

# ***Boom-Bust-Boom***

## Could better housing taxation help us?

Jens Lundsgaard, 15. May 2018

Nordic Tax Research Council Conference 2018

**Bostadsbeskattning och finansiell stabilitet**

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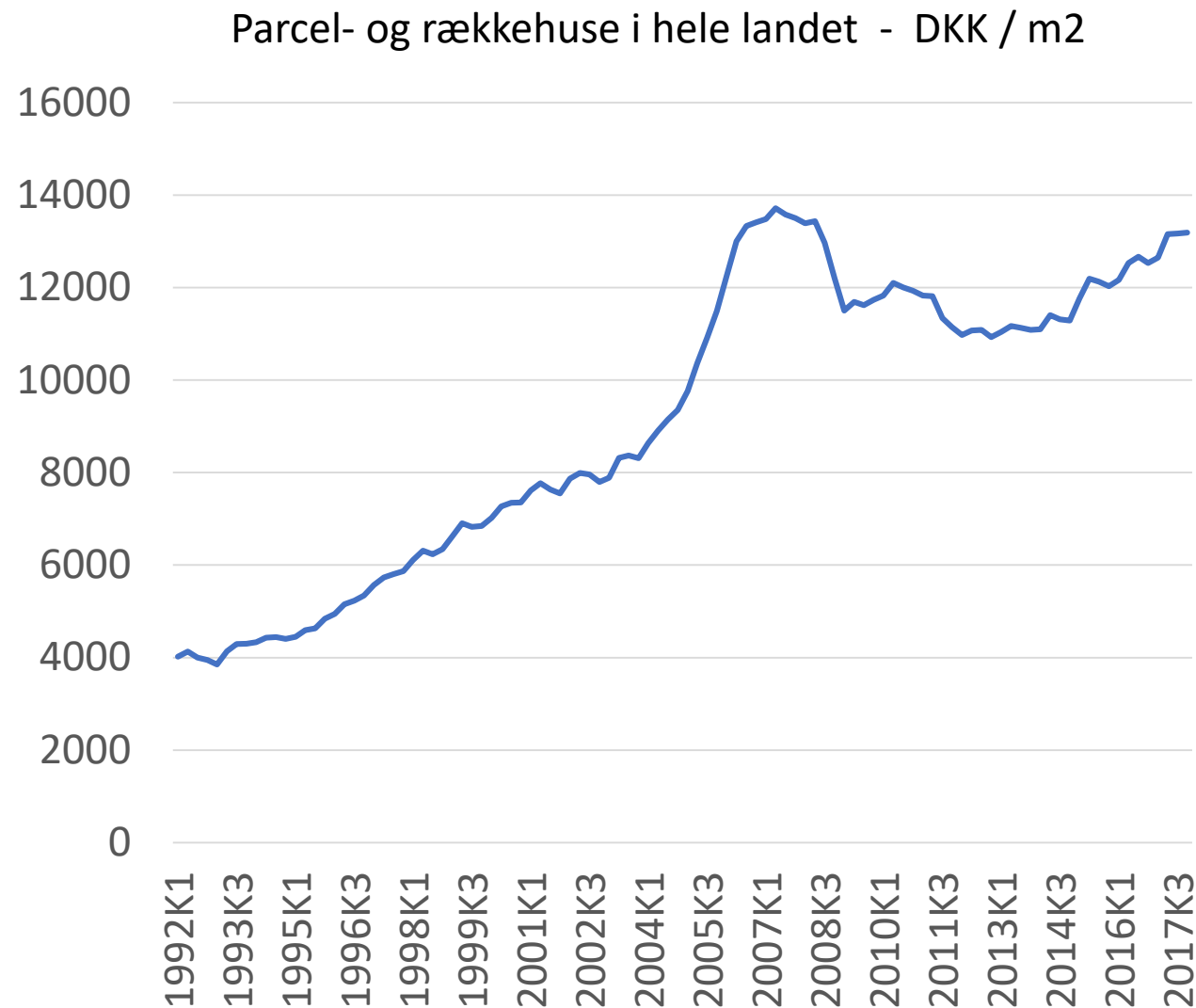




Have house prices gone mad ?

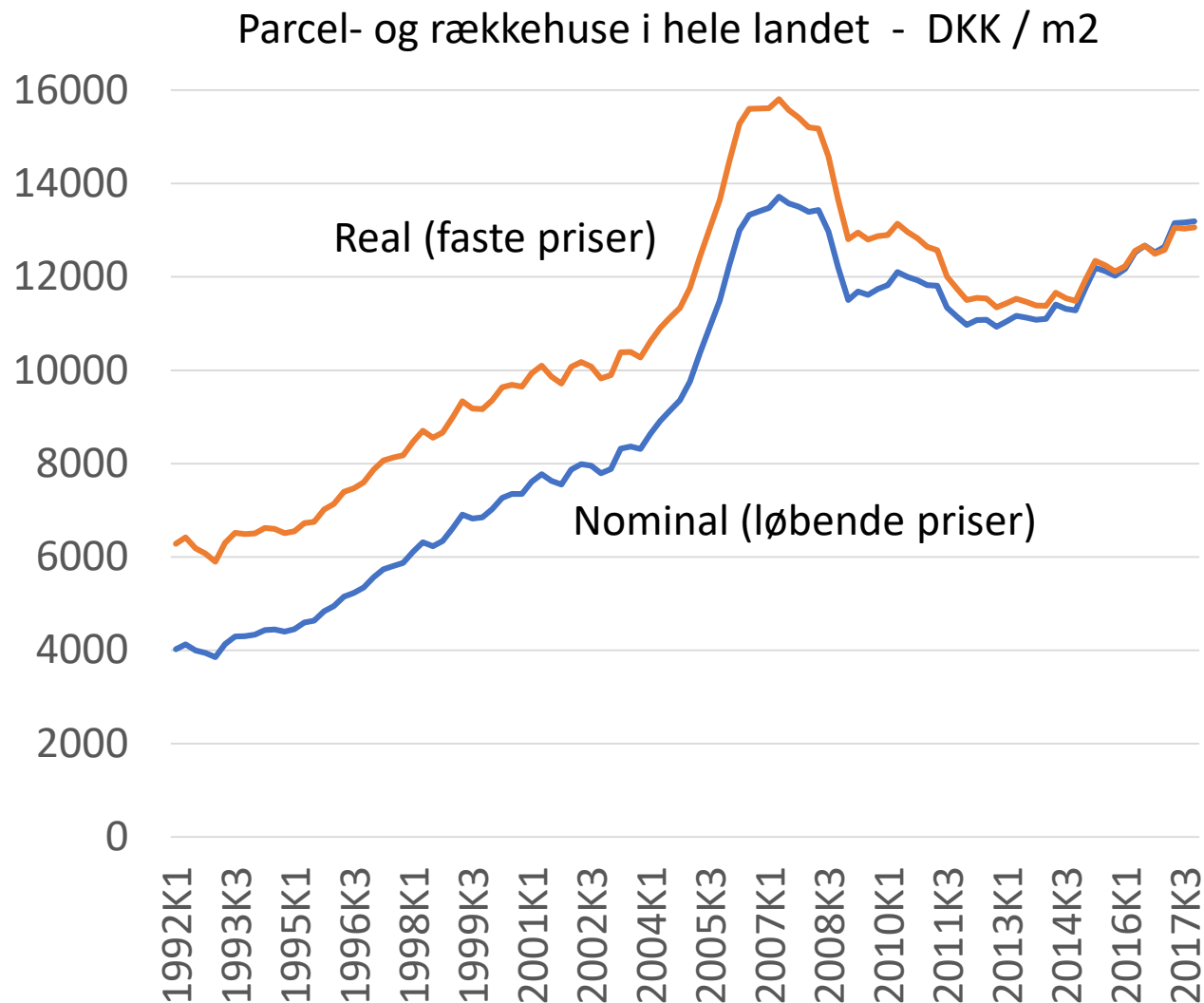
# Denmark

- House prices have risen over past 25 years - with boom 2005-7



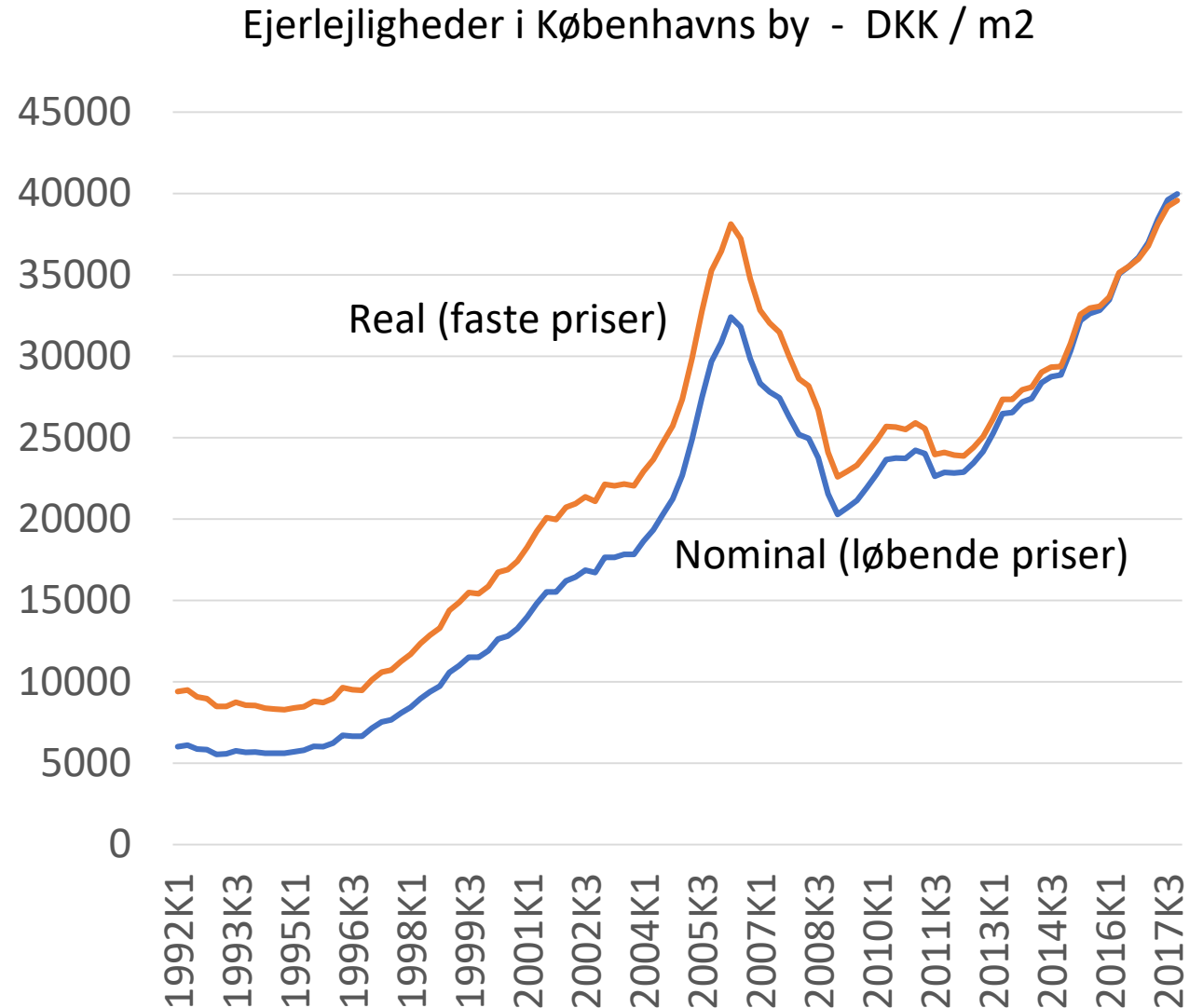
# Denmark

- House prices have risen over past 25 years
  - with boom 2005-7
- Drivers:
  - higher incomes
  - lower borrowing costs
  - bubbles?
  - taxation?

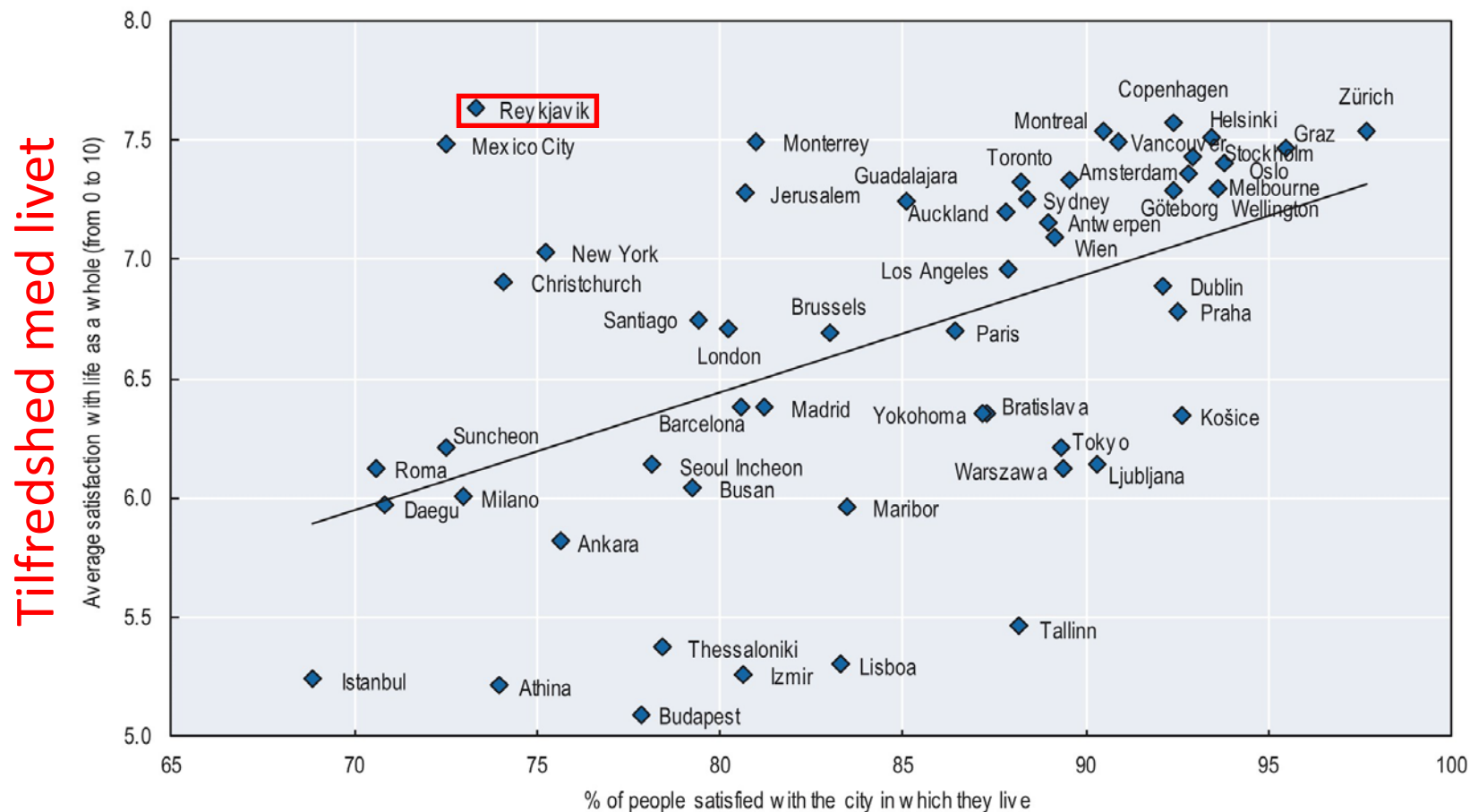


# Denmark

- Prices have risen much more in Copenhagen
- Additional drivers:
  - agglomeration=growth
  - taste for inner city life
  - bubbles?
  - taxation?



# People love cities of 1-4 million



Tilfredshed med byen, de bor i

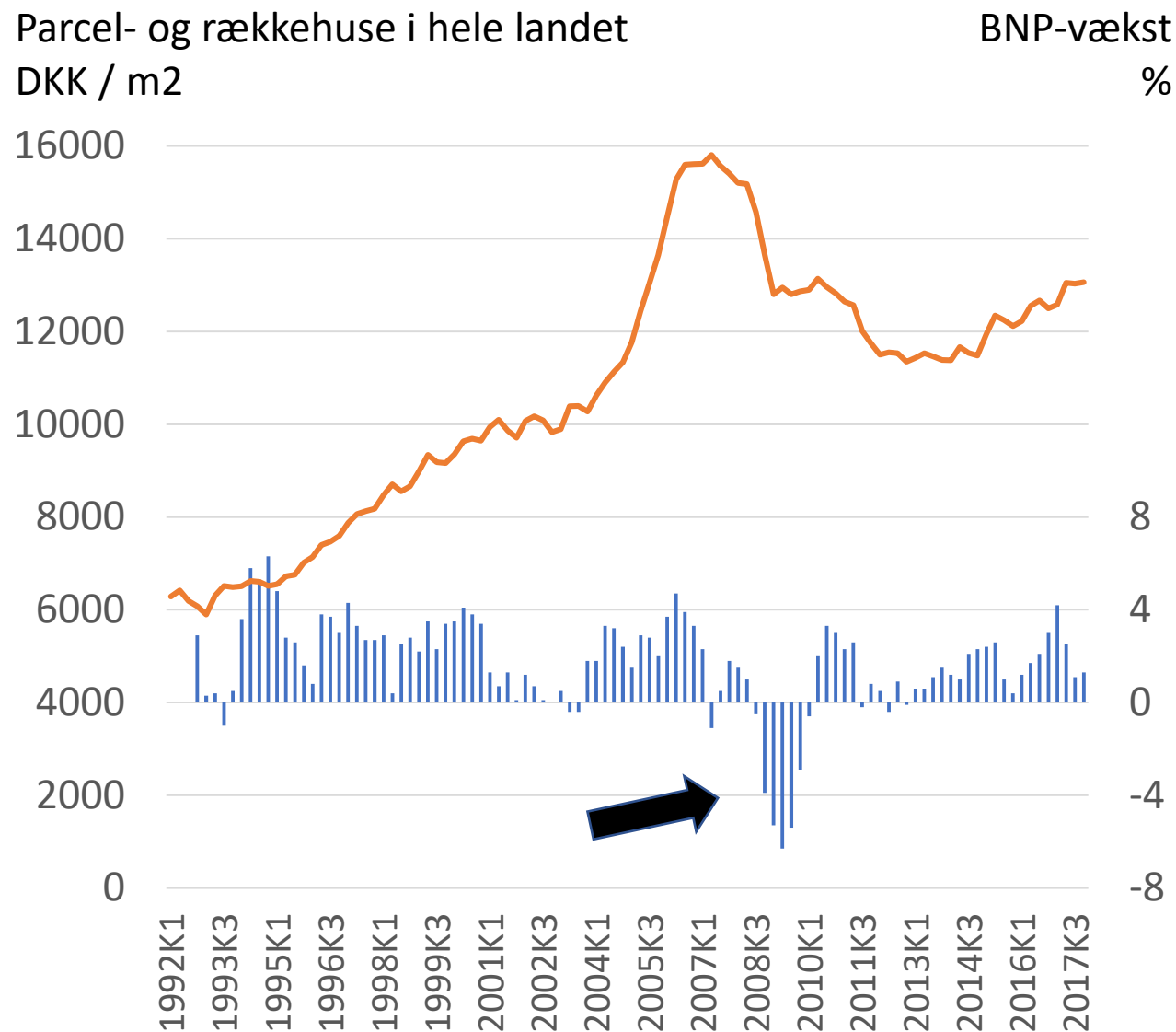




A macro economic or a "Piketty" crisis ?

# Denmark

- The boom 2005-7 made the economy more vulnerable during the global financial crisis



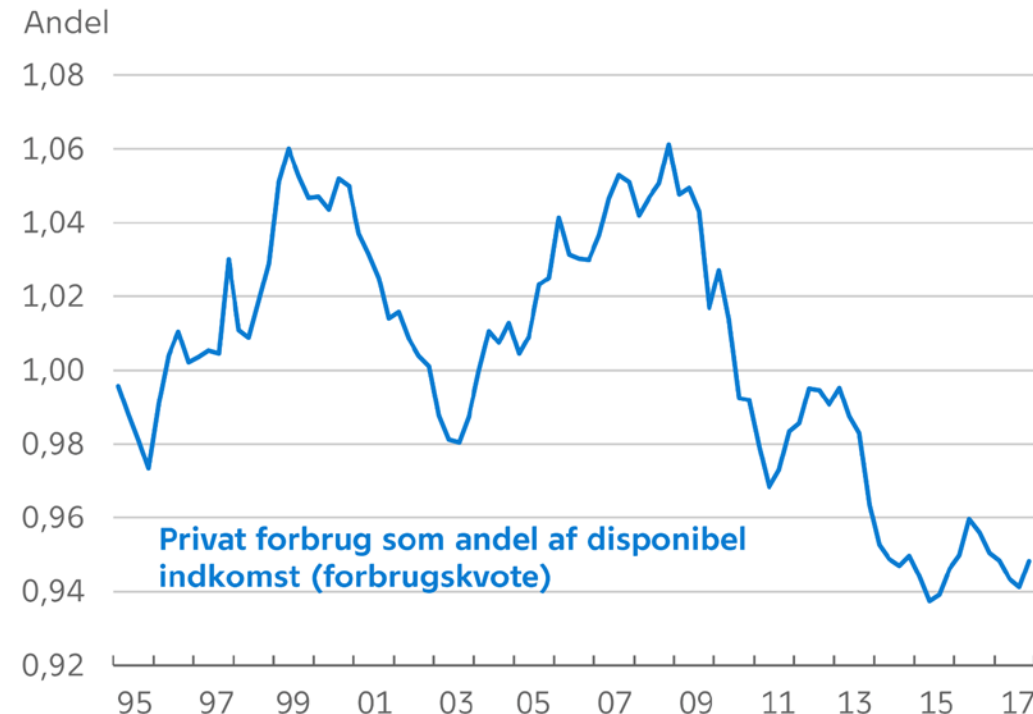


# Denmark

- Households have had to consolidate

## Husholdningerne er tilbageholdende

Figur 9



Anm.: Forbrugskvoten er opgjort som et gennemsnit over det pågældende og tre tidligere kvartaler. Forbrugskvoten er forbrug over disponibel indkomst, hvor disponibel indkomst er korrigeret for omlægning af kapitalpensioner og LD-opsparing i 2013-15.

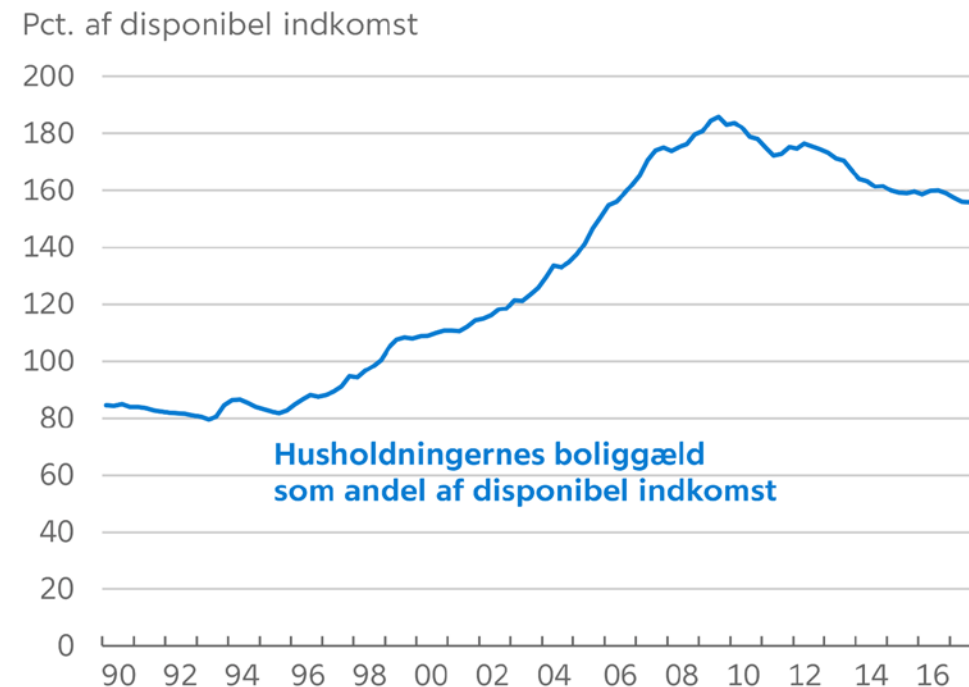
Kilde: Danmarks Statistik og egne beregninger.

# Denmark

- Households still have high debt and some could be vulnerable
  - if interest rates rise
  - if their income falls

## Husholdningernes gæld er stadig høj trods flere års konsolidering

Figur 10



Anm.: Disponibel indkomst (4 kvartalers glidende gennemsnit) er i beregningen korrigeret for omlægning af kapitalpensioner og LD-opsparing i 2013-15.

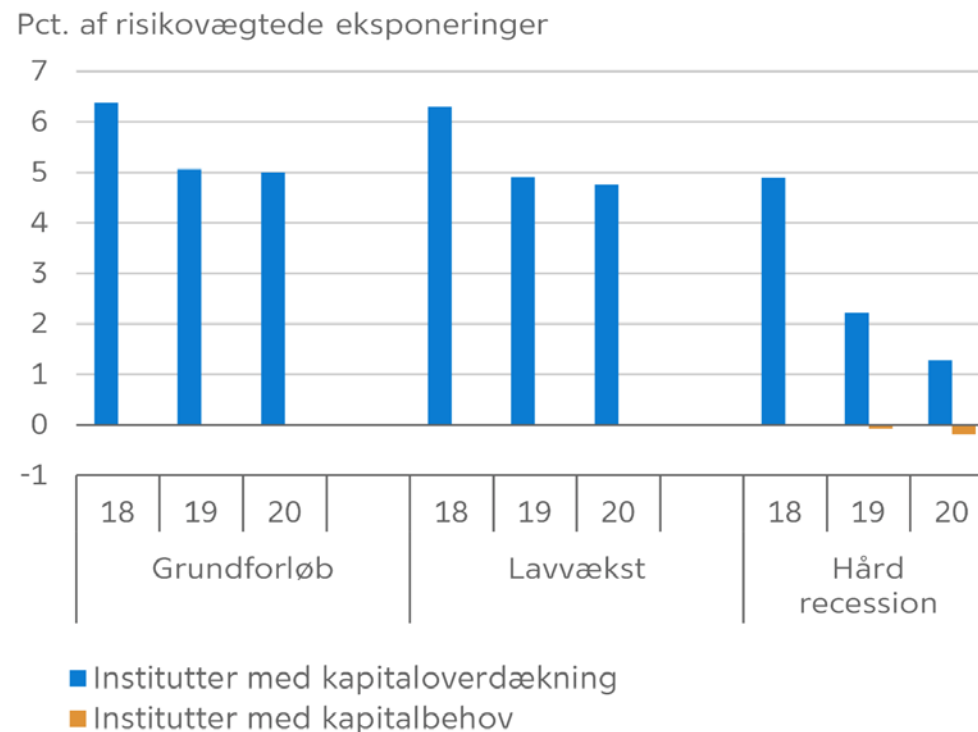
Kilde: Danmarks Statistik og egne beregninger.

# Denmark

- Yet, systemically important financial institutions are robust

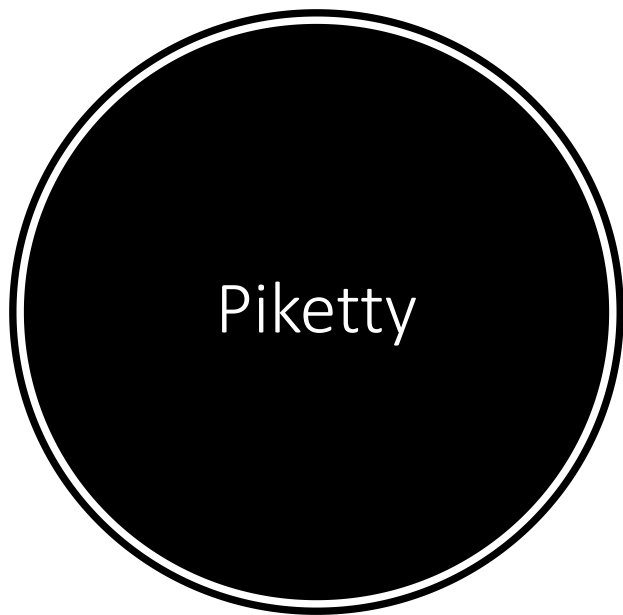
## SIFI'erne er tæt på bufferkrav

Figur 1



Anm.: Figuren viser, hvor meget kapital, målt som en procentdel af de risikovægtede aktiver, SIFI'erne samlet set enten har i overskud eller underskud i forhold til kapitalkravet inklusive buffere.

Kilde: Finanstilsynet og egne beregninger.



House price increases explain  
a large fraction of Danish  
wealth differences

Piketty



***Risen*** from **1,7** mill. DKK in 2011  
to **3,0** mill. DKK in 2018



***Fallen*** from **1,2** mill. DKK in 2011  
to **1,1** mill. DKK in 2018



Could better housing taxation help us?

# OECD Economic Survey of Sweden 2007

**Table 4.3. The real estate tax rate for owner-occupied housing that would be neutral vis-à-vis alternative financial investment**

Per cent

Capital tax considered for neutrality	Nominal tax rate	Real tax rate <sup>1</sup>	Nominal interest rate <sup>2</sup>			
			1990-99 average 9.2	Benchmark 5.0	2000-06 average 4.6	
Tax on positive capital income from investment held outside pension funds	30	50	2.8	(3.7)	1.5	(1.8)
Tax deductibility of interest expenses						
Tax deductibility of interest expenses if negative net capital income exceeds SEK 100 000	21	35	1.9	(2.6)	1.1	(1.4)
Pension saving schemes	15	25	1.4	(1.8)	0.8	(1.0)
Average across all current home owners						
Marginal capital tax rate <sup>3</sup>	25.1	41.9		1.3	(1.7)	
Average capital tax rate <sup>4</sup>	26.2	43.6		1.3	(1.7)	

Note: Numbers in brackets indicate what the real estate tax rate needs to be in order to imply full neutrality when taking into account that property assessment values are systematically 25% below market values.

# Housing taxes dampen price swings

**Table 1. Property taxation dampens house price developments**

a) Changes in house price *volatility* and changes in the property tax-to-GDP ratio

Period: 1965-2012	Reaction of house price volatility to ...			
<b>Property-tax-to-GDP ratio</b>	<b>-0.033**</b>	<b>-0.040**</b>	<b>-0.009*</b>	<b>-0.010*</b>
Volatility of output gap	0.008**			
Volatility of changes in output gap		0.005**		
Volatility of real growth			0.867**	
Volatility of changes in real growth				0.353**



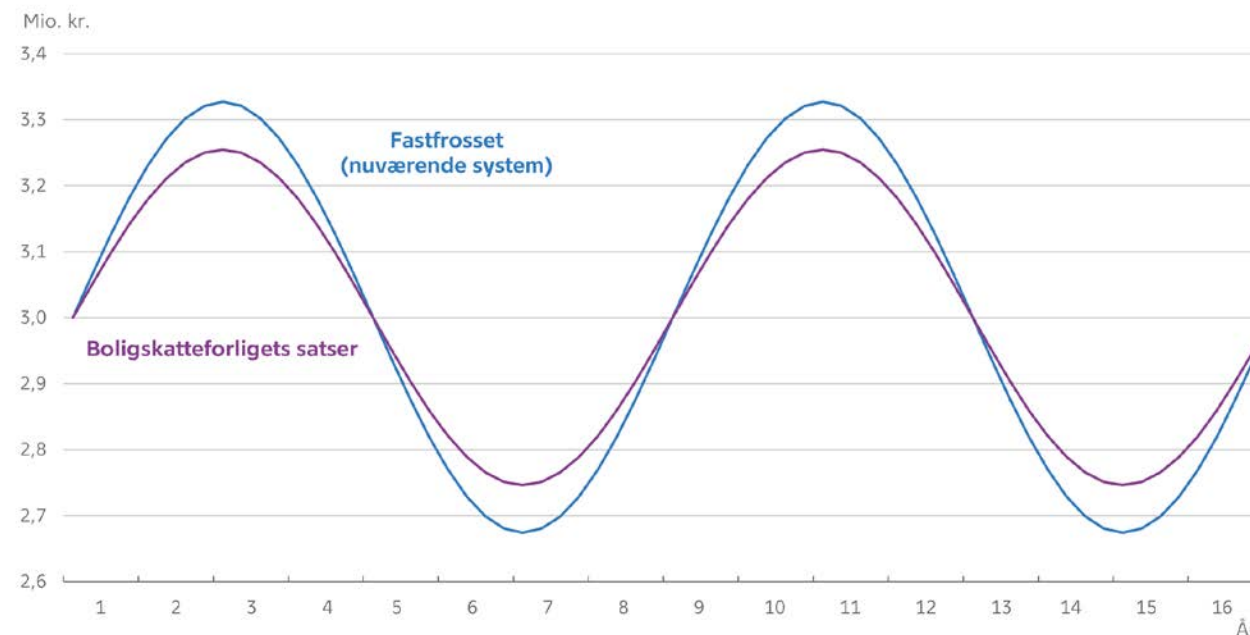
# Denmark

Reform being implemented:

- Up-to-date valuations (base)
- Reduced tax rate (0,55%)
- Permanent fixed rebate until sale if tax would rise now
- Deferred payment of any later tax increase (until sale)

Boligskatteaftalen dæmper udsving i boligpriserne

Figur 1



Anm.: Udgangspunktet er et hus til 3 mio. kr. med en grundværdi på 300.000 kr. Grundskyldssatsen er landsgennemsnittet. Der er fratrasket 20 pct. fra vurderingen ved beregninger på forliget. Cyklen er matchet standardafvigelsen i prisstigningstakterne på enfamiliehuse over perioden 2002-15 og har en periode på 32 kvartaler. Beregningerne forudsætter, at ændringerne i boligskatterne kapitaliseres fuldt ud i priserne, hvilket vil sige, at der ikke er nogen tilpasning i boligmassen, og at boligudgifterne for boligkøberne er fastholdt.

Kilde: Egne beregninger.



# BLOXHUB

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*- is something we can shape*

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