REPORT HOUSING

# How tax reform would make rent controls feasible to deliver

This first report from our Ending the Rent Squeeze programme shows combining rent control and tax reform is an impactful, viable way of bringing down rent costs.

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# Executive summary

The living standards of private renters have been squeezed by rents that are high, relative to incomes, for the past 15–20 years, with recent steep rental inflation only compounding this pressure. High rents weigh heavily on living standards and are driving insecurity, poverty and homelessness.

There is broad agreement that action is needed to bring rents down, and the current Government has taken bold steps to increase housing supply, with the aim of pushing down house prices and rents. These steps — which include reforms to the planning system, reintroducing housing targets, and a new Social and Affordable Homes Programme — are both necessary and welcome. But action at this scale has limited impact on rents in the short term, a situation exacerbated by current market conditions which make it particularly hard to increase supply over this parliament.

Even if the Government comes close to meeting its target of 1.5 million homes over the course of the parliament, analysis from the Office for Budget Responsibility (OBR) estimates that rents will continue to absorb all average wage growth until at least the end of the decade — meaning no improvement in affordability.

It is unsurprising, then, that rent controls have become a more prominent part of the policy debate. Capping rents could have a rapid and significant impact on them, with our analysis showing that were rent increases capped at the Consumer Price Index (CPI) within tenancies, and CPI + 2% between tenancies, from 2025/26, renting

households would be an average of almost £1,200 per year better off by 2030/31.

Rent caps are, however, contentious, owing largely to concerns that constraining landlord income would either lead to a sell-off of homes — potentially reducing rental supply, at least for those with the least buying power — and/or reducing investment in the existing stock, worsening housing quality.

Whether this is the case rests on whether landlords are making supernormal profits (profit that exceeds the minimum needed for them to keep operating as landlords). If they are, returns could be reduced without significantly inducing a sell-off or rendering investment in the existing stock unviable. New analysis of landlord returns conducted by the Autonomy Institute for JRF answers this question for the first time.

The analysis shows that the sector has generally been characterised by landlords making supernormal rates of return: even in the most recent period, a strong majority have made rates of return on their rental investments that exceed both economy-wide returns from comparable investments and rates of return in the broader real-estate sector.

We argue that the high level of returns generally available to landlords warrant intervention on rents — both to make rents more affordable for renters, and to curb the excessive returns landlords are currently able to make and the distortive effects they have on the housing market and wider economy — at least while supply catches up.

This needs to happen at a manageable pace, however, to avoid a sharp shock to the availability of rental homes for those unable to move rapidly into owner-occupation as landlords sell up. This can be partly addressed by improving the rental tax system — which is inefficient and not well-targeted at the landlords making the largest profits.

The lack of full mortgage interest tax relief, combined with sharply higher interest rates since 2022, inefficiently pushes some landlords towards incorporation and puts downward pressure on the returns of highly leveraged landlords. Failure to charge National Insurance Contributions meanwhile means that rental income attracts a lower effective tax rate than earned income, meaning that some landlords making large returns are relatively lightly taxed.

JRF modelling shows that by reinstating mortgage interest relief, and applying National Insurance Contributions (NICs) to rental income, the impact of a rent control on landlords who are squeezed by their mortgages can be effectively mitigated. The combination of tax reform and a biting rent control would see fewer landlords making a negative return on their rental income by 2030 than is projected to be the case under current tax arrangements and no controls on rents, while reducing rents by as much as £1,200 a year on average. Our tax reforms would also have the added benefit of rebalancing the tax burden away from landlords making slimmer profits, and towards those making larger ones.

We believe this offers a model of rent control which both delivers meaningfully improved affordability for renters, while mitigating unwanted consequences

elsewhere in the housing market.

# 1. High housing costs squeeze renters' living standards — government levers are limited

For the past 15-20 years, private renters have been experiencing persistently high rent costs relative to their incomes. Long-term data show that rents increased significantly as a proportion of incomes during the 1980s and early 1990s, following the deregulation of private rents and the introduction of Assured Shorthold Tenancies, and again in the late 2000s following the Global Financial Crisis (Mulheirn et al., 2023). Since then, rents have grown broadly in line with wages, maintaining rent-to-income ratios at around one third on average. In 2024-25, private renters spent an average of 34% of their household incomes on rent, far higher than those with mortgages (19%) and those in social housing (28%) (MHCLG, 2025).

**Figure 1: Rents as a share of incomes increased substantially since the late 1970s, remaining at around 30% after the 2007 Global Financial Crisis**

Actual rents as a % of household income, private renters, UK

Source: Household affordability since 1979: determinants and solutions, TBI and JRF, 2023

Over the same period, the share of households paying these high rents has grown. As the stock of social housing was steadily depleted following the introduction of Right to Buy in 1980, and soaring house prices throughout the 1990s and early 2000s priced increasing numbers out of homeownership, more households had to make their home in the private rented sector (PRS). Over the 2 decades to 2020, the proportion of all households living in the PRS increased by 2.7 million homes, from 11% to 19% of the total housing stock — meaning almost 1 in 5 households in the UK now rent privately

(Baxter et al., 2022). This includes a significantly higher proportion of lower-income households than historically lived in the PRS: in 1994/95, 40% of households on low incomes (bottom 2 quintiles of the income distribution) lived in social housing, with 12% living in the PRS. By 2023/24 this had changed to only 26% of low-income households in social housing and 20% living in the PRS.[1]

The number of children and older people living in the sector has also increased significantly. Just under a quarter of all children now live in the PRS, up from 8% in 2000 (DWP, 2025); meanwhile the number of people aged over 65 living in the sector is forecast to increase from 500,000 in 2022 to over 2 million by 2040 (Independent Age, 2024).

This longer-term view of affordability pressures in the PRS is key to understanding why the very steep rent inflation of the past few years hit renters so hard. Though average rent-to-income ratios in 2024/25 sat at broadly the same level they have for the past 15 years — owing to the fact that the steep rent increases across 2023 and 2024 followed a period of high wage growth following the Covid-19 pandemic – this nonetheless means that renters have seen little to no growth in their disposable income during a period where other essential costs like food and energy have also increased significantly (Blower et al., 2026). The permanent squeeze on renters' disposable incomes from rents taking up a persistently high proportion of incomes, in other words, leaves them much more exposed to the impacts of other essentials spiking in price.

It's not surprising, then, that polling conducted for JRF by More in Common found that renters are more likely than mortgagors to not have any financial buffer left at the end of each month, and more likely to not be putting anything away as savings.[2] Nor is it surprising that renters spending a third or more of their incomes on rent are significantly more likely to experience material deprivation, and be in after-housing-costs poverty, than those spending a lower proportion of their incomes on rent (Blower et al., 2026).

The Office for Budgetary Responsibility (OBR) forecasts that private rents will continue to increase at the same rate as wages until the end of the decade (OBR, 2026). For renters, this means more of the same: rent continuing to take up a significant proportion of their incomes and eating into any much-needed growth in wages, making it harder to absorb unexpected increases to other bills, make progress on saving a deposit to buy their own home, put money aside to weather emergencies, or spend in their local economies.

This affordability pressure has rightfully focussed attention on how to address the high cost of rents households face. But to date, policy has found it difficult to make sufficient inroads into dealing with this issue.

## Benefits crucial for low-income households, but won't solve rent affordability

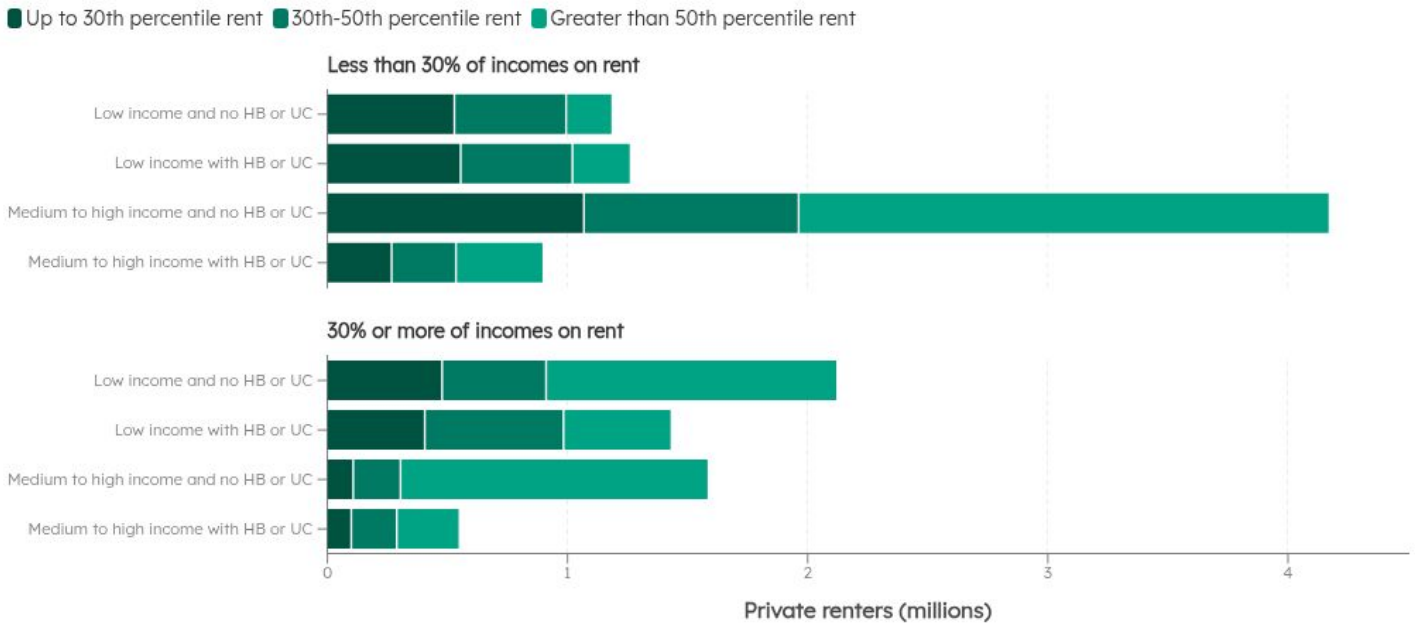
A principal lever for addressing high housing costs is through the social security system, with help with housing costs for low-income households being available

through Universal Credit (UC) and Housing Benefit (HB). These schemes have a vital role to play in supporting those who would otherwise be unable to afford the cost of renting privately — but on their own, they are inadequate for solving the problem of rent affordability pressures in the round, for 2 distinct reasons.

The first reason is that the way these schemes are designed and delivered means they often don't offer the low-income households they are intended to support an adequate level of subsidy. UC and HB levels are set using Local Housing Allowance (LHA) rates, which are set at the 30th percentile of rents for properties of a certain size in a specific area. But we estimate that around 1 million households currently receiving UC or HB for their housing costs live in properties with rents >30th percentile of rents for similar properties in their area. This means the level of support they receive is less than the actual rent cost they need to pay to access housing in their area, leaving them to cover the difference from other income (which, for families who rely on Universal Credit to cover their living costs, may already be inadequate) (Blower et al., 2026). The benefit cap constrains this support even further, particularly in high-cost areas.

**Figure 2: A large number of low-income private renters spending 30% or more of incomes on rents receive no help through HB or UC towards housing costs**

Numbers of private renters by levels of incomes, receipt of Universal Credit (UC) or Housing Benefit (HB), share of incomes spent on rents and position on the rental distribution




Source: JRF analysis of HBAI 2023/24 • Renters are positioned on the rent distribution controlling for bedroom size and region. We do not account for actual bedroom entitlement levels under Local Housing Allowance (LHA) rules. Low income are those in the bottom 40% of equivalized before housing costs household incomes, and medium to high incomes are the top 60%. The rent to income ratio here is before housing benefits are accounted for. FRS is known to under count benefit receipt. Future releases of the FRS will seek to rectify this.

Moreover, although LHA rates are supposed to be set at the 30th percentile of local rents, the trend amongst recent governments has been to periodically freeze the rate rather than uprating it every year to reflect current market rents — largely in response to worries about the growing and unpredictable cost of the benefit owing to high and uncontrolled private rents. This means that even for households whose rent is ≤30th percentile of local rents when they first move into a property, the support

they receive through UC or HB will erode over time if their rent increases and LHA is not uprated.[3]

Beyond issues with the adequacy of the support delivered to low-income households, the second reason to look beyond the benefit system for solutions to unaffordable PRS rents is that the impacts of high rent costs are felt much further up the income distribution that the benefit system is intended to target. Particularly in high-demand rental markets — London, other major cities and areas with high numbers of commuters — average rents are taking up more than 30% of the incomes of renters on median incomes (ONS, 2025).

Though the impacts are less acute than for those on lower-incomes, for this group rent costs are nonetheless a source of downward pressure on living standards, holding them back from getting on the housing ladder, starting a family, or building up their longer-term financial security — all of which have societal impacts beyond the significant number of households immediately affected.

This doesn't mean that improving the level of support delivered through UC and HB is not important; ensuring that the help available through the benefit system is adequate to the costs faced by households is key to having an effective safety net. But it does mean that we can't look to the benefit system to turn the dial on the problem of PRS affordability on its own.

## Action on drivers of high rents is key, but can't be delivered quickly

The second lever government has to address the cost of rent is through the supply of new homes. Structurally, high rent costs relative to incomes — and indeed, high house prices relative to incomes — stem from an imbalance between the supply of and demand for housing.

A combination of widening access to mortgage credit, a period of extremely low interest rates, population increases and changes in the way we consume housing have all increased the demand for housing space, while the elasticity of housing supply has remained low owing to the restrictiveness of the planning system, the structure of the development market, and low investment in public housebuilding in recent decades. This has in turn driven up prices: between the first quarter of 1996 and the final quarter of 2007, average house prices increased by more than 170% in real terms (Savills, 2022).

This imbalance has underpinned the dependable gains homeowners have seen in the value of their properties — and these gains, in turn, were the backdrop to the substantial expansion of the private rented sector during the 2000s and 2010s. The ability to charge rent on an asset that dependably appreciated in value made investing in becoming a landlord particularly attractive. Access to Buy-to-Let lending, with the ability to borrow against rental income, encouraged small-scale, amateur investors to buy up and rent out existing homes.

Renters are on the other side of this coin. Renting households who do not qualify for a home in the depleted social rent sector, and for whom homeownership is out of reach, are stuck having to pay a stubbornly high proportion of their incomes to rent access to somewhere to live, from those who have been able to acquire homes as investment assets and benefit from returns on those investments in the form of capital gains and rental income.

Government is already taking steps to address the supply side of this issue, making this a central part of their electoral offer and economic and housing strategies. They have set a target of delivering 1.5 million homes across the course of the parliament and have backed this up with major reform of the planning system; set out a new 10-year Social and Affordable Homes Programme and accompanying sector support (such as a new rent settlement); and launched a programme of New Towns — all of which are welcome.

However, there are limitations to the extent to which a supply-side approach can materially impact rent affordability for renters in the near-term. This is for 2 reasons. Firstly, any pro-supply reform faces a number of headwinds that make housebuilding difficult in the short run. High interest rates weigh on affordability for residential buyers and undermine the investment case for institutional investors, while recent significant build cost inflation (which may worsen due to the situation in the Middle East) raises the cost of construction and further impedes viability (Baxter, 2026). These factors are already showing up in a drop in new construction and are likely to act as a downward pressure on housebuilding for some time, and potentially worsen

if — as predicted — interest rates rise again.

Secondly, we need to be realistic about the timescales needed to materially reduce rent levels through new supply. Even if the Government gets close to meeting its target of 1.5 million homes over the course of the parliament, Office for Budget Responsibility (OBR) forecasts estimate that rents will continue to absorb all average wage growth until at least the end of the decade, leading to no material impact on affordability. Hitting the target, or even increasing it, would still be a decade(s) long project to bring down prices and rents.

This does not mean we should disregard action to increase the supply of new homes, alongside other levers that may aide affordability — increasing supply is vital to ensuring sustainably affordable housing in the long run. In fact, it means the Government could and should go further — taking action to increase public housebuilding, as previous JRF work has argued, and through further reforms to the planning system. But it does leave a question as to what is to be done about the economic insecurity of today's renters. If we are to answer this, we need an approach that can act more quickly and directly on high rental costs than the lever of new supply.

# 2. Rent control can improve affordability: new research shows clear case for intervention

Given the limited scope and prolonged timeframe, respectively, of acting on rent affordability pressures through the benefit system or through new supply alone, it's not hard to see why tenant unions and renter advocacy organisations are calling for the government to introduce rent controls. There is also strong public appetite for government intervention on the cost of renting. Polling by More in Common, commissioned by JRF, found that 79% of the public agree that the government should be playing a role in ensuring private rents charged by landlords are affordable.[4]

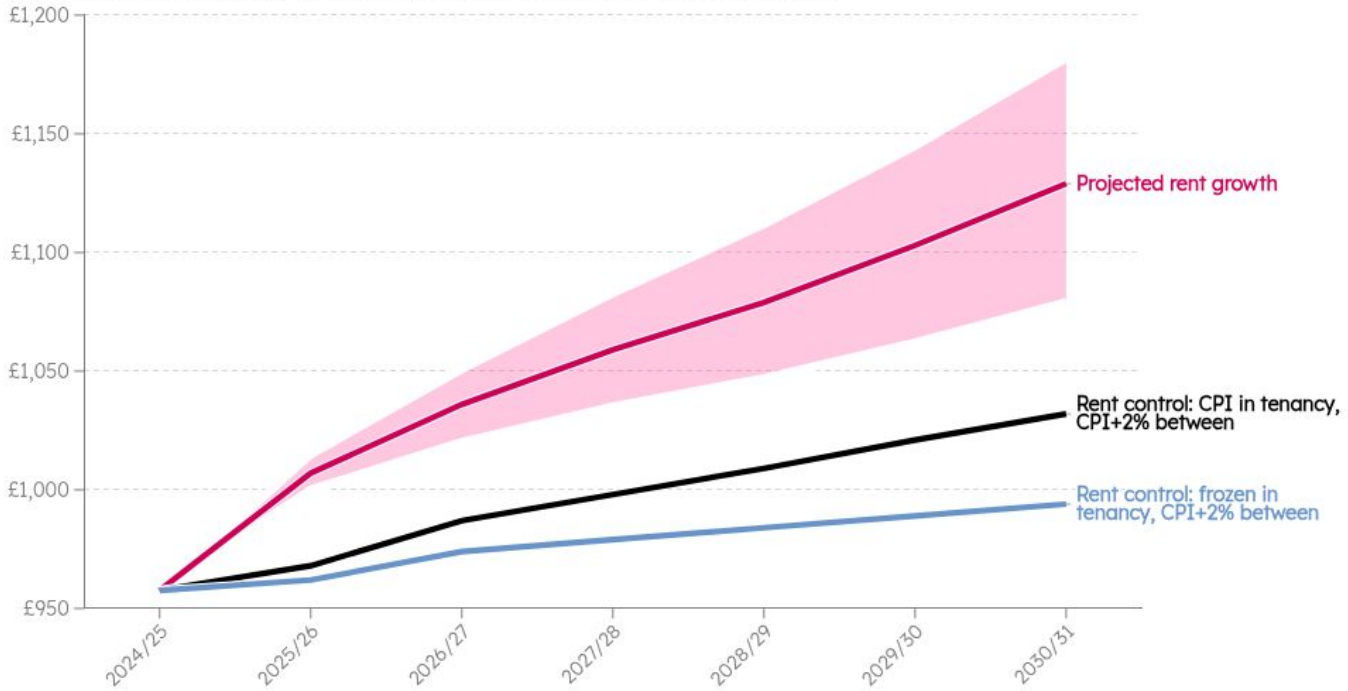
Action to control rents could make a significant difference to rent affordability on a much nearer-term timeframe than new supply, to the benefit of both renters on lower incomes facing the most acute affordability pressures, and those further up the income distribution whose living standards are nonetheless being squeezed by high rents eating into their disposable income.

Depending on the ambition of the policy design, rent control could make a significant difference to the disposable incomes of renters over the remainder of this decade. Our modelling suggests, for example, that if a rent control that capped rent increases at CPI within tenancies and CPI + 2% between tenancies had been introduced from

2025/26, renting households would be an average of almost £1,200 per year better off by 2030/31.[5]

**Figure 3: If rent increases had been capped by inflation from 2025/26*, renters would be £1,200 a year better off on average by 2030/31**

Projected growth in average monthly rents in baseline and rent control scenarios




Source: JRF modelling using HBAI and FRS 2023/24, OBR forecasts, ONS, EPLS and USOC • *This saving is calculated based on a within tenancy cap at Consumer Prices Index (CPI) and between tenancy cap at CPI+2%. Projection assumes rent controls are introduced from 2025/26. See methodology note for detail.
Range reflects annual rent growth assumptions of ±0.8% relative to the base forecast.

Despite this potential, the government has so far resisted calls from renter advocacy groups to consider introducing rent controls — which reflects the fact that rent control has as many detractors and sceptics as it does vocal advocates. This opposition often hinges on the argument that, through compressing the rental incomes of landlords and dampening the returns they see on their investment, rent control policies can lead to a rapid sell-off of properties that would harm tenants by creating a shortage of available homes, and a hit to investment in the maintenance of stock, leading to poorer quality homes.

This is a risk we should take seriously. As we've previously argued, a shrinkage of the size of PRS as a proportion of the overall housing stock isn't something we should be afraid of in itself — indeed, given that the PRS is now home to millions more households than it was 20 years ago, for many of which the tenure is not a suitable long-term home, it should in fact be a goal of housing policy to shrink the PRS as a proportion of the overall housing stock (Baxter et al., 2022).

International evidence on the impacts of rent controls has generally shown a positive impact on homeownership rates (Kholodilin, 2024), and previous JRF analysis has shown that a contraction in the rental market can advantage first-time buyers in particular (Elliott and Baxter, 2025). But it is important that this doesn't happen too rapidly. A sudden contraction in the availability of homes to rent could cause harm to tenants, particularly those for whom buying their own home may not be immediately within reach. Though there would be a reduction in net rental demand from the households who are able to move into homeownership, this could nonetheless happen

in a geographically and/or temporally lumpy way creating a shortage of available homes for those who need to rent.

Mitigating this risk is in large part about policy design. It also depends, though, on the level of returns landlords are making. Price controls are best deployed in markets where suppliers of goods or services as a whole are making supernormal rates of return on their investments (which would generally indicate that suppliers have some kind of market power that a price control could be used to correct). Under such circumstances, it's possible to cap prices, and therefore profits, without pushing suppliers below the rate of return needed to justify their investment (averting a number of the challenges outlined above).

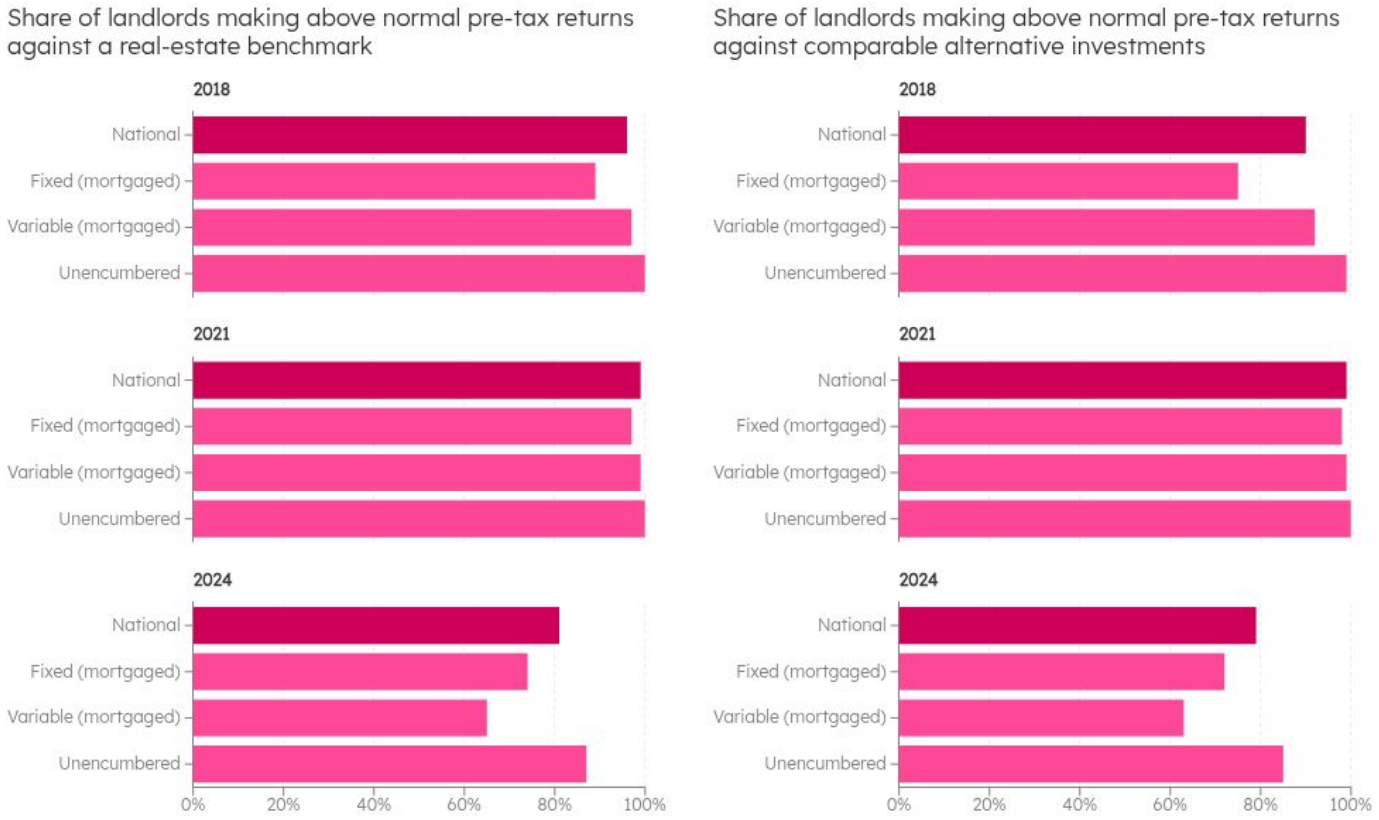
If price controls are deployed where supernormal rates of return aren't being made, on the other hand, they can push suppliers below the required rate of return and cause them to exit the market. This is what opponents of rent control fear will happen if the Government intervenes to cap rent prices at a level below market rates: that landlords will no longer be making an adequate return on their investment, causing many existing landlords to sell up and deterring new entrants.

The extent to which these concerns are warranted, therefore, hinges on a key empirical question: do landlords in the PRS generally make supernormal rates of return on their investments? To answer this question, we commissioned the Autonomy Institute to produce a first-of-its kind analysis of the rate of return landlords in the PRS have made on their investments — comprised of both rental income and capital gains, minus borrowing and operating costs — across the timepoints for which we

have detailed information on landlord investments from the English Private Landlord Survey.

The key findings of this analysis, as they pertain to the question of whether landlords enjoy supernormal returns on their investments, are summarised below; the full analysis, including detailed methodology, are available on the Autonomy website (Garcia and Stratford, 2025).

**Figure 4: The majority of landlords made returns above the average real estate and comparable alternative investment rate of return**




Source: Autonomy Institute analysis using EPLS, Bank of England, ONS, FCS, HMRC and Refinitiv data
Annual total return is defined as pre-tax annual net rental income plus annualised capital gains, divided by the equity that would be realisable upon sale. See Autonomy report for methodology.

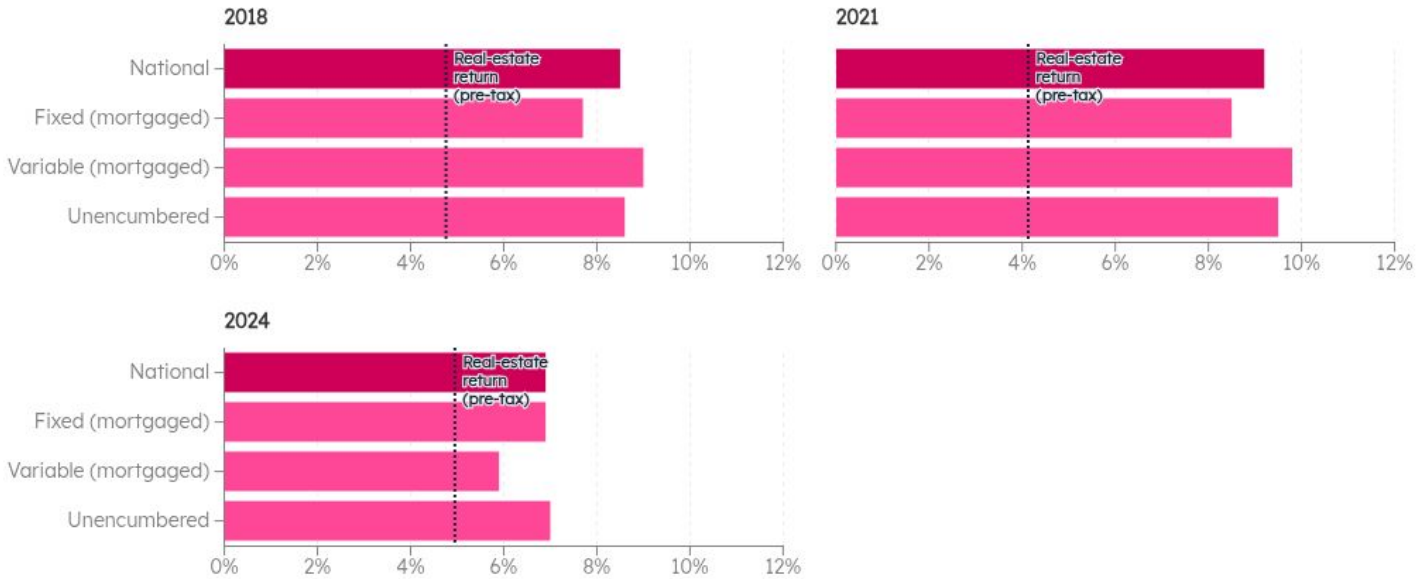
## Landlords on average made supernormal returns on investments

Average pre-tax return on equity (ROE) for landlords across the sector over the time period analysed have been strong: landlords as a whole have made average annual pre-tax returns of 8.5% in 2018 and 9.2% in 2021. In 2024 average returns fell slightly, sitting at 6.9%, reflecting the impact on the sector of the sudden spike in interest rates in 2022.

In each of the 3 years analysed, these average rates of return exceeded by some way the benchmark rate of return for the broader real-estate sector, which sat at 4.75%-4.95% over the 2018-2024 period. This means that landlords in the PRS were making significantly higher average pre-tax rates of return on their investments than the pre-tax returns enjoyed by investors across the real estate sector as a whole. Indeed, in each of the 3 years, only a minority of landlords weren't reaching or exceeding this broader industry rate of return. In 2018, 96% of all landlords saw returns at or above this benchmark; in 2021 it was 99%. 2024 saw the rate fall somewhat — but even then, 81% of landlords still reached or exceeded the industry benchmark.

**Figure 5: The average rate of return for landlords exceeded the benchmark rate of return for the broader real-estate sector over the 2018-2024 period**

Mean total pre-tax return (%)




Source: Autonomy Institute analysis using EPLS, Bank of England, ONS, FCS, HMRC and Refinitiv data • Annual total return is defined as pre-tax annual net rental income plus annualised capital gains, divided by the equity that would be realisable upon sale. See Autonomy report for methodology.

A significant majority of landlords in each year also exceeded the rate of returns available from comparable investments accessible to typical buy-to-let landlords, representing their 'opportunity cost of capital' — meaning the extent to which, at a given time point, landlords could see higher returns on their capital by withdrawing their equity from the PRS and investing elsewhere.[6] 90% of all landlords exceeded this benchmark in 2018, rising to 99% in 2021. Benchmark exceedance fell somewhat in 2024 to 79%, but that still means a large majority of landlords made returns above the level available in comparable investments.

The analysis also compares landlord returns against an alternative benchmark, representing returns in higher-risk, higher-reward investments in equities funds (which are by nature more volatile, meaning the benchmark itself moves significantly year to year). In both 2018 and 2024 only a minority of landlords met or exceeded this higher-risk benchmark. In 2021, however, 96% met or exceeded it — which shows that at least under certain conditions, landlord returns outperform even the returns available from comparably higher-risk investments, in addition to being less volatile.[7]

The first and most significant finding of the analysis, therefore, is that at least for the period examined, a strong majority of landlords have indeed been making supernormal rates of return on their investments. This should give us confidence that at least from the perspective of economic theory, a price control, in the form of some kind of regulation of rents, could be accommodated in the market without significant distortive impacts on the supply of homes.

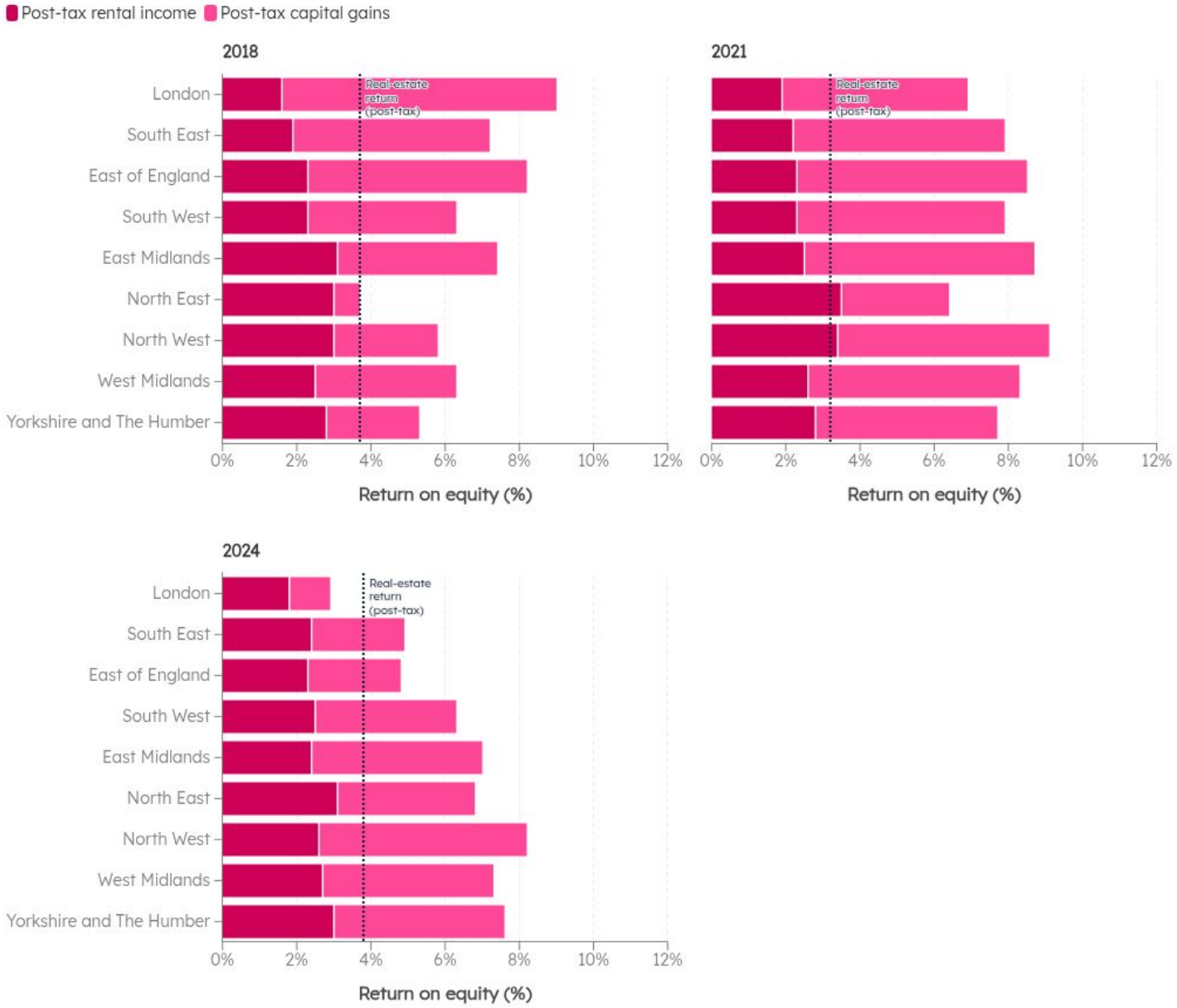
## House price growth drives total returns more than rental income over time

The second significant finding of the analysis is that capital gains are often providing the lion's share of total landlord return on equity (ROE) — which means that changes to expected capital gains from stronger or weaker house price growth are likely to play a more significant role in the returns landlords make on their investments than changes in rental income.

The analysis shows that capital gains have been the dominant component of total ROE for landlords in most areas across the 3 time points. And where there have been significant changes in regional average ROE levels between 2018 and 2024, these have largely been driven by changes in house price growth, rather than rates of return on rental income. This is most pronounced in London: average annualised capital gains in 2018 sat at 7.4%, but by 2024 they had come down to just 1.1%. Other regions saw the reverse trend: in the North East, annualised capital gains increased from just 0.7% in 2018 to 3.7% in 2024. By 2024, London was the only region where average ROE was falling below the benchmark of the wider real-estate industry.

**Figure 6: Capital gains have been the dominant component of total return on equity for landlords in most areas across the three time points**

Mean total post-tax return (%)




Source: Autonomy Institute analysis using EPLS, Bank of England, ONS, FCS, HMRC and Refinitiv data • Annual total return is defined as post-tax annual net rental income plus post-tax annualised capital gains, divided by the equity that would be realisable upon sale. See Autonomy report for methodology.

This is an important point when considering the potential for landlord disinvestment in the sector: upswings or downturns in house prices play a bigger role in determining the competitiveness of the overall rate of return landlords make than fluctuations in rental income. This shouldn't be surprising; a big part of the reason why Buy-to-Let was such an attractive investment in the 2010s was because of expectations of dependable house price growth (and very low interest rates, themselves a key driver of house price growth).

This means that periods of stagnant house price growth can cause total annualised returns for landlords to dip for a time. But it also means that, in the absence of broader structural changes to the supply-demand imbalance underpinning historic house price growth, we've no clear reason to expect the strong capital gains aspect of landlord returns to change significantly in the future.

The 2024 results for London stand out in terms of how far the level of total annualised returns is negatively impacted by lower annualised capital gains compared to previous years. Though the South East and East of England also see reductions in returns on the capital gains side in 2024 compared to earlier years, the effect is significantly less pronounced than it is for London. This reflects the downward pressure that strained affordability (owing to very high house prices relative to incomes and, more recently, higher interest rates making borrowing more expensive), as well as particular issues with buying and selling flats, has put on house price growth in London in recent years.

Forecasts for house price growth in London suggest that prices in the capital over the next few years will regain some more upward momentum — albeit at a slower rate than the rest of the country. Savills forecasts for house prices in London to grow 13.6% between 2026 and 2030 — which if borne out would equate to an annualised rate of growth over the next 5 years of roughly 2.7% (Savills, 2025).

If annualised house price growth had been 1 percentage point higher in the period leading up to 2024 — that is, around 2.25% instead of 1.25% — landlords in London would have been meeting the benchmark for return levels in the broader real-estate sector in 2024.[8] This suggests that if house prices in London do grow at the rate broadly forecast by Savills and others[9] over the coming years, landlords in London may return in the not too distant future to a position of making total returns that exceed this benchmark.

## Interest rates are main risk to rental income, but most landlords still make profit

Though total ROE is comprised of both rental income and capital gains — with capital gains, as we have seen, being the main driver of overall returns — the capital gain aspect of returns is only realisable upon sale of the property. This means that looking at returns on rental income in isolation is important for understanding the day-to-day profitability of landlords (that is, their ability to cover all their ongoing costs — mortgage interest and other borrowing costs, operating expenses and tax) — from their rental income.

Across all 3 years analysed, the vast majority of landlords are profitable on the rental income side of their investment: 93% of landlords in 2018 and 2021, and 95% in 2024, made a profit on their rental income. The fact that the proportion making an overall positive ROE on their investment (between rental income and capital gains) each year is even higher — 98.8% in 2024 and even higher in 2018 and 2021 — suggests it may be a feature of the sector that some landlords will accept making a loss on their rental income in exchange for making a strong, positive return on the capital gain on their property.

It's also likely to be the case, though, that some of the landlords making a loss on their rental income at the point of each of the survey waves were on the verge of selling their properties as a result. Whether an individual landlord is able to weather a period of negative returns on their rental income will depend on their wider financial situation, in particular whether they have other sources of income from which to make up for a shortfall in their rental income in covering their costs. Where this isn't the case, a period of negative rental income returns may be sufficient to make their investment unviable — even if total returns remain strong. Post-tax returns on rental income, therefore, are a key analytic for understanding the risk of landlord disinvestment.

The composition of the small minority of landlords in each year making a negative return on their rental income is primarily shaped by financing structure and interest rate exposure. During periods of elevated interest rates, highly leveraged landlords can be more or less shielded from elevated borrowing costs, depending on when they

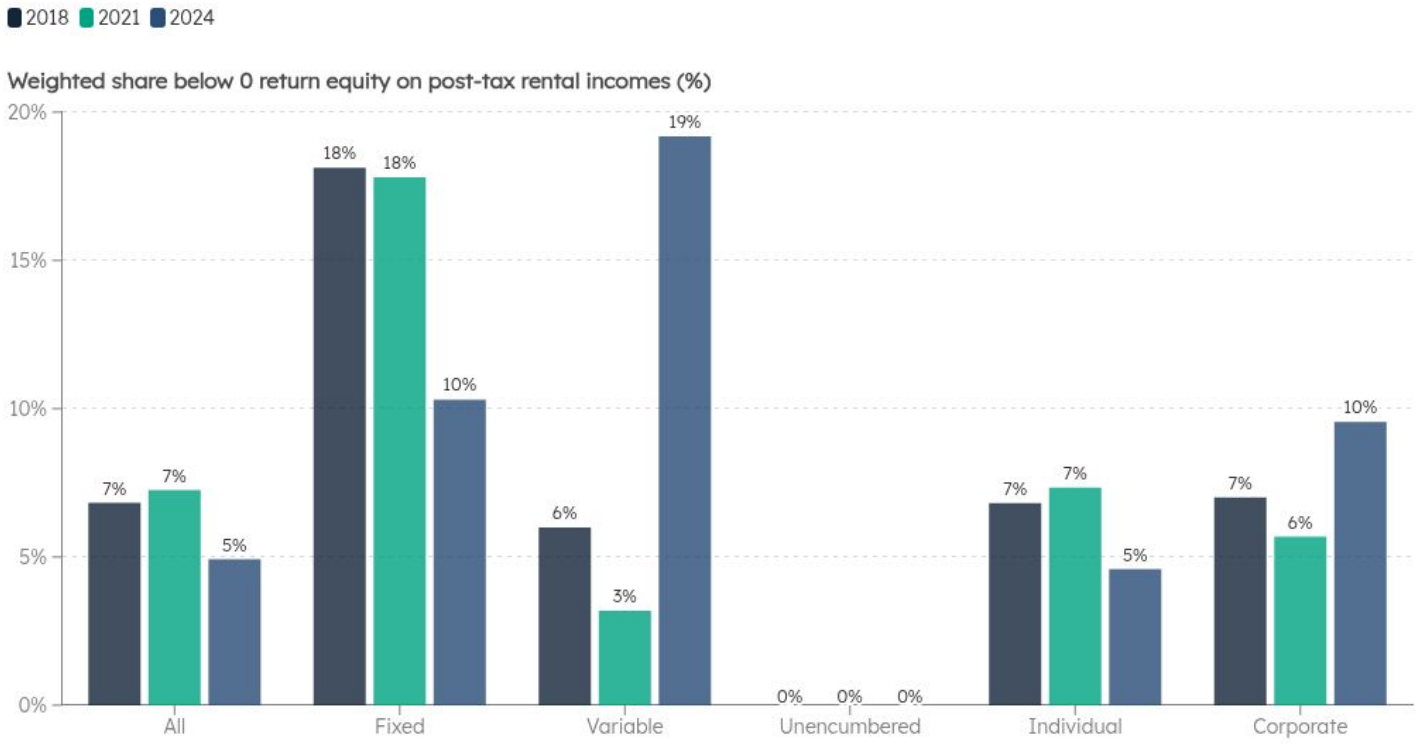
need to remortgage. In 2018 and 2021, there were significantly higher rates of landlords on fixed rate mortgages making a post-tax loss on their rental income compared to mortgagors on variable rates — reflecting the fact that those on variable rates benefited from the extremely low interest rates during this period.

In 2024, the trend reverses: a significantly higher rate of variable rate mortgagors are making a negative return on their rental income compared to those on fixed rates. Post-tax returns on rental income for unmortgaged landlords, by contrast, are strong across the time points; the proportion of unmortgaged landlords making a loss on their rental income is zero in all years.

**Figure 7: Across all years only a small minority of landlords as a whole make a loss on their rental income**

In 2024 the share of landlords on variable rates making a loss on rental incomes jumped as financing costs climbed sharply

Share below zero for rental-only post-tax returns




Source: Autonomy analysis using EPLS, Bank of England, ONS, FCA, HMRC and Refinitiv data

# 3. Rent control and tax reform to curb supernormal returns, for more affordable rents

The results of Autonomy's analysis show us that landlords are, on average, making supernormal returns on their investments. These returns flow from the structural challenges outlined at the outset of this report, including the overall shortage of homes, which mean that those with capital to invest can benefit at the expense of those with no other option but to live in the PRS. It also means that wider improvements in the economy, which lead to higher wages, are cancelled out for renters by higher rents.

The high level of returns generally available to landlords warrants intervening on rents — both to make rents more affordable for renters in the shorter term whilst new housing supply is delivered, and to curb excessive returns landlords are able to make. Acting on rents in this way would have significant benefits for renters.

As already described, a moderate rent control regime that capped rent increases at CPI within tenancies, and CPI + 2% between tenancies, would have made renting households an average of £1,200 per year better off by 2030/31, had it been introduced in April last year. A more biting regime, freezing rents in-tenancy and capping rent increases between tenancies at CPI + 2%, would have seen tenant

households almost £1,700 a year better off by 2030/31 — and reduce the proportion of renting households with unaffordable housing costs by more than 8 percentage points.[10]

This downward pressure on rent costs would also have wider benefits, such as putting the Housing Benefit bill on a more sustainable footing. Our modelling shows that, over the next 6 years, the savings generated by a rent control regime of caps at CPI within tenancy, and CPI + 2% between tenancies, would be sufficient to fund the annual uprating of Local Housing Allowance back to the 30th percentile of local rents, while still delivering more than £600 million in net savings to the Housing Benefit bill in 2030.

This would give greater stability to low-income renters in the private rented sector whilst also freeing up money that could be put towards, for instance, increasing the supply of new social homes. There would also be a wider benefit in shaping the housing market. As noted above, rent control will depress investor demand at the margins and this can have benefits for homeowners — as international evidence on rent controls shows.

This needs to happen at a manageable pace, however, to ensure no sharp shock to the availability of rental homes for those who won't be able to move rapidly into owner-occupation as landlords sell up — so it's important to attend to where across the sector the impact of a rent control might bite more aggressively. The combination of suddenly higher interest rates post-2022 and less generous mortgage interest tax

relief has put downward pressure on returns of highly leveraged individual landlords in the past few years, making some landlords in this group more vulnerable to the impacts of constrained rental income than others.

The differential tax treatment of different landlord groups does a poor job of targeting taxation at those who are making the largest profits on their rental income; it also introduces distortive incentives into the tax system. As the analysis by Autonomy highlights, supernormal rates of post-tax ROE are lower than supernormal rates of pre-tax ROE, but only modestly so; the majority still exceed normal post-tax return benchmarks. At the same time, a total lack of rent regulation has meant that landlords, especially those with significant profit margins maintained by favourable tax treatment, have been able to continue making supernormal returns at the expense of renters' living standards.

JRF modelling shows that by reinstating mortgage interest relief and applying NICs to rental income, the impact of a rent control on the mortgaged landlords being most squeezed in the current environment can be effectively mitigated. It has the added advantage of rebalancing the tax burden away from landlords making slimmer profits, and towards those making larger profits. Combining rent control with reforms to the taxation of rental income can therefore sit effectively within a wider plan to create a more equitable housing market.

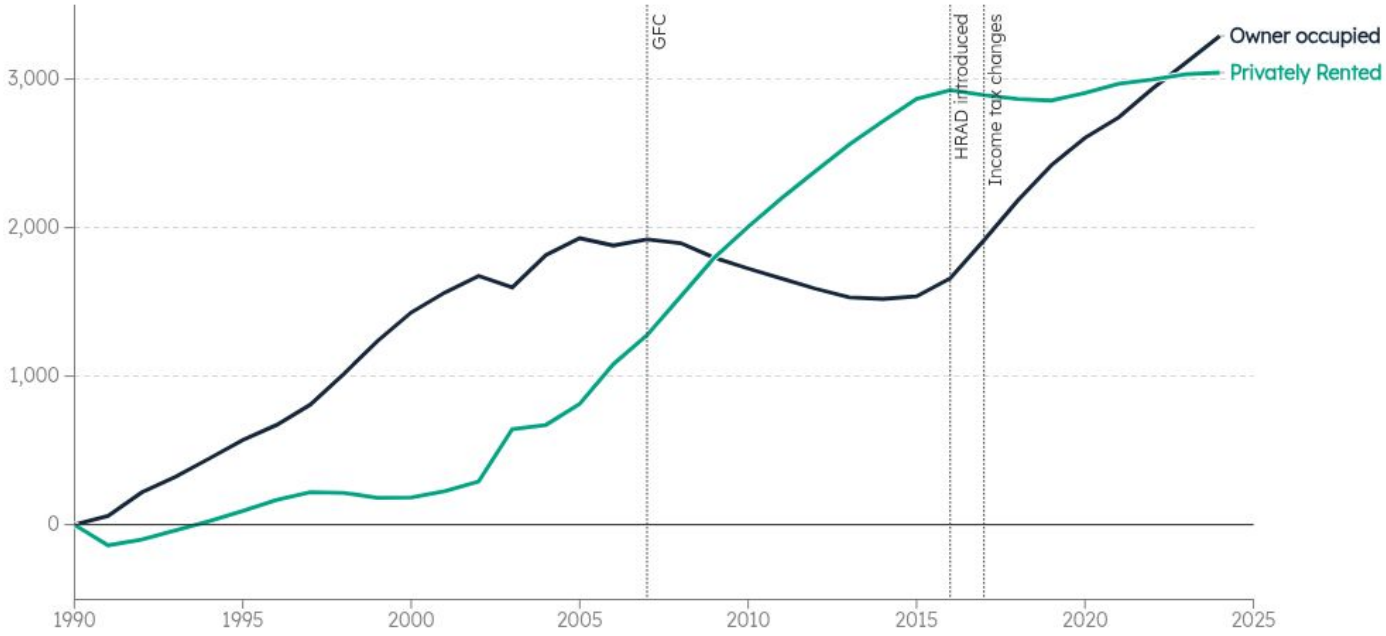
## 2017 tax changes boosted homeownership but increased risks for highly leveraged landlords

Since 2016, landlords have been limited in the extent to which they can offset their borrowing costs from their tax liabilities. The reforms to mortgage interest relief for landlords (to Section 24 of the 2015 Finance Act, hereafter 'Section 24') — which we estimate affected around one fifth of all individual landlords (Elliott and Baxter, 2025) - were intended to address the fact that the favourable tax treatment of landlords' rental income had put residential buyers at a significant disadvantage when competing with Buy-to-Let investors for homes.

In previous research (https://www.jrf.org.uk/housing/rebalancing-the-housing-market-through-tax-reform), we found that the Section 24 reforms were very successful in achieving the aim of reversing this trend and rebalancing the market in favour of residential buyers and first-time buyers specifically — resulting in an estimated 1.1 million more homes in owner-occupation as of 2025 than if the pre-2016 trends had continued (Elliott and Baxter, 2025).

**Figure 8: Reforms to mortgage interest relief for landlords slowed growth of the private rented sector: owner occupation rebounded**

Change in total number of dwellings by tenure since 1990, England (thousands)




Source: Dwelling Stock Live Table 104, MHCLG 2024 • HRAD is higher rate for additional dwellings. GFC is global financial crisis.

But the changes did come with some other, undesirable consequences. One is that they reduced the 'neutrality' of the tax system, giving a tax advantage to corporate landlords who are still able to deduct their full interest costs from their tax liability. This creates an incentive for individual landlords to incorporate, and our previous analysis estimated that this tax advantage for corporate landlords could be worth over £800 million (Elliott and Baxter, 2025).

Another problem is the interaction between the Section 24 changes and interest rate volatility. The interest rate environment in which landlords are now operating is very different to when the reforms were introduced; borrowing costs have risen sharply in the past few years. When interest rates increase significantly, the share of rental income spent on interest payments for mortgaged landlords increases dramatically — which makes the impact of less favourable tax deductibility for mortgage interest more pronounced relative to overall profitability. At the extremes, landlords can be pushed into making a loss on their rental income by tax — as illustrated in the charts below.[11]

**Figure 9: Reduced mortgage interest tax relief has a greater impact on profitability when rates are higher**

Source: Bank of England mortgage interest rates, CPIH series, ONS
Scenario presented shows post-tax incomes for higher rate paying private landlords. HRAD is higher rate for additional dwellings.

In 2024, almost 20% of individual landlords on variable-rate mortgages, and 10% of those on fixed rates, were making a post-tax loss on their rental income.[12] We estimate that by 2030, as more legacy fixed rate mortgages come to an end and

landlords have to remortgage at a higher rate, the proportion of mortgaged landlords making a post-tax loss on their rental income will nearly double, from 11.2% to 20.3%, driven for the most part by feed through of higher interest rates.[13]

## Changing the way rental income is taxed would make tax system fairer and less distortive

Though the changes to Section 24 were an effective way of using a tax lever to dampen investor demand and put residential buyers in a stronger position, they are not effective at capturing a fair share of the profits being made by landlords on their rental income. Post-Section 24 changes, mortgaged landlords are taxed on their revenue (their rental income after accounting for operating costs, but before they've paid their financing costs) rather than their profit.

Unencumbered landlords, by contrast, do very well out of the current tax treatment of rental income: they pay a lower rate of income tax on the considerable profits they have left over after covering their operating costs, than the level of tax paid on income from work.[14] The result is that the tax revenue raised from rental income as a whole comes disproportionately from landlords who may be making minimal profits on their rental income, instead of those who are making the highest returns — this is something the Government should seek to rectify.

Making changes to the tax treatment of rental income is sensible in its own right and has broad support across the political spectrum. A recent report from CenTax (https://centax.org.uk/tax-reforms-for-growth/) recommends that to address the

irrationality in the way rental income is taxed, the Section 24 changes should be reversed, to allow mortgaged landlords to once again deduct their full mortgaged interest costs from their taxable income. At the same time, they recommend that NICs be applied to rental income, to equalise the tax treatment of rental income with the tax treatment of earnings.

These changes would remove the distorting impact that arises from differential tax treatment of individual and incorporated landlords, where landlords currently have an incentive to incorporate to avoid paying tax on their mortgage interest payments. They would also make the tax system fairer by applying the same tax treatment to income from different sources.

When we look at a more fine-grained level at how these changes would shape the distribution of returns made by landlords, moreover, it becomes clear there would be additional advantages.

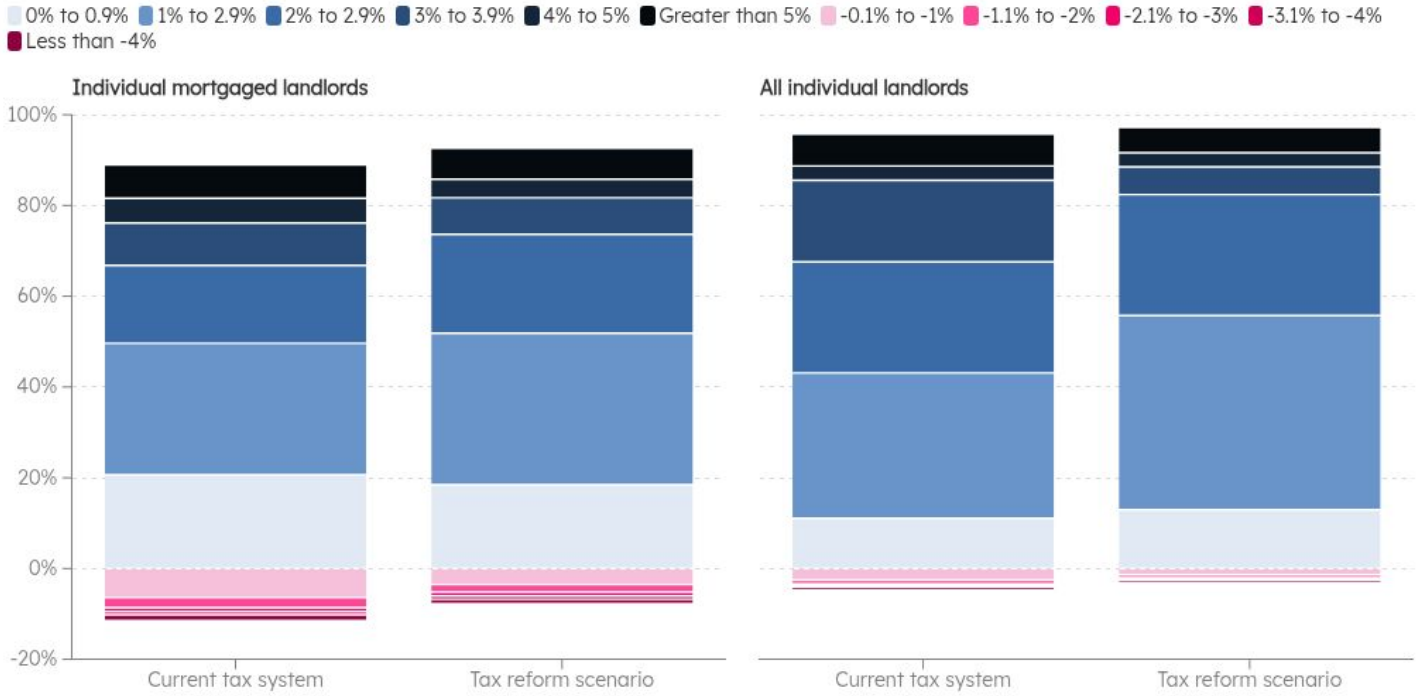
## Tax changes would shield landlords most exposed to interest rate shock, raising revenue from those making higher profits

If we take the distribution of landlord post-tax returns on rental income from 2024, restore the ability of mortgaged landlords to deduct their full interest costs from their tax liability and instead apply full NICs (employer and employee) to all taxable rental income, the share of mortgaged landlords making a loss on their rental income drops from 11.2% to 7.6%.[15]

At the same time, it compresses the returns of those at the top of the distribution, reducing the number of landlords making >3% returns on their rental income. The overall tax take from rental income in 2024 under this scenario would have been 11% higher, coming from unencumbered landlords paying more tax and mortgaged landlords paying slightly less.[16]

**Figure 10: Reforming tax for individual landlords means fewer making a post-tax loss on rental incomes, and fewer making a very high return**

Post-tax returns on rental incomes, 2024




Source: JRF analysis of data provided by Autonomy • The tax reform modelled here removes the Section 24 removal of mortgage interest deductability and replaces it with employer and employee National Insurance Contributions (NICS) on rental incomes.

When we project ahead and look at the impacts our proposed tax changes would have in 2030, these effects become more pronounced. As we saw above, the gradual pass-through of higher interest rates over the next few years will mean that under current tax arrangements, the proportion of mortgaged landlords making a loss on their rental income will be 20.3% by 2030. But if we take the same projection, reinstate full mortgage interest deductibility and apply NICs to rental income, the proportion making a loss would be reduced to around 13%.

The overall tax take would be higher in 2030 with the tax changes than it is projected to be under current tax arrangements — though the increase would be smaller than the increase to tax receipts that these changes would have generated if they had been applied in 2024. The reason for this is that as more mortgaged landlords roll on to higher interest rates, their taxable income given full interest deductibility will decrease.

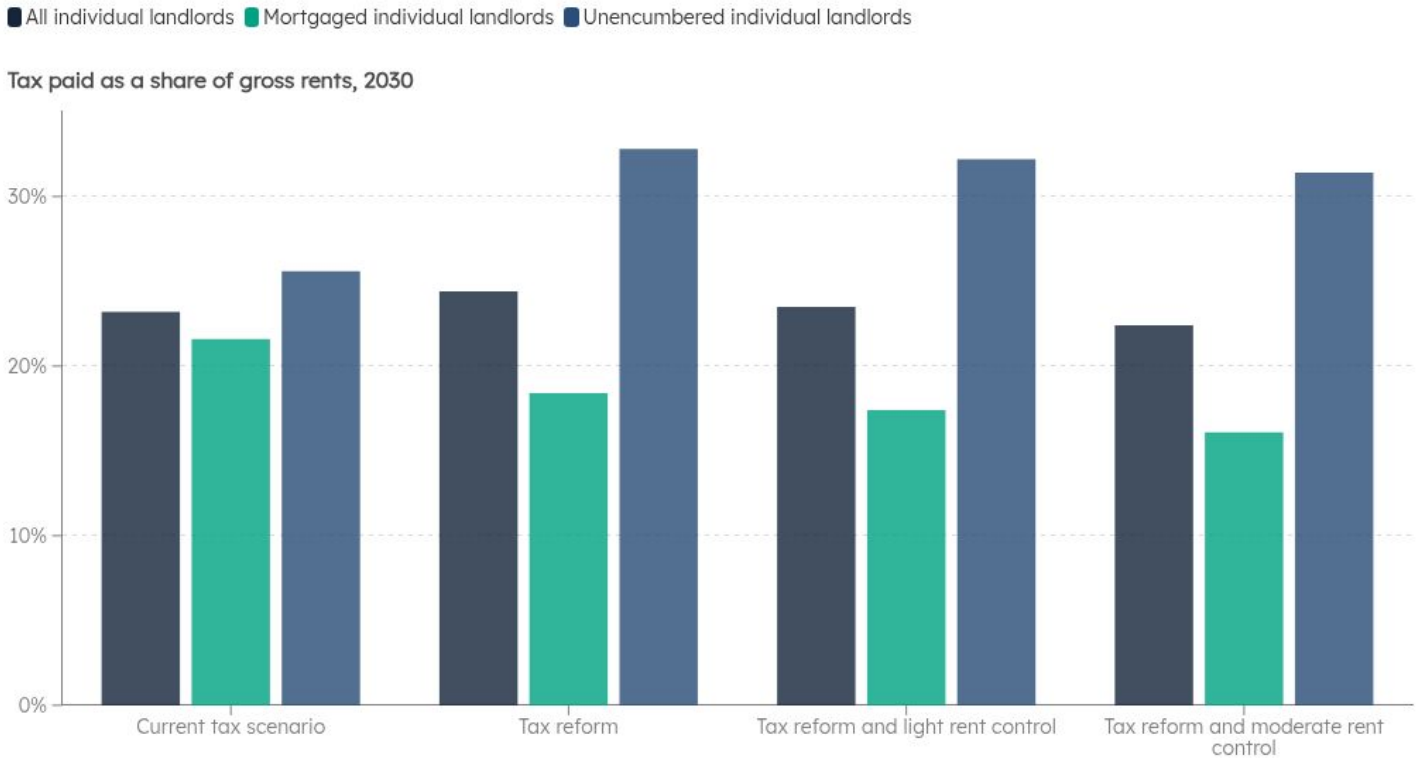
Comparing current tax arrangements to our proposed changes, those without mortgages would see the share of their gross rental income spent on tax in 2030 increase from just over 26% to around 33%. Mortgagors, by contrast, would pay a lower proportion of gross rental income on tax compared to under the current tax arrangements (around 18%, down from 22%).

Unencumbered landlords would still keep a much larger share of their gross rental income as profit under the tax-change scenario compared to mortgaged landlords (43% compared to 18% for mortgagors), which reflects the considerably lower costs faced by unencumbered landlords. But the tax changes capture a greater share of

their profits, bringing them down from their current level of around 50% profit on average.

**Figure 11: Taxing profits, and applying employer and employee NICS to profits from rental income, means share of gross rents paid in tax falls for mortgaged landlords and increases for unmortgaged landlords**

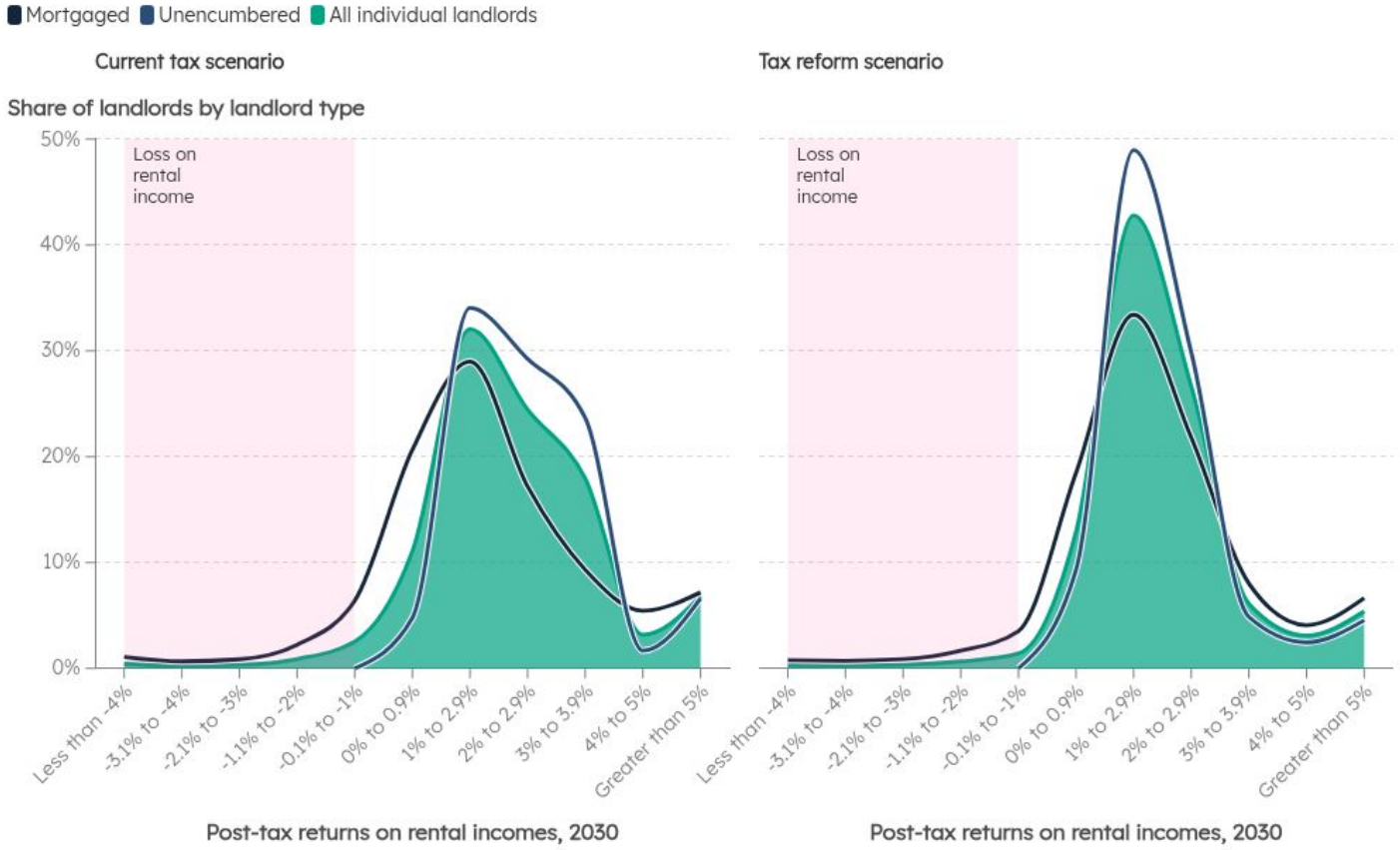
In aggregate these tax reforms would increase the overall amount of tax paid




Source: JRF analysis of data provided by Autonomy • The tax reform modelled here removes the Section 24 removal of mortgage interest deductability and the 2% increase in income tax on rental income and replaces them with employer and employee National Insurance Contributions (NICS) on rental incomes.
A light rent control scenario is rent increases capped at average wage growth in tenancy with no controls between tenancy, and moderate rent control is rent increases capped at Consumer Prices Index (CPI) in tenancy and CPI+2% in tenancy. See methodology note for further detail on modelling.

Taken together, our modelling shows that reforming the tax arrangements for rental income would have the effect of redistributing the tax burden on landlords in a way that both protects those with the thinnest margins on the rental income side of their business (mortgagors exposed to higher interest rates) and generates more tax income from those making the largest profits from rent. In other words, it acts both on the risk exposure and high profit ends of the distribution.

**Figure 12: Reforming tax for rental income redistributes the tax burden away from those with the thinnest margins to those making larger profits on rent**




Source: JRF analysis of data provided by Autonomy • The tax reform modelled here removes the Section 24 removal of mortgage interest deductability and the 2% increase in income tax on rental income and replaces them with employer and employee National Insurance Contributions (NICS) on rental incomes. See methodology note for further detail on modelling.

An additional benefit of our proposed changes is that they create a taxation regime that is better equipped to accommodate changes in the fortunes of mortgaged landlords that may arise in the future. If interest rates do come down significantly, increasing the profit margins of leveraged landlords as a smaller share of their rental

income is needed to cover their borrowing costs, they will pay a higher rate of tax on these increased profits through the application of NICs. So there is an important future-proofing aspect to our proposals: they build a system that will effectively capture a higher and fairer share of the profits landlords make, regardless of interest-rate volatility.

## Redistributing tax across landlord types smooths impact of constrained rental incomes, with rent control

Our modelling also indicates that reforming the taxation of rental income would also mitigate some of the impacts that introducing rent controls could have on mortgaged landlord viability. We have shown how our proposed tax changes would go a significant way towards shielding mortgaged landlords from the worse interest rate situation in 2030. Crucially, this shielding effect holds up even when we model rent control policies constraining rental incomes between now and 2030.

If our proposed changes to the tax system were adopted today, and a soft form of rent control that limited annual in-tenancy rent increases at annual wage growth was also introduced, our modelling shows there would be no discernible impact on the proportion of landlords making a loss on their rental income.

With a considerably more ambitious form of rent control that capped rent increases both with and between tenancies (capping rents in-tenancy at CPI and capping between tenancy increases to CPI + 2%), the proportion of mortgaged landlords making a loss would increase slightly by 2030 compared to a scenario of tax reform

and no rent control(from roughly 13% to 17.3%).

But crucially, this is still lower than the proportion that will be making a loss by 2030 with no rent control, if current tax arrangements are maintained (20.3%). This remains true even with a version of rent control that fully froze rents during tenancies in addition to controlling them at CPI + 2% between tenancies — showing that our proposed tax reforms would go a long way towards shielding the sector from the impact of constrained rental incomes.

## Rent control policy needs careful calibration — but plays effective role alongside other policy levers

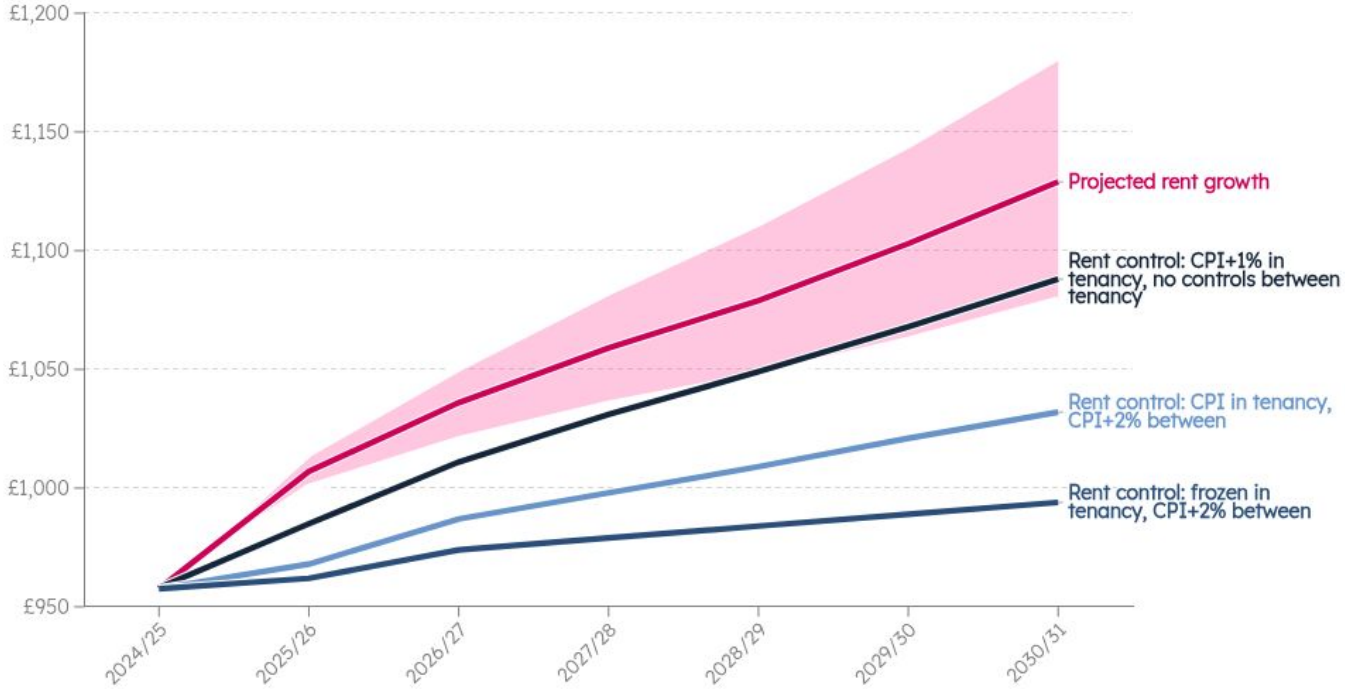
Our analysis in this report has shown both that rent caps are viable given the level of returns landlords typically make on their investments, and that the transition to introducing them can be eased through reforms to the taxation of rental income. However, there are many important questions about the precise policy design of an effective system of rent control that have been beyond the scope of this report, but which need careful consideration.

Most obviously, there is the core question of rent control design — that is, the level at which caps on rent increases should be set. Our modelling found that rent control regimes that only limit increases within tenancies, unsurprisingly, are much less impactful in terms of making rents more affordable relative to incomes over time. Capping in-tenancy rent increases at CPI with no controls between tenancies, for example, would only constrain rent growth to around the lower-baseline forecast for

rent growth over the next 5 years without any rent control.

**Figure 13: Constraining rent growth in tenancy only would improve affordability much less than capping increases within and between tenancies**

Projected growth in average monthly rents in baseline and rent control scenarios




Source: JRF modelling using HBAI and FRS 2023/24, OBR forecasts, ONS, EPLS and USOC • Projection assumes rent controls are introduced from 2025/26. See methodology note for detail.
Range reflects annual rent growth assumptions of ±0.8% relative to the base forecast. CPI is Consumer Prices Index.

For this reason, the indicative design we have used in most of our modelling in this report — of rent increases capped at CPI within tenancy and CPI + 2% between tenancies — caps rent increases between tenancies as well, though at a higher level

than within tenancies.

Having a more generous cap between tenancies maintains a level of price signalling in the market, which is important for understanding where targeted action on supply may be needed in very high-demand areas. It may also be advantageous to build into a rent control regime the ability to flex cap levels depending on changing factors in local areas — for instance, acute increases in demand, or local supply elasticities.

Another key issue is the impact that rent controls could have on the rate of housebuilding. This is certainly a risk we should be aware of; driving up the rate of construction is necessary and important. This points to a need to design rent caps in a way that is mindful of this. We are confident that this is possible as credible international academic evidence showing that cap-based models — particularly those with carve outs for new-build homes — have little to no impact on wider rates of housebuilding (Kholodilin and Kohl, 2023).

Our future work will consider the role of exemptions for new supply and major renovation work, as well as what supporting policies are needed alongside rent controls to tackle the underlying structural causes of high rents — for example, action to ease the planning burdens facing new supply, targeted investment in social and affordable housing, and targeted acquisitions from exiting or distressed landlords.

We also need to consider the interaction between rent control and devolution — for example, whether it would be desirable to give Mayors the ability to set caps at lower or higher levels depending on their local housing market context. This could be done in return for declaring rent pressure zones, in which greater efforts are undertaken to

increase housing supply (such as by increasing the ease with which areas are densified or via targeted funding for social and affordable housebuilding).

# 4. Conclusion

Given the long-standing pressure high rent-costs relative to incomes has put on renters - and especially in the context of another probable shock to living standards due to global events — the Government can't afford to ask renters to wait for new supply to catch up with demand and bring rents down. A nearer-term intervention on the cost of renting is needed, to ease the pressure on the living standards of the millions of households currently renting, whilst other policy levers target increasing the supply of new and affordable homes.

The analysis presented here shows that the level of supernormal returns most landlords have been making offer a strong case for Government action to both increase the rationality and fairness of the tax regime for rental income, and control rents. We've demonstrated that by restoring full mortgage interest relief for landlords, and instead applying full NICs to rental income, the Government could more fairly redistribute the tax burden away from landlords making slimmer profits in the new higher interest environment, and more towards those whose profit margins continue to be buoyed by low or no borrowing costs. These changes could also help to mitigate the potential negative impact of even quite ambitious forms of rent control on landlord day-to-day profitability, which would help to guard against the risk of a sharp sell-off of rental properties.

Any party serious about tackling the cost of living needs an offer on rental affordability and JRF's analysis shows that rent controls are a feasible policy which

merits serious consideration. A commitment to introduce rent controls also offers clear political capital, with strong public backing across different parts of the electorate. Polling conducted by More in Common, commissioned by JRF, shows that 67% of the public support the introduction of rent controls in England so that rents in the private sector cannot rise faster than average annual wage increases. Notably, rent controls have broad appeal across the ideological spectrum, with majority support across most of More in Common's voter segments, and support outweighing opposition amongst all segments.[17]

In this report, our focus has been on demonstrating the way in which tax reform and rent caps could work in complement with each other to both tackle unaffordable rents for tenants and address the structural problem of landlords making supernormal profits. JRF's next report in this programme of work, due later this year, will engage with the questions of policy design outlined above, as well as test the efficacy of the tax reforms we have proposed here against complementary and/or alternative options that could sit alongside a rent control — including a consideration of changes that might be needed to the taxation regime for corporate landlords.

# Methodology

## Rent control modelling: impact on renter incomes, expenditure and housing benefit receipt

### Overview

We developed a methodology to assess the impact of a variety of rent control models on renters' incomes, using a range of metrics including affordability ratios, residual income change and poverty rates. The method assesses the impacts of controls on rents within and between tenancies, incorporating assumptions about landlord and tenant behaviour.

Our primary modelled policy constrains rental growth to CPI within tenancy and CPI + 2% between tenancies. We compare this against 2 alternative formulations:

- a rent freeze within tenancy and CPI + 2% between tenancies
- CPI + 1% within tenancy with no controls between tenancies.

All scenarios are assessed against a central baseline following Office for Budget Responsibility (OBR) forecast rent growth, with upper and lower bound baselines presented alongside.

## Modelling approach

Our model adjusts Family Resources Survey (FRS) 2023/24 data to reflect a 2030/31 rent scenario, assuming rent control has been in place from 2025/26. We incorporate assumptions on tenancy turnover rates and landlord rent-setting behaviour to estimate the rate and scale of rent increases experienced by different tenant groups, tested against optimistic, central, and pessimistic baseline rent growth scenarios.

## Data

The analysis is built primarily on the Family Resources Survey and Households Below Average Income 2023/24 data, and uses the IPPR Tax and Benefit Model with JRF-adjusted parameters and OBR forecasts to project household incomes and expenditure to 2030/31. Supplementary analysis draws on a wide range of sources to inform our assumptions, including OBR outturn data and forecasts, the English Housing Survey, the English Private Landlord Survey, Understanding Society, and academic literature on the impacts of rent controls in Ireland, Germany, France, Spain, and the United States.

## Time period

Household finances in the FRS are first uplifted to 2024/25 levels using OBR outturn figures, then projected forward to 2030/31 assuming rent controls were introduced in 2025/26. This window provides sufficient time to assess the impacts of rent controls

while remaining within the period covered by OBR forecasts.

## Assumptions

Rental growth is adjusted in line with the scenarios described above. Social security policy changes are incorporated as set out below. All other variables, including earnings, employment rates, and housing costs for non-PRS tenancies, are assumed to follow OBR projections, and no change in population composition, including the composition of the private rented sector, is assumed.

### Tenancy turnover

In the baseline, we assume 20% of tenancies turn over each year, informed by analysis of the FRS, English Housing Survey, and Understanding Society. Under rent control scenarios, we assume lower turnover rates, with stronger controls associated with greater reductions in turnover. This reflects international evidence that tenants are less likely to move when rent controls are in place.

### Share of tenants experiencing a rent increase

In the baseline, we assume that 30% of tenants remaining in their current tenancy experience a rent increase in a given year, and that 50% of tenancies that turn over attract a rent increase on re-letting. These figures are informed by analysis of the English Private Landlord Survey and Understanding Society.

The between-tenancy figure reflects the share of landlords who raise rents when a property is re-let, rather than the share of moving tenants who face higher rents in their new home. This distinction reflects our modelling approach, which tracks rent changes at the property level rather than the household level. The rationale is to capture the rent a comparable household would pay for the same property over time, rather than the rent a specific household happens to pay having moved to a different property.

This approach is more appropriate for assessing the aggregate distributional impact of rent controls on the private rented sector, since it avoids conflating rent inflation with compositional changes driven by households moving between different properties.

Under rent control scenarios, we assume a higher share of tenancies attract a rent increase, both within and between tenancy, reflecting evidence that landlords are more likely to raise rents when controls are in place. The share experiencing increases is higher the stronger the control, informed by international evidence.

### Rate of increase

In the baseline, we back-engineer a rate of increase using the tenancy turnover rate and the shares experiencing an increase, informed by the ratio of within- to between-tenancy increase rates from the English Private Landlord Survey, such that the national average rate of increase matches the OBR forecast for average private rent growth. For the upper- and lower-bound baselines, the national average rate of

growth is assumed to increase or decrease by 0.8 percentage points annually relative to the central projection. This is a reasonable bound within which actual rental growth could vary from forecast, reflecting historic trends of rental growth tending to vary by up to 1 percentage point from forecast.

In rent control scenarios, rents are increased by the maximum permitted amount. These increases are linked to the relevant OBR forecast (for example, for CPI or earnings growth) as at Q3 of the prior year, applied to rents in Q2 of the current year. This reflects likely policy design, where permitted increases are based on earlier data — as is the case, for example, with social rent uprating, where increases are linked to the previous September's CPI.

### Applying assumptions to the sample

Within the FRS sample, each private rented sector household is randomly assigned to 1 of 4 states in each modelled year: mover or non-mover, and rent increase or no increase. Households assigned an increase receive the corresponding rate of increase for their household type, scenario and year. This assignment is repeated independently for each year from 2025/26 to 2030/31, so that different households experience different combinations of increase types across the period. This reflects a more realistic distributional picture than applying a uniform national average rate of increase to all households, capturing the variation in rent trajectories that renters would experience in practice.

To generate a sufficiently large treatment group for robust analysis, this process is repeated 3 times, tripling the effective sample size, with each replication drawing a fresh random assignment across years.

Importantly, the assignment of households to treatment groups is held largely constant across the baseline and rent control scenarios — so that the same households experience the same type of increase (within-tenancy or between-tenancy) in each scenario. What differs across scenarios is the magnitude of the increase, which is lower under rent controls. The exception to this is that, to reflect changes in landlord rent-setting behaviour under rent controls, a larger share of households is assigned to experience a rent increase in rent control scenarios than in the baseline. This approach ensures that differences in outcomes across scenarios are driven by the policy parameters being tested rather than by variation in which households happen to be treated.

Each of the 3 samples is then run through the IPPR Tax and Benefit Model using a different random seed. This ensures that results are not sensitive to any particular random draw used within the model's internal calculations — for example, in simulating benefit take-up or imputing values - and that findings reflect underlying policy effects rather than model noise. Final results are averaged across the 3 runs.

The distribution of tenancy turnover produced by this approach across the full 5-year window was cross-checked for consistency with longitudinal analysis of Understanding Society, and found to be broadly in line with observed patterns of

turnover in the private rented sector.

### Social security policy

Our central assumption is that Local Housing Allowance is rebased to the 30th percentile of local rents in 2028/29, and that the Benefit Cap is uplifted by the prior year's inflation in 2028/29. This reflects current trends in social security policy where Local Housing Allowance and the Benefit Cap are occasionally reviewed and uprated. We also model an alternative scenario in which LHA is rebased to the 30th percentile annually.

## Measuring impact

Impact is assessed using after-housing-cost poverty rates (with the poverty line recalculated based on modelled 2030/31 after-housing-cost incomes), housing cost affordability ratios, and residual income change. Our headline affordability ratio is 30% or more of household incomes spent on housing costs, net of housing benefit. We also capture a 30/40 measure which looks specifically at the share of incomes spent on housing costs for those in the bottom 40% of incomes. We report aggregate savings to the housing benefit bill relative to the forecast baseline growth in the housing benefit bill. Results are reported at the UK level.

# Rent control and tax reform modelling: impact on landlord finances

## Overview

This analysis models the impact of combinations of rent control and tax reform policies on the finances of individual private landlords in 2024 and 2030, using the English Private Landlord Survey 2024 dataset shared by Autonomy. It builds directly on Autonomy's analysis of landlord finances (Garcia and Stratford, 2026), extending it to incorporate JRF assumptions on uprating, interest rates, and rent control scenarios. The analysis focuses solely on returns from rental income and is restricted to individual landlords, excluding companies and other institutional landlords.

## Data

The analysis is built on the English Private Landlord Survey 2024, as used in Autonomy's analysis. Inputs are uprated to 2030 levels using the assumptions described below.

## Tax policy assumptions

Two primary tax policy scenarios are modelled. The baseline reflects the current tax policy scenario for landlords, with the 2030 baseline retaining the existing Section 24 mortgage interest restriction, applying a 2 percentage-point increase in income tax rates on rental income, with Section 24 relief correspondingly increased to 22%.

The tax reform scenario replaces both Section 24 and the 2 percentage-point income tax increase with employer and employee National Insurance Contributions on rental income, applying 2030 NIC rates and thresholds. Employer NICs are applied to rental income first, followed by income tax and employee NICs, with rental income apportioned to the relevant tax bands on top of earnings — reflecting the treatment of earned income as the primary income source. This approach is consistent with the recommendations set out in the CenTax report (Summers et al., 2025).

## Uprating assumptions

### House prices, debt and equity

Property values, debt, and equity are all uprated by the OBR house price index forecast to 2030, equivalent to an increase of approximately 17%. No differential regional uprating is applied.

An important methodological choice underpins this approach. To project landlord finances to 2030, 2 options were considered:

- (a) uprating values, debt and equity consistently, preserving the current financial structure to represent a comparable cohort of landlords in 2030
- (b) uprating house prices only, holding debt constant and deriving equity as a residual, which would represent a forward projection of today's specific cohort as mortgages amortise.

Option (a) has been adopted here for 3 reasons. First, it better reflects the policy environment facing the private rented sector in 2030. For the purposes of assessing the landscape landlords will be operating under at that point, a cohort with a consistent financial structure — similar loan-to-value ratios and debt positions — is a more relevant comparator than a forward projection of today's cohort. Second, it is the more transparent option, resting on cleaner assumptions. Third, it provides the more conservative estimate of landlord financial resilience. Option (b) would see equity rise while debt remains constant or falls, reducing the relative burden of interest payments as rental incomes grow, producing a more favourable picture of landlord finances that could overstate returns in 2030.

## Operational costs

Operational costs are uprated by the OBR CPI forecast to 2030, equivalent to approximately 14%. This differs from the Autonomy approach, which assumes operational costs are equivalent to 25% of rental income. By uprating costs with inflation rather than linking them to rents, costs grow more slowly than rents in the baseline but climb relative to rents under rent control scenarios, where rental growth is constrained.

In practice, landlords may respond to rent controls by reducing operational expenditure, which would produce a more favourable picture of their finances than modelled here. In the absence of robust evidence on the scale of such behavioural responses, and for simplicity, operational costs are assumed to rise with inflation

across all scenarios.

## Non-rental earnings

Non-rental earnings are uprated by the OBR earnings forecast to 2030, equivalent to approximately 19%. Since earnings are taxed before rental income, the combination of rising earnings and frozen thresholds means a greater share of rental income is pushed into higher tax bands over the projection period.

## Interest rates

Interest rate assumptions have a substantial bearing on the results. The Autonomy analysis assumed fixed-rate landlords with loan-to-value ratios (LTVs) below 50% faced rates of 3.44%, those with LTVs above 50% faced rates of 2.67%, and variable-rate landlords faced rates of 4.4%.

Given that Bank Rate is forecast to remain elevated and most landlords will have refinanced by 2030, these assumptions have been revised. The interest rates we have used for 2030 by LTV and borrowing type are as follows:

- LTV below 50% (fixed rate): 3.5%, broadly unchanged, reflecting continued access to cheaper borrowing
- LTV above 50% (fixed rate): 4.4%, increased from 2.67%, reflecting refinancing onto higher rates
- Variable rate: 4.4%, unchanged from 2024.

This produces a meaningful increase in aggregate interest payments, weighted towards variable-rate and high-LTV fixed-rate landlords. While the OBR forecasts Bank Rate to decline over the forecast period, we have maintained higher interest rate assumptions to reflect uncertainty in these forecasts, particularly given upward pressure on global inflation from the ongoing conflict in the Middle East, and to present a more conservative estimate of landlord finances in 2030.

## Rent scenarios

The OBR forecasts private rents to grow by approximately 18% by 2030, which forms the baseline. No differential regional uprating is applied. We tested a range of rent control scenarios, applying the national average rate of increase under these rent control scenarios. The national average rent increases in rent control scenarios are those outlined in our rent control modelling approach using the FRS and IPPR TBM, explained in the methodology note above. The rent control scenarios we focus on are rent increases constrained to CPI in tenancy and CPI + 2% between tenancies, rent increases constrained to wage growth in tenancy with no controls between tenancy, and rents frozen in tenancy and increases constrained to CPI + 2% between tenancy.

## Outputs and measures of impact

Results are reported for 2024 and 2030 across a variety of combinations of tax reform and rent control scenarios; baseline, tax reform alone, tax reform plus rent control and rent control alone. Results are generated separately for mortgaged landlords, unmortgaged landlords, and all individual landlords combined. This allows

the analysis to distinguish between landlords for whom interest costs are a significant component of their financial position and those who are not exposed to financing costs, and to assess how the incidence of tax and rent control policies differs across these groups.

The following metrics are used to assess impacts on landlord finances:

**Return on equity:** measures post-tax net rental income as a share of the equity held in the property. This captures the return landlords receive on their invested capital, and allows for comparisons across landlords with different levels of leverage and property values. Importantly our analysis here only looks at post-tax returns on rental income, reflecting the cash flow picture for landlords, and does not seek to capture post-tax returns from capital gains.

**Aggregate net rental income:** reports the total change in net rental income after operating costs and tax across scenarios, providing a measure of the overall financial impact of each policy combination on the landlord population.

**Net rents as a share of gross rents:** captures the proportion of gross rental income retained after operating costs and tax, providing a summary measure of the overall burden of costs on rental returns.

**Tax paid as a share of gross rents:** isolates the contribution of tax to that burden, allowing the impact of tax reform to be assessed independently of rent and cost changes.

In addition to these aggregate and average measures, distributional results are reported to capture variation in impacts across the landlord population, including the share of landlords making a loss on rental incomes under each scenario and the distribution of returns across landlords with different financial characteristics. This distributional analysis is important given the heterogeneity of the landlord population: aggregate or average results may mask significantly different experiences for landlords with high leverage, low rental yields, or high non-rental incomes.

# Notes

1. JRF analysis of the Department for Work & Pensions' data set: Households Below Average Income, 2023/24.

2. Poll conducted by More in Common on behalf of JRF. Fieldwork took place 4 December 2025 — 5 January 2026 (excluding 24-26 December). Sample size: GB adults (excluding Northern Ireland). Respondents were weighted according to age/sex interlocked, region, ethnicity, 2024 General Election vote, and education level. More in Common is a member of the British Polling Council and abides by its rules.

3. Previous JRF research estimated that keeping LHA rates frozen for the duration of the current parliament — as is assumed the case on the OBR's forecasts — would result in private renters on housing benefits being around £700 worse off per year by 2029; 50,000 renters pulled into poverty; 60,000 renters pushed into deep poverty and 80,000 (including 30,000 children) pushed into very deep poverty (Earwaker, 2024).

4. Poll conducted by More in Common on behalf of JRF. Fieldwork took place 4 December 2025 — 5 January 2026 (excluding 24-26 December). Sample size: GB adults (excluding Northern Ireland). Respondents were weighted according to age/sex interlocked, region, ethnicity, 2024 General Election vote, and education level. More in Common is a member of the British Polling Council and abides by its

rules.

5. Modelling assumes that rent control was introduced in 2025/26. See Methodology note for more information.

6. This benchmark is based on investing the realisable equity in a portfolio consisting of 60% UK equities (FTSE All Share Index) and 40% UK gilts. Equity returns are again measured as annual price appreciation plus dividends, smoothed using an 8-year rolling average. Gilt returns are proxied using the smoothed 8-year rolling market yield on 10-year UK Government bonds, which reflects interest income rather than realised bond price appreciation (The Autonomy Institute, 2026).

7. See pages 8-9 of Autonomy report for discussion of the different benchmarks and their comparability to the investments of typical PRS landlords (The Autonomy Institute, 2026).

8. Based on additional unpublished analysis conducted by the Autonomy Institute for JRF.

9. Knight Frank have also forecast for London house price growth to pick up between now and the end of the decade; they forecast a cumulative increase of 16.4% over 2026-2030 (Knight Frank 2026).

10. Modelling assumes that rent control was introduced in 2025/26. See Methodology note for more information.

11. Charts from Elliott and Baxter, 2025. Scenario depicted shows post-tax incomes for higher-rate paying private landlords. See methodology note in Elliott and Baxter, 2025 for assumptions.

12. We focus in this section and the next on individual landlords only as they make up the vast majority of all landlords, so understanding how the taxation regime for individual landlords exacerbates risk of negative returns on rental income (or could be reformed to do the opposite) has implications for the majority of landlords and tenancies.

13. In our projections for 2030, we have included a 2 percentage-point increase in the rate of income tax for rental income from April 2027, to reflect the announcement of this policy change at the 2025 Budget (HM Treasury, 2025).

14. The change announced in the 2025 Budget, to add an extra 2 percentage points onto the rate of taxation on income from rental property from 2027 (HM Treasury, 2025), will close this gap somewhat — but will still leave a sizeable gap in effective taxation rates between rental income and income from work.

15. In modelling our alternative tax policy scenario, we have removed the additional 2% uplift in the tax rate for income from rental property announced at the 2025 Budget.

16. This figure is based on the useable sample of 4,767 observations from the 2024 EPLS representing a sub-set of 236,200 individual landlords. Figures only compare the

change in tax from individual landlords and does not include tax paid on rental incomes by corporate landlords.

17. Poll conducted by More in Common on behalf of JRF. Fieldwork took place 4 December 2025 — 5 January 2026 (excluding 24-26 Dec). Sample size: GB adults (excluding Northern Ireland). Respondents were weighted according to age/sex interlocked, region, ethnicity, 2024 General Election vote, and education level. More in Common is a member of the British Polling Council and abides by its rules.

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