more favourable conditions for MIR.

These findings suggest that small scale changes to MIR are unlikely to act as a significant incentive or disincentive in markets that are not stable or where large proportions of landlords are not significantly affected by these changes. However, the level of MIR may act as an indicator of the government's attitude towards landlords and therefore its function as a social signal may also act as a (dis)incentive beyond the direct impact upon landlord's finances.

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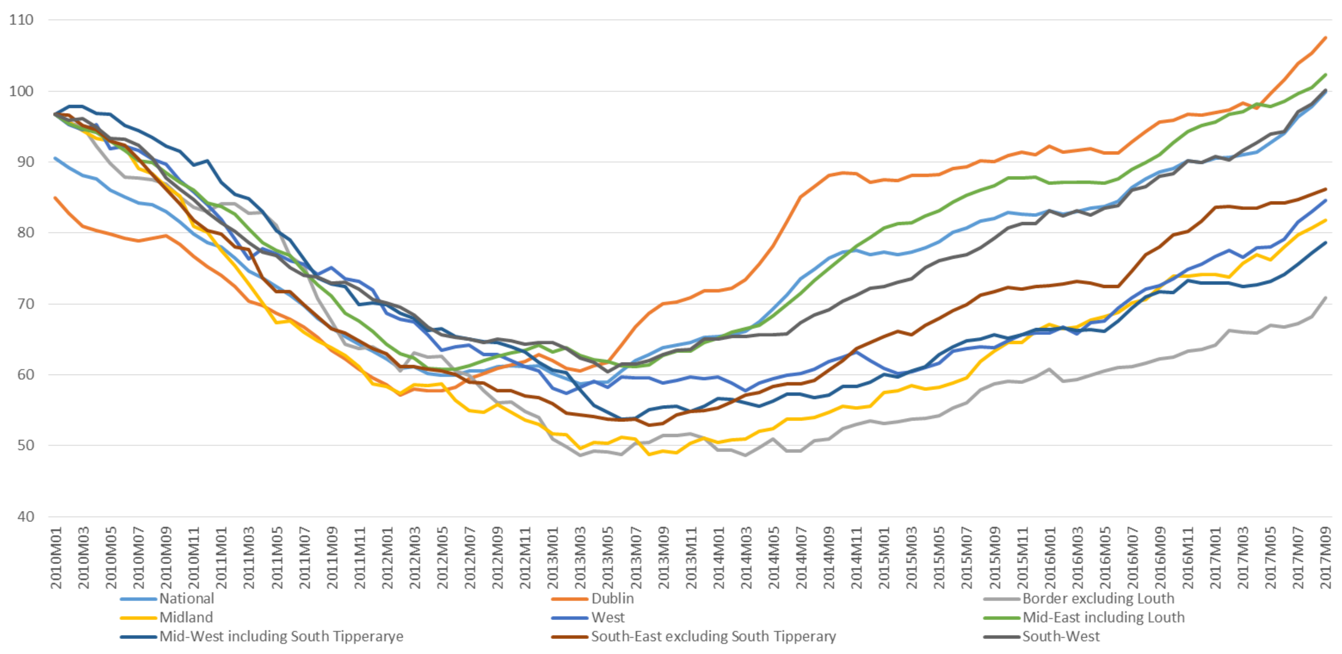
Appendix:

1. Expenses deductible from rental income in Ireland 2017

Source: Irish Tax and Customs (2017)

- Mortgage interest
    - Whilst the property is rented out, or between rental periods as long as it is not occupied by the landlord
    - And, if you are registered with the Private Residential Tenancies Board (RTB)
    - Is only deductible up to 80% of the interest paid (increase from 75% for earlier years) if rented to non-social housing supported tenants
    - Is deductible up to 100% if rented to certain social housing supported tenants and is registered with the Private Residential Tenancies Board
- Capital allowances (such as wear and tear or depreciation for fixtures and fittings at 12.5% over 8 years)
- rates you pay to a local authority for the property
- rents you pay for property such as ground rents
- insurance premiums against fire and public liability
- maintenance of your property such as cleaning, painting and decorating
- property fees before you first rent out your property such as management, advertising, legal or accountancy fees
- the cost of any service or goods you provide that do not get repaid by your tenant such as electricity, central heating, telephone, service charges, water and refuse collection
- certain mortgage protection policy premiums
- expenses in between renting out the property in certain circumstances
- capital allowances
- repairs, such as rot treatment, mending windows, doors or machines.

2. Index of residential house prices in regions in Ireland, 2010-2017



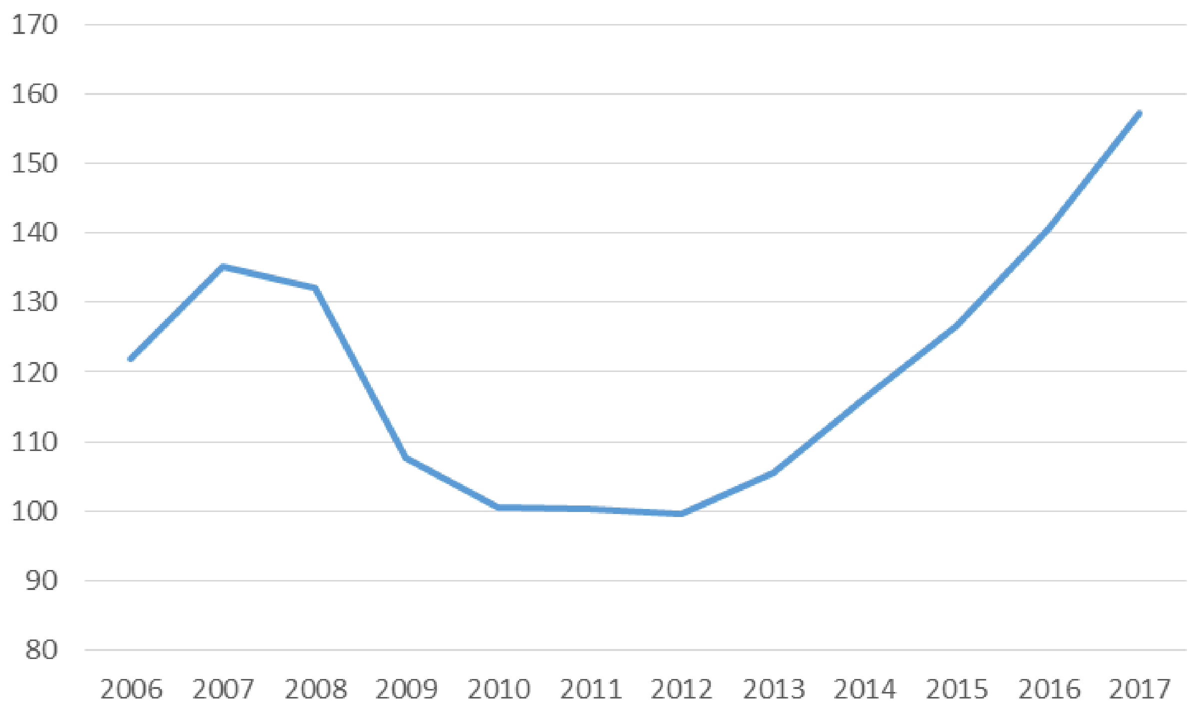
Source: Central Statistics Office, Ireland, 2017

3. Number of tenancies (as a proxy for properties) per landlord in Ireland, 2017

Number of tenancies	Individuals	Companies	Total Landlords	% of landlords
1	120485	3375	123860	69.71
2	27944	898	28575	16.08
3	9975	416	10391	5.85
4	4597	257	4854	2.73
5	2491	188	2679	1.51
6	1563	163	1726	0.97
7	1022	116	1138	0.64
8	677	82	759	0.43
9	521	70	591	0.33
10-20	1792	385	2177	1.23
20+	541	386	927	0.52
Total	171341	6336	177677	100%

Source: RTB, as cited in An Roinn Airgeadais, September 2017

4. Rental Price Index Ireland, 2006-2017 (newly registered tenancies)



Source: Residential Tenancies Board, 2017