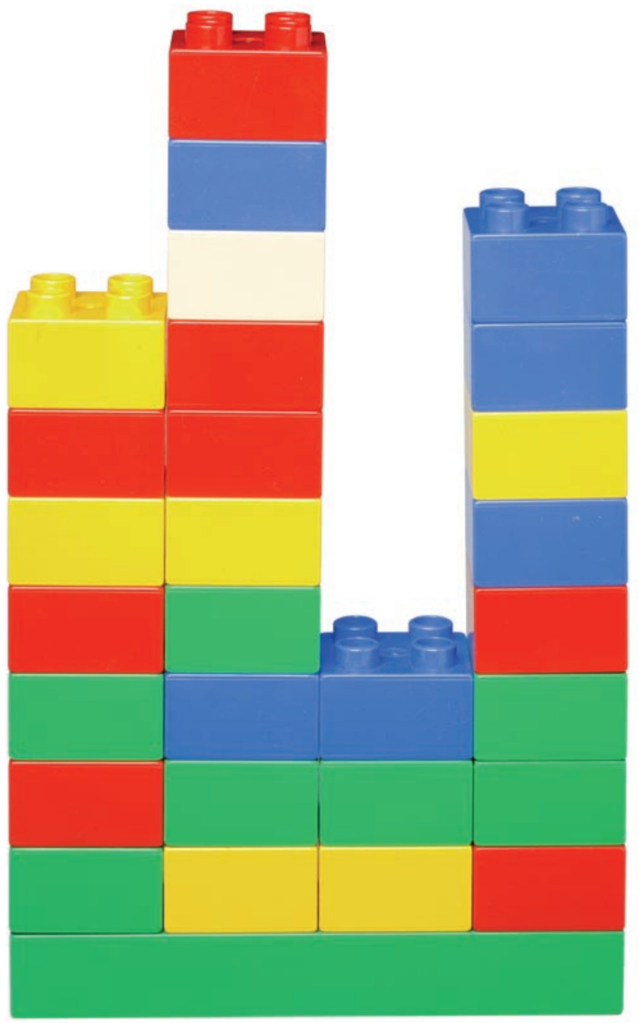
Deloitte.

Residential Development
The role of government in EU real estate markets



March 2010

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Executive summary

Deloitte conducted this survey within the 27 EU countries with the aim of finding out how national governments support the housing market for individuals through tax measures and mortgage guarantee funds.

Historically, residential development experiences a very difficult time during an economic recession. This makes government support for housing even more important as demand for housing directly affects residential development. This sector is closely linked to the construction industry, which is a sector with one of the highest multiplier effects throughout the economy and on employment levels. This fact is important for finding ways to overcome the financial crisis and should be considered carefully by governments in the region.

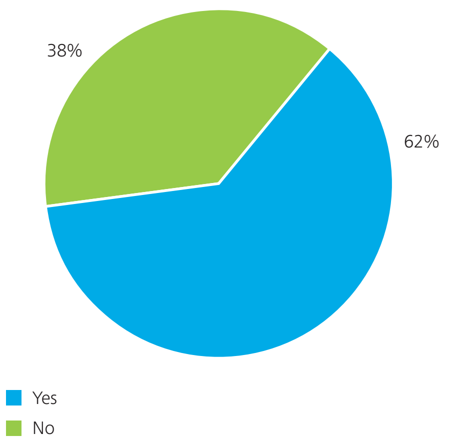
The main legislative ways to support residential development in the EU 27 are:

Since the global financial crisis, many governments in Europe have had to review their attitude to residential development. This is because the Housing and Real Estate industry is such a key area of the European economy.

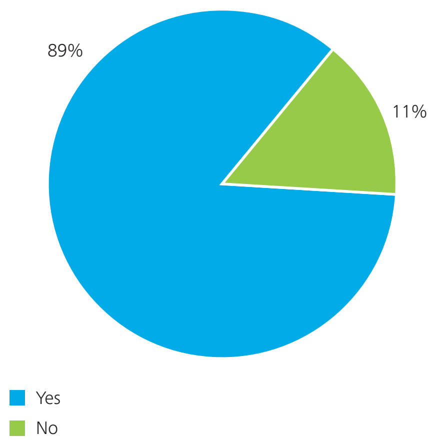
Mortgage interest deductibility
(effective in 62% of European countries)
This stimulates residential development. It is aimed at individuals who want to buy a dwelling for their own housing. This measure makes it more affordable for them to do so.

Exemptions in capital gains tax
(effective in 89% of European countries)
This allows homeowners who want to sell their dwelling not to have to pay capital gains tax. The circumstances most often exempted are certain time periods and dwellings used for own housing.

Mortgage interest deductibility



Exemptions in capital gains tax

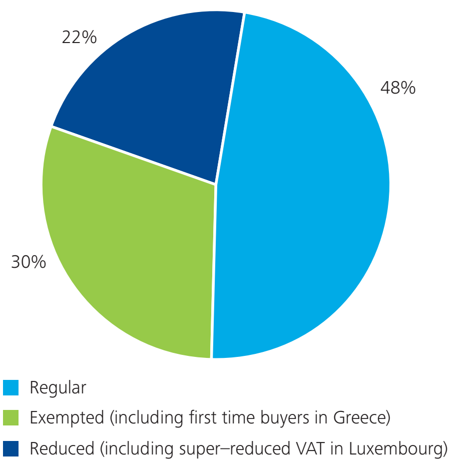


Reduced VAT or VAT exemption

(effective in 52% of European countries)

This measure has a significant effect on the price of dwellings. Usually, some requirements must be met to include reduced VAT / VAT exemption.

VAT on the new dwellings

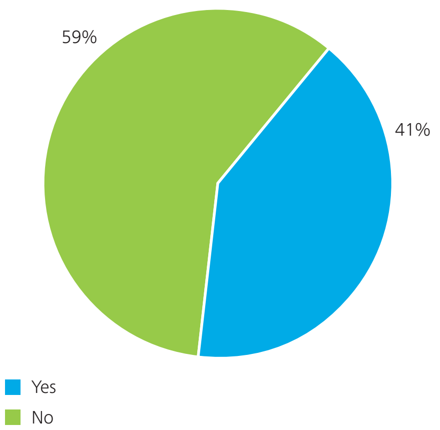


Guarantee funds

(effective in 41% of European countries)

These specialized institutions (either public or private) are supposed to increase the confidence of potential buyers. The level of consumers' confidence is one of the key factors determining any stabilization in the economy in turbulent times.

Guarantee fund

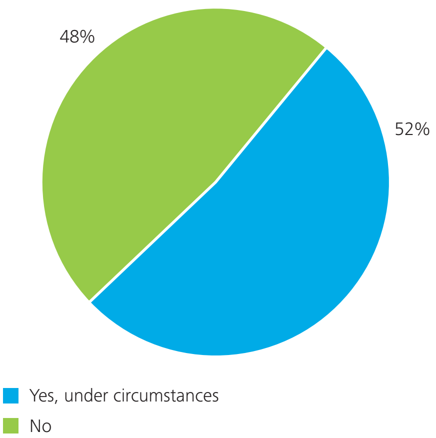


Tax loss in a rented apartment

(effective in 52% of European countries)

This may increase demand from individuals who want to buy a dwelling for renting out. In a typical dwelling for rent, the costs (mortgage interests, depreciation) may be higher than revenues from the rent, so the tax loss occurs.

Tax loss in a rented apartment



Other possibilities to support housing were identified in several countries:

- Netherlands – **local support** (form of non-tax subsidies) for first-time house buyers or other incentives to improve problematic areas.
- Poland – **supporting young families** acquiring their first dwelling during the first eight years of credit repayment.
- Hungary and Luxembourg – **interest subsidies** to loans for housing.
- Sweden – **expenses for maintenance and repair** of houses and apartments owned by private individuals can, under certain conditions, be **tax deductible**.

Government approaches to supporting the housing market

Guarantee funds in EU 27 members

There are 11 countries with an existing guarantee fund in the EU. Guarantee funds support people facing problems with servicing their mortgage loans. Only in the Netherlands, Luxembourg and Ireland were the funds established before the current economic recession. In other countries, the guarantee fund was introduced as a response to the financial crisis in the form of an anti-crisis package. The Guarantee Fund is either private or State owned across the EU countries.

Countries with Guarantee Fund	Year of introduction
France	-
Ireland	1977
Luxembourg	1979
Netherlands	1995
Italy	2008
Greece	2009
Hungary	2009
Poland	2009
Portugal	2009
Slovenia	2009
United Kingdom	2009

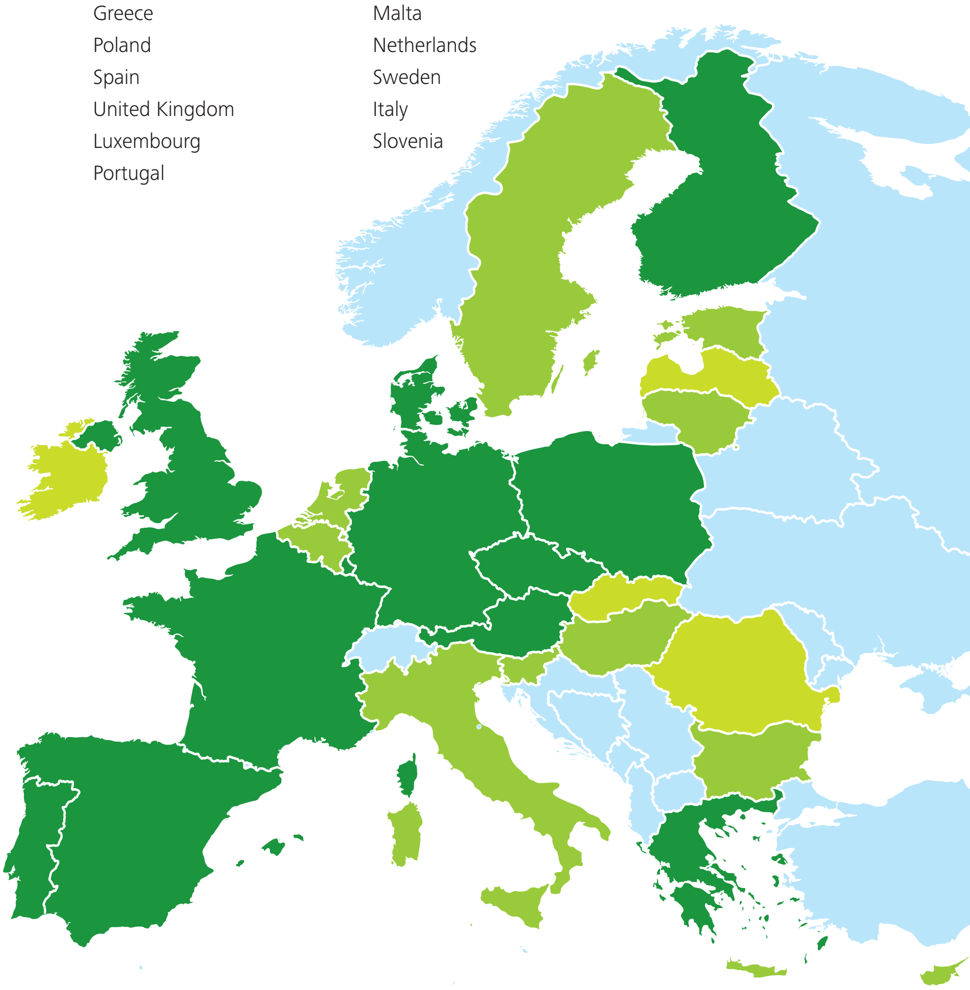
Number of measures by country

The majority of EU27 countries have established more measures to support housing. In the group of countries with four to five effective measures are the major economic powers of the EU with big populations – France, Germany, United Kingdom and Spain. Generally, smaller countries and new EU members tend to have less effective support measures than the biggest economies and old EU members. However, classifying countries by number of housing tax incentives does not result in any conclusions of economic and geographic dependency.

4-5 Effective measures
- Austria
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Poland
- Spain
- United Kingdom
- Luxembourg
- Portugal

2-3 Effective measures
- Belgium
- Bulgaria
- Cyprus
- Estonia
- Hungary
- Lithuania
- Malta
- Netherlands
- Sweden
- Italy
- Slovenia

0-1 Effective measures
- Latvia
- Ireland
- Romania
- Slovakia



Key tax categories supporting housing in European countries

Country	Mortgage interest deductibility	Capital gains tax	Tax loss in a rented apartment	VAT on new homes as on other durables	Other support to Residential development	Guarantee fund
Austria	Yes (In case the real estate is not rented out the redemption of and interest on certain loans can be deducted as special expense - one quarter of these expenses and only up to a certain amount of income.)	Yes, with exemptions*	Yes (against other speculative income) Only true if the real estate is not rented out.	No (exempted) Option to treat as VAT-able exists.	Yes	No
Belgium	Yes	Yes, with exemptions*	No	Yes	No	No
Bulgaria	Yes	Yes, with exemptions*	No	Yes	No	No
Cyprus	No	Yes, with exemptions*	Yes (against other income)	Yes	No	No
Czech Republic	Yes	Yes, with exemptions*	Yes (not against income from employment)	No (reduced 9%)	No	No
Denmark	Yes	Yes, with exemptions*	Yes (against other taxable income)	No (exempted; since 2011 25%)	No	No
Estonia	Yes	Yes, with exemptions*	No	Yes	No	No
Finland	Yes	Yes, with exemptions*	Yes (against capital income)	No (exempted)	No	No
France	-	Yes, with exemptions*	Yes (against other rental income)	Yes	Yes	Yes (private)
Germany	Yes, with exemptions	Yes, with exemptions*	Yes	No (exempted)	No	No
Greece	Yes	Yes, with exemptions*	No	Yes (first buy exempted)	Yes	Yes
Hungary	No	Yes, with exemptions*	No	Yes	Yes (interest subsidy)	Yes
Ireland	Yes (there are maximum allowable deductions so not all interest may qualify)	Yes, with exemptions*	Yes (against other Irish rental income only)	Yes	No	Yes (Government social welfare measure which has very limited application)
Italy	Yes	Yes, with exemptions*	No	Yes	Yes (reduced VAT/ registration tax rate for first buyers)	Yes, but inactive
Latvia	No	Yes	No	Yes	No	No
Lithuania	No	Yes, with exemptions*	No	Yes	No	No

Country	Mortgage interest deductibility	Capital gains tax	Tax loss in a rented apartment	VAT on new homes as on other durables	Other support to Residential development	Guarantee fund
Luxembourg	Yes	Yes, with exemptions*	Yes	No (super-reduced 3% VAT)	Yes (super-reduced 3% VAT possible under certain conditions and up to a certain	Yes
Malta	No	Yes, with exemptions*	No	No (exempted)	No	No
Netherlands	Yes	Yes, with exemptions*	-	Yes	No	Yes (private)
Poland	No (since 2007)	Yes, with exemptions*	Yes (against rental income)	Yes (reduced 7 % VAT)	Yes (support to young families)	Yes
Portugal	Yes	Yes, with exemptions*	Yes (against rental income)	No (exempted)	Yes (several tax reliefs)	Yes
Romania	No	Yes (16%)	No	No (reduced 5% VAT)	No	No
Slovakia	No	Yes, with exemptions*	No	Yes	No	No
Slovenia	No	Yes, with exemptions*	No	No (reduced 8,5 % VAT)	Yes	Yes
Spain	Yes	Yes, with exemptions*	Yes (against the rest of positive rents)	No (Reduced 7%) Renting of houses are exempt to VAT.	No	No
Sweden	Yes	Yes	-	Yes	Yes	No
United Kingdom	No	Yes, with exemptions*	Yes (against property business income)	No (exempted)	Yes	Yes (the Homeowners Mortgage Support scheme is not exactly a guarantee fund, as it is an interest deferral arrangement.)
Total	Yes: 62% No: 38%	Yes: 11% Yes, with exemptions*: 89%	Yes, under circum-stances: 52% No: 48%	Regular: 48% Reduced: 22% Exempted: 30%	Yes: 41% No: 59%	Yes: 41% No: 59%

*Details on exemptions are explained further in Country profiles.

EU 27: Country profiles

Austria

Mortgage interest is deductible only if the dwelling is bought by an individual to be rented out. In case the real estate is not rented out the redemption of and interest on certain loans can be deducted as special expense (one quarter of these expenses and only up to a certain amount of income).

Generally, capital gains tax on the sale of real estate (for private individuals) is only levied when the period between acquisition and disposal is not more than 10 years. An exception to this rule applies in case the sold private residential building is the seller's principal residence for at least two years.

In case the real estate is not rented out a loss from the sale of real estate within the 10-year period can only be offset with other speculative income. In case the individual rents out the dwelling (not in the course of his business), generally the tax loss has to be recognized but is not transferable to the next taxing periods. In case of tax losses, the tax payer has to prove that the activity of renting out the apartment will (over a certain period of time) lead to a total profit.

In general, supplies of real estate are exempt from VAT. However, there is the option to treat such supplies as VAT-able.

Other support is provided as well. For example, for certain expenditures accelerated depreciation is available.

Belgium

Mortgage interest connected to new dwellings used for a buyer's own housing is deductible for personal income tax purposes, with a certain cap per year. Properties are generally subject to capital gains tax: the percentage varies - due to the circumstances, it can be 0% or 16.5% or 33%).

New residential properties in Belgium are subject to VAT at 21%. In cases of renovation, the VAT rate is 6%.

Bulgaria

As in the majority of other countries, it is possible to deduct mortgage interest in Bulgaria. Support is focused on young families; this includes the interest payments on the first BGN 100,000 (approximately EUR 50,000) of a mortgage (under certain conditions) through the annual tax return. It was enforced as of 1 January 2009.

The tax base of capital gains tax is the positive difference between the sales price and the acquisition price, less 10%. Certain gains from sale of real estates are tax exempt.

Residential properties are generally subject to VAT. The VAT rate is 20%. However, there are certain exceptions for buildings which are not newly constructed.

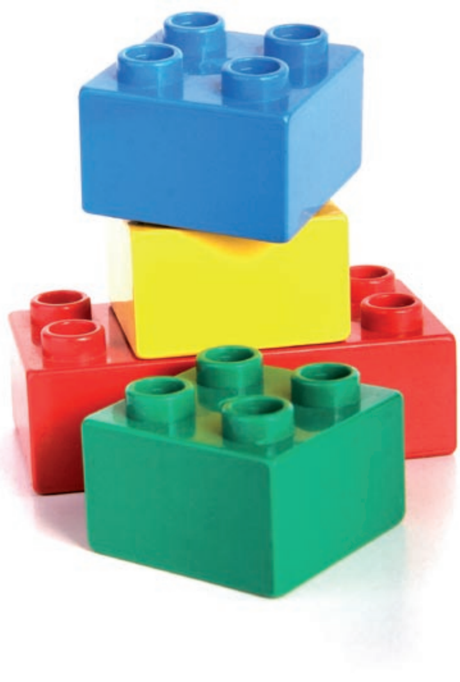
Cyprus

Interest is not deductible for personal income tax, unless the property is rented to another party. Interest from whom no deduction is claimed for income tax can be deductible for capital gains tax purposes.

Gains from the disposal of property are subject to capital gains tax of 20%. Under certain conditions, a lifetime exemption of EUR 85,430 for gains on the sale of a principal residency is possible.

In Cyprus, any loss from renting property to another party may be claimed against other income in its full value.

The VAT rate is 15%, but under certain conditions for principal residency, part of the VAT is refundable.



Czech Republic

Deducting mortgage interests is possible in the Czech Republic.

Properties are generally subject to capital gains tax, but there are a couple of exemptions – e.g. properties owned for more than three years, money from transactions used also for housing purposes, etc.

Generally, new residential properties are subject to VAT. The majority of new flats are taxed by a reduced VAT rate of 9%. Only flats larger than 120m² and houses larger than 350m² are taxed at the regular VAT rate of 19%.

Denmark

Mortgage interest deductibility is possible up to 33.5%, will however be phased gradually down to 25,5 % from 2012-2019.

Properties are generally subject to capital gains tax, but there are two exemptions:

- The residence must serve as home for the owner at some point before it is sold.
- The plot cannot be bigger than 1400m².

From 1 January 2011 the supply of new buildings will be subject to Danish VAT with the standard rate of 25%. Supply of a new building where the construction has started before 1 January 2011 will though be governed by the existing VAT exemption. All supply of land for construction purposes will be subject to VAT from 1 January 2011.

Estonia

In Estonia, the mortgage interest is deductible by up to 50% of taxable income, but not more that EEK 50,000 (EUR 3.196) may be deducted. This applies when the loan was taken for the purposes of buying/building a residence but not valid when the loan was taken for any other purposes (e.g. for renovation).

Properties are subject to capital gains tax of 21% as well as VAT, which is 20%.

According to the Estonian Income Tax Act, gains received from the sale of property are subject to income tax, unless the property sold was the taxpayer's permanent or primary place of residence until the transfer.

Finland

Mortgage interests can be deducted from the capital income (no cap) or alternatively as a deficit credit from the earned income (up to EUR 1,400) if there is no capital income.

The capital gain is tax free, provided that the apartment/real estate has been owned for a minimum of two years and used for a minimum of two consecutive years as the taxpayer's and/or their family's permanent home. In other cases, the capital gain is taxed with a flat rate of 28%.

Confirmed rental loss in taxation can be deducted from the capital income during the next 10 years following the year when the loss has taken place.
Sale of real estate is VAT exempted.

France

Mortgage interest is deductible if taken out to finance the purchase or subsequent work on the property.

Properties are subject to capital gains tax of 28.1%. Full exemption is possible after 15 years of ownership.

Tax loss in a rented apartment can be offset against other rental income during the following 10 years. Losses can sometimes also be offset against the global income but are subject to restrictive conditions.

New dwellings are subject to regular VAT of 19.6%.

Other support for residential development is provided in France. Some new investments can benefit from a tax credit, subject to several conditions.

There is no public mortgage guarantee fund in France, but there is the Mutual Guarantee Fund (Fonds de garantie mutuelle). This is a tool based on economic solidarity through risk pooling.

EU 27: Country profiles

Germany

In Germany, the mortgage interest is deductible for private individuals. The deductibility of interest expense for business income is limited in certain cases.

Capital gains tax is not applicable for individuals, except for a sale of residential property within 10 years after its purchase.

For taxpayers who intend to make money from property buying, rental loss can be deducted.

Tax relief for inheritance tax is available under certain circumstances.

Greece

In Greece, the mortgage interest is deductible only for primary residences (own housing). Deductibility applies with an upper cap surface threshold of 120m².

Capital gains tax rate is 0% – 20% depending on the ownership period. The tax applies to sale of properties acquired from 2006 onwards. The rate depends on how long the property has been owned.

New homes are subject to VAT at 19%. Exemption applies to the first property for own housing.

The Mortgage Guarantee Fund was introduced as a result of the recession. The guarantee is up to 25% of the value of the property for loans agreed between 27 April 2009 and 31 December 2010. The loan should not exceed EUR 0.5m. The guarantee does not apply for acquisition of land, just for buildings.

Hungary

The capital gain is exempt from personal income tax, if the sale of residential real estate is realized in the fifth or later years following the year the property was purchased. If the sale occurs earlier than the fifth year, 100%, 90%, 60% and 30% of the capital gain is subject to tax in years 1 to 4, respectively. When calculating the capital gain, the purchase price (and certain other items) should be deducted from the sales price.

Generally, the sale of built-in real estate is exempted from VAT. However, new homes are an exception to this rule, because if the first occupation has not occurred yet or if it has already occurred, but between the date of the occupancy permit and the date of sale less than two years have passed, then the sale of the home is VAT-able. The general (and not the reduced) VAT rate is applicable to the sale; the same as on other durables.

Other support is possible in Hungary: for example, there is an interest subsidy to a certain percentage on residential real estate-related loans taken out by individuals.

The Mortgage Guarantee Fund was introduced as a result of the recession in 2009. The state undertakes joint and several guarantees for the principal amount and the interest of interim loans taken from financial institutions by individuals who got into financial difficulties due to the crisis. This is to help them save their housing loans under certain conditions (for instance, the maximum amount of mortgage loan and the maximum dwelling value is set up). The applicant undertakes to pay back the interim loan in 120 months.

Italy

The individual is entitled to reduce the amount of income taxes due by 19% of the interest expenses incurred for loans granted by a mortgage on a dwelling used as the main residence within one year from the date of purchase. The reduction of the income taxes is allowed for an amount not higher than EUR 4,000 for each financial year.

The capital gain realized on the sale of the dwellings is tax exempt when it is held for at least five years from the date of purchase and it has been destined for most of the time as the main residential property. Otherwise the capital gain is taxed at the level of the individual with proportional rates that depend on the whole taxable income. The taxpayer can opt for a tax at 20% instead of ordinary taxation.

VAT applies on new homes sold by constructors within four years from the date the construction is finalized at 10% ordinary rate (20% in the case of luxury apartments and 4% where the dwelling is the first house purchased by the taxpayer and destined to be their own residence). Dwellings sold by constructors after four years from the construction or sold by other subjects are VAT exempt and registration tax applies at ordinary rate of 7%, plus mortgage tax (2%) and cadastral tax (1%).

Other support in case the dwelling is the first dwelling purchased by the individual and it is destined to be the main residence:

- in cases where VAT applies the ordinary percentage is reduced from 10% to 4%;
- in cases where registration tax applies, the ordinary rate is reduced from 7% to 3% and mortgage and cadastral taxes are due for a minimum lump sum each (EUR 168) instead of the ordinary rates equal to 2% (mortgage tax) and 1% (cadastral tax).

The Mortgage Guarantee Fund was introduced in 2008 and is supposed to provide the possibility for the borrower to temporarily interrupt the monthly payments of the mortgage when they are in financial difficulties. It can be applied twice and for a period than cannot exceed 18 months in total. The duration of the mortgage and of the warranties provided is postponed for a period equal to the time of the suspension and when the suspension is finalized the payments restart for the usual amounts and deadlines. The act is still inactive, however, as the Ministry of Finance has not yet issued the ruling.

Ireland

An individual purchasing a residential property is liable to stamp duty based on the cost of the property as follows:

- Up to EUR 125,000 – 0%
- Next EUR 875,000 – 7%
- Excess over EUR 1,000,000 – 9%

There is an exemption from stamp duty in respect of newly-constructed properties up to certain levels.

An individual who has not previously purchased a residential property (a first time buyer) is exempt from stamp duty.

Capital gains tax (CGT) at 25% applies on gains arising from the disposal of Irish property. If an individual continually occupies a property as their principal private residence full relief from CGT applies.

A mortgage interest supplement scheme provides short-term support to assist individuals in making mortgage interest repayments. Only people with part- time employment may apply.

Latvia

The capital gain tax rate as of 2010 is 15%. The capital gain realized on the sale of the dwellings is tax exempt when it is held for at least 60 months and declared as the permanent residence of the owner for at least 12 months.

VAT at 21% applies on the first sale of unused real estate and building land. The real estate is considered as unused for VAT purposes if:

- it is a construction in progress or its renovation is in progress;
- it is not used after it has been built or renovated; and
- it is sold within one year after being built or renovated even if it has been used.

Land is considered as building land only if construction permission for the particular land plot has been acquired after 31 December 2009.

Other support: the government plans to exempt from tax residential property used as an individual's own declared address for at least five years.

Luxembourg

Mortgage interest deductibility in Luxembourg is possible. The deduction of mortgage interest leads normally to a negative income from the own-occupied dwelling which can be compensated with the other taxable income of the household. The capital gains tax is dependent on the holding period:

- Short-term capital gains on real estate held not more than two years are taxable at normal income tax rates (max. 38.95%).
- Long-term capital gains on real estate held more than two years are taxable at a reduced tax rate (max. 19.5%); the first EUR 50.000 of gains (or EUR 100.000 for couples taxed jointly) realized over an 11-year period are tax exempt.
- Capital gains on own-occupied dwelling are usually tax exempted.

Taxable gains may be subject to a 1.4% dependence contribution (under certain conditions). Since 1979, the Luxembourg State may guarantee the mortgage loan on a principal dwelling in Luxembourg in case the person does not have sufficient personal guarantee available to pay back mortgage loan relating to construction, acquisition or refurbishment of the principal dwelling.

EU 27: Country profiles

Lithuania

Properties are generally a subject to capital gains tax, but there are two exemptions:

- sold real estate was owned for at least three years; and
- the individual had a registered place of residence in that residential property for two years before sale, or if less, the income received was invested to acquire a new residential property within one year.

Tax loss in a rented apartment may be carried forward if incurred as a result of a registered individual activity (leasing).

New residential properties are subject to VAT at 21%.

A state-owned company Busto Paskolu Draudimas UAB (housing mortgage insurance) cooperates with commercial banks and offers insurance of residential property credit. Individuals purchasing such insurance may obtain more favourable credit conditions.

In addition, individuals qualifying for state support for the acquisition of residential property may apply for a housing mortgage subsidy.

Malta

Properties are generally subject to capital gains tax, with one exemption: the sale of one's own residence in which the seller has lived for at least three years.

Tax loss in a rented apartment may not be carried forward to be deducted against future rental income and neither can it be deducted from other taxable income accruing in the same year.

The sale of residential properties whether new or used is not subject to VAT, whilst construction services are subject to the standard 18% VAT rate.

Netherlands

Mortgage interest deductibility is possible from taxable income, so it can be offset against income tax rate of 33.5% to 52%, if the house is used as the applicant's own house.

Properties are generally subject to capital gains tax, with one exemption: sale of own residence.

Rent costs for a rented apartment are not tax deductible from the taxable income.

New residential properties are a subject to VAT. The rate is 19%.

The Mortgage Guarantee Fund for Homeownership (MGFH) in the Netherlands is a nonprofit private foundation established in 1995. The guarantee structure means that financial risks dedicated to mortgage loans have been transferred to the MGFH. In this way the foundation is acting as surety, pursuant to deeds of surety between the fund and participating financiers. The deeds of surety serve to secure the payment of claims when a consumer is, through no fault of their own, not capable of fulfilling their loan obligations to the lender. Another consumer's benefit is laid in the lower than market interest rate for guaranteed loans due to the risk transfer. The guarantee is temporarily (until January 2011) limited for loans aimed at purchasing an existing or newly-built own house to EUR 350,000. As from 2011, the limit is EUR 265,000. To obtain the MGFH the lender is obliged to pay 0.45% of the mortgage.

Poland

Properties are generally subject to capital gains tax, with one exemption: sale of real estate after five years from the date of its purchase. If not, the tax rate is differenced at 10 or 19% due to the date of the purchase. The revenue may be tax exempt if is used for housing purposes (due to the date of purchase and under some circumstances).

Supply, development or modernizing of buildings or parts thereof included in the social housing program is taxed by a reduced VAT rate of 7 %. From 1 January 2011 certain restrictions will be imposed (due to the implementation of the EU Directive 112), namely, the above reduced rate will not be applicable to flats with area exceeding 150m² and houses exceeding 300m² with respect to the part exceeding that threshold area.

The Mortgage Guarantee Fund has been introduced as part of the anti-crisis package by the Polish government. It is supposed to support individuals who lost their job (or closed their individual business activity) between 1 July 2008 and 31 December 2010 and who as a result are not able to pay mortgage payments for their only domicile. The fund helps to pay the mortgage rate for the period up to 12 months and of the maximum value up to PLN 1,200 (approx. EUR 290) per month. Such help is regarded as an interest-free loan and has to be returned within 10 years.

Portugal

Mortgage interest deductibility is possible: 30% tax credit upon expenses incurred with housing located in Portugal or in another EU Member State or in the Economic Area (in this last situation, provided an exchange of information between the tax authorities exists), with a cap of EUR 586 (for 2009 tax year). There is a rule for capital gains tax and tax loss in Portugal:

- 50% of the positive annual net balance between capital gains and capital losses regarding real estate is subject to taxation at rates that vary between 10.5% and 42% (marginal PIT rates).
- 50% of the negative annual net balance between capital gains and capital losses regarding real estate can be carried forward within the five years following its computation. The deduction can only be made to this type of income (net worth increases).

Residential properties are VAT exempt. Taking into consideration that the acquisition of real estate property is liable to Municipal Property Transfer Tax, no VAT is due upon such acquisitions (unless the acquirer is a VAT taxpayer and opts to taxation, provided that certain conditions are met).

In Portugal, specific support (tax relief) is provided to Real Estate Investment Funds (REIFs).

The Budget Law for 2009 introduced a specific regime authorizing the creation of funds for residential letting purposes (funds for sale and lease back operations on permanent homes). Such funds can buy the houses from people in debt, giving them the option to rent the house back during a previously agreed period of time, as well as the possibility to buy it back after such time elapses.

Romania

Residential properties are generally subject to capital gains tax at 16%.

Residential properties are generally subject to VAT at 19%. There is also a 5% reduced rate for specific housing.

The First House Project in Romania is where the state offers an additional guarantee to the lending bank up to EUR 60,000. The guaranteed loans are the loans for acquisition of dwelling units by families/ individuals who have never owned a property before. This only applies to borrowers who entered into loans and mortgages as part of this project.

Slovak Republic

New dwellings are subject to capital gains tax with two exemptions:

- the individual seller had his permanent residence therein for at least two years preceding the sale; and
- the individual seller owns a dwelling for at least five years from the acquisition of such real estate.

The VAT rate for residential properties is 19%. Purchasing of a flat is VAT exempt provided that the supply is made five years after the first colaudation (i.e. approval for the use) of the building; a taxpayer may decide not to apply for the exemption.

EU 27: Country profiles

Slovenia

Dwellings are subject to capital gains tax. The tax rate is 20%, which is further reduced by 5% for each five-year holding period. Therefore, capital gains will be exempt after a 20-year holding period. According to Slovenian Personal Income Tax Act, capital gains from sale of own housing is exempt, if the taxpayer has his permanent residence there for at least three years prior to disposal of property.

All real property transactions are subject to Real Property Transaction Tax at the rate of 2%.

A new building or parts of a new building and land where a building is built is subject to reduced VAT. The reduced rate is 8.5%. Starting 1.1.2011, VAT rate for new housing larger than 120m² and single houses larger than 250 m² will be 20%. Smaller dwellings will be taxed at a reduced rate of 8.5% as part of social policy.

Other support: authorities regularly publish public tenders for different kinds of subsidies for buying or building new homes (e.g. for young families, subject to certain conditions).

The Mortgage Guarantee Fund was introduced by the Ministry of Finance in 2009. It is supposed to help Slovene citizens and foreigners with a permanent residency / residency permit in Slovenia with an income up to 1.5 times of average income. The fund pays annuities in case an individual cannot pay the mortgage payments. The tax authority claims back the granted subsidy within two years. The fund is granted only for new mortgage loans obtained before 31 December 2010 and is applicable for mortgage loans from EUR 5,000 to EUR 100,000.

Spain

Mortgage interest deductibility is possible in Spain. The buyer could apply a deduction on the Personal Income Tax (PIT) quote of 15% of all financial expenses with a maximum of EUR 9,015 if the house is their main residence.

Capital gains tax is applicable in cases of transfer only. The tax rate is 18%.

Residential properties are generally a subject to reduced VAT of 7%. VAT rates will change from July 2010, the new reduce VAT rate will be 8%.

Sweden

For private individuals the interest is fully deductible against capital income. Deduction is made against earnings if no capital income is earned. Deduction against earnings is made by 30% on interest up to SEK 100,000 and by 14% on interest above SEK 100,000.

Dwellings are subject to capital gains tax. Capital gains for private individuals are taxed at 30% of 22/30 of the capital gain i.e. the effective tax rate is 22%. Other support: expenses for maintenance and repair of houses and apartments owned by private individuals can, under certain conditions, be tax deducted (max. SEK 50,000 / owner and year).

United Kingdom

The sale of residential property by an individual is generally exempt (where the sale of property is the individual's only or principal private residence).

Tax loss in a rented apartment is applicable. If an individual owns and lets several properties, they can offset losses from one against profits from another. If there is an overall property business loss these losses are carried forward against future property business income. In specific cases the proportion of losses incurred which is attributable to capital expenditure (expenditure on fixed assets) can be offset against certain types of other personal income. Newly-constructed dwellings in the UK are tax exempt.

Other support: assistance is provided to those that have difficulty purchasing a residential property on their own. 'Right to buy' assistance is given to key workers (people who work in certain public sector jobs with a household income under EUR 66,000). 'Right to acquire' assistance is given to tenants of council/housing association housing. Assistance can take the form of part equity purchases (where the individual is allowed to purchase a proportion of a property, and pay rent on the rest) or discounts on the price of a property.

The Mortgage Guarantee Fund in the UK, called the Homeowners Mortgage Support (HMS), is designed to help mortgage-holders who experience temporary and unexpected drops in income. It is not mandatory for mortgage providers to take part in the HMS. The scheme works by delaying some of the monthly interest due on the mortgage for up to two years. No amounts are written off, and the maximum amount of interest that can be deferred is 70% of the normal interest due.

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