Property Transfer Tax reform – a game changer for energy efficiency retrofits?

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<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authority, environmental and other search fees</td>
<td>265.72</td>
</tr>
<tr>
<td>Inland Revenue stamp duty</td>
<td>11,100.00</td>
</tr>
<tr>
<td>Land Registry fee</td>
<td>135.00</td>
</tr>
<tr>
<td>Bower &amp; Bailey legal fees &amp; disbursements per VAT</td>
<td>967.00</td>
</tr>
<tr>
<td>invoice annexed</td>
<td></td>
</tr>
</tbody>
</table>
OTHER BENEFITS

The property also benefits from:

- Gas Central Heating
- Redcot Intruder Alarm

• Original single glazed sash windows unless stated
Options for using property transfer taxes (PTT) as an incentive for energy efficiency
Design options of a PTT-based incentive

**Option 1**: PTT readjusted so that more efficient properties pay a lower PTT and less efficient properties attract a higher PTT

**Option 2**: rebate for those properties where energy efficiency improvements are being made after purchase of the property (say within 6 months)
Fictitious illustration of energy performance-based PTT differentiation

<table>
<thead>
<tr>
<th>Value of the property</th>
<th>€300,000</th>
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</thead>
<tbody>
<tr>
<td><strong>Energy performance (Energy Performance Certificate rating and kWh/m²)</strong></td>
<td></td>
</tr>
<tr>
<td>A (40 kWh/m²)</td>
<td></td>
</tr>
<tr>
<td>D (100 kWh/m²)</td>
<td></td>
</tr>
<tr>
<td>G (200 kWh/m²)</td>
<td></td>
</tr>
<tr>
<td><strong>Current PTT of 4%</strong></td>
<td>€12,000</td>
</tr>
<tr>
<td>-60%</td>
<td></td>
</tr>
<tr>
<td><strong>Change in PTT</strong></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>+60%</td>
<td></td>
</tr>
<tr>
<td><strong>PTT after adjustment</strong></td>
<td>€4,800</td>
</tr>
<tr>
<td>€12,000</td>
<td>€19,200</td>
</tr>
</tbody>
</table>
Potential reach using UK example
Number and size of PTT reduction/ rebates under different scenarios

Source: authors’ calculations based on HMRC (2015a, 2015b)
Distribution of potential energy efficiency improvements for a 25% PTT incentive (only measures fully fundable)

Potential impact on house prices in the UK

Source: based on Fuerst et al. (2013)
Implementation issues
Implementation issues

• relatively small number of property transactions compared to the housing stock (~4.5% in the UK and 2% in Germany)
• limited potential to fund high-cost measures
• reliability of energy performance benchmarks poor
• social equity issues if not carefully considered
• legal barriers
• fiscal barriers
• potential for fraud
Conclusions
Conclusions

1) Potentially instrument with transformative impact on how energy efficiency is considered by homeowners
2) Reach is limited by number of transactions, tax volume and uptake rate
3) Rebate option easier but less transformative
4) Multiple implementation issues to consider
4 bedroom end of terrace house for sale
Iffley Fields, Oxford

Guide price
£1,500,000

Benefits
* 65% less stamp duty to pay
* Super insulated for warm winters and cool summers
* No drafts or cold surfaces
* Improved air quality
* Outperforms UK building regulations
* Low energy LED lighting
* Minimal heating requirements due to super-efficient building envelope and insulation.
About RAP

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- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

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