



**ESRB**

European Systemic Risk Board

European System of Financial Supervision

**ECB- Restricted**

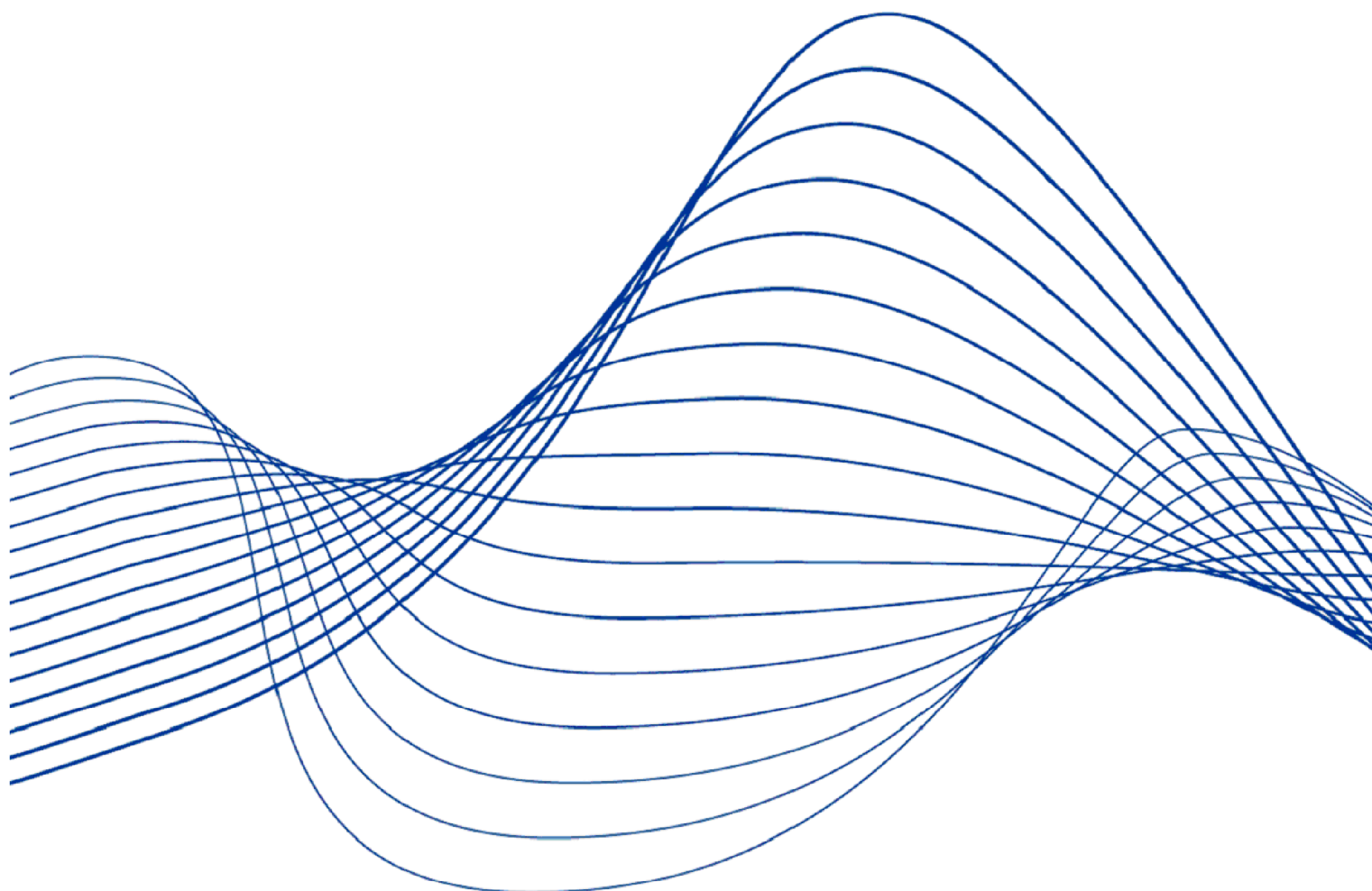
**Follow-up to the Recommendation ESRB/2019/7 on medium-term vulnerabilities in the residential real estate sector in the Netherlands**  
**Sub-recommendation B(1), Recommendation C and Recommendation D**

Reporting deadline: **31 October 2022**

Addressees:

**The Netherlands**

**The macroprudential authority, the designated authority or the competent authority in the Netherlands, as applicable**



## Introduction

<b>Legal instrument</b>	Recommendation ESRB/2019/7 on medium-term vulnerabilities in the residential real estate sector in the Netherlands	
<b>Reporting Institution</b>	The Ministry of Finance and The Ministry of the Interior and Kingdom Relations	
<b>Date of reporting</b>	31 October 2022	
<b>Confidentiality regime*</b>	Public	
<b>Name and contact details of the respondent</b>	Persoonsgegevens	

\* Please indicate the level of confidentiality you wish to apply to the responses provided herein.

### Timeline for completing the template and submitting the follow-up report

The purpose of this template is to request the Netherlands and the macroprudential authority, the designated authority or the competent authority, as applicable, in the Netherlands, to provide the ESRB with a follow-up report on the assessment of implementation of sub-recommendation B(1), Recommendation C and Recommendation D of the Recommendation ESRB/2019/7 (hereinafter the 'Recommendation'), due by **31 October 2022**.

Addressees are kindly invited to complete this template, summarising the actions taken to comply with the sub-recommendation B(1), Recommendation C and Recommendation D or providing adequate justification for inaction. Addressees are expected to provide relevant information and documentation related to the implementation of sub-recommendation B(1), Recommendation C and Recommendation D, including information on the substance and timing of the actions taken.

### Instructions to addressees

Each relevant authority should submit the completed template to the ESRB via the ESRB Secretariat. Subsequently, the ESRB Secretariat will arrange for the transmission of the final reports to the Commission, the Council and the European Parliament in accordance with Article 17(1) of Regulation No 1092/2010<sup>1</sup>.

For the purposes of reporting to the ESRB, the completed template should be sent to the ESRB Secretariat electronically via DARWIN in the dedicated folder or by email to 

Persoonsgegevens
------------------

 by **31 October 2022**:

The required follow-up reports by the addressees should contain a reference to all the details referred to in sub-recommendation B(1), Recommendation C and Recommendation D.

<sup>1</sup> OJ L 331, 15.12.2010, p. 1

Content of sub-recommendation	Recommendation D
	<p style="text-align: center;"><b>Tightening of borrower-based measures and approach to calibration</b></p> <p>It is recommended that the Netherlands review its policies with the aim of curbing the structural factors that have driven the vulnerabilities identified in Netherlands as a source of systemic risk as they provide incentives for households to take on excessive mortgage debt, or cause excessive growth in house prices and mortgage debt.</p>
Addressee	The Netherlands
Deadline	31 October 2022
<p><b>1. Timeline:</b></p> <p>Please indicate the time period when the actions required under the relevant sub-recommendation were taken.</p>	<p>The general measures run from 2013 until 2022. For mortgage interest deductibility (MID), however, there is a phasing-out process up to and including 2023. The so called “Wet Hillen” is phased out up until 2049.</p>
<p><b>2. Actions taken:</b></p> <p>Please describe the essence of the actions taken to comply with the relevant sub-recommendation, including how it ensures that collateral for new mortgage loans is sufficient to cover credit losses corresponding to the potential decrease in house prices under adverse economic or financial conditions.</p>	<p>Several measures taken by the government weaken the incentive to take on excessive mortgage debt or mitigate the excessive growth in housing prices. Since 2013, the LTV limit has been reduced to 100% and households are required to gradually repay their mortgage loan within 30 years in order to be entitled to MID. Moreover, a number of reforms will be implemented to remove features of the Dutch tax system that favour certain types of residential property ownership over other types of residency. This includes i) the reduction of the maximum mortgage interest relief has been accelerated, ii) at the low tax bracket level, imputed rent is being increasingly taxed for taxpayers that have no or low mortgage interest payments (phasing out of <i>Wet Hillen</i>), iii) the home gift tax exemption will be abolished, and lastly iv) the vacant possession value ratio will be increased to better align the taxation of rental property with the actual economic value it represents to property owners.</p> <p>Second, several measures have been taken on the supply-side of the housing market. High housing prices are partly driven by a shortage of construction the last decade. To increase the supply of (affordable) housing, this government is working on more centralised planning of the new housing supply, the removal of bottlenecks in the planning process for construction and is providing public investments to unlock residential construction projects.</p>
Compliance Criteria	Recommendation D
<p><b>3. Compliance criterion:</b></p>	

<p>Please describe how you applied the principle of proportionality, taking into account the objective and content of this recommendation.</p> <p>[Article 1(a) of Section 2.2 of the Recommendation]</p>	
<p><b>4. Compliance criterion:</b></p> <p>Please describe how, when making policy changes, the phasing-in of such measures has taken into account the position of the Netherlands in the economic and financial cycles, so that these measures do not serve to amplify or trigger the materialisation of accumulated vulnerabilities in the residential real estate sector in the Netherlands;</p> <p>[Article 1(d) of Section 2(2) of the Recommendation and recommendation D, Annex I]</p>	<p>Both the reduction of the maximum mortgage interest relief has been accelerated and the imputed rent is being increasingly taxed for taxpayers with no or low mortgage interest payments (<i>Wet Hillen</i>). Both measures that incentivise taking on excessive mortgage debt are phased out gradually, to prevent financial distress among existing homeowners.</p>
<p><b>5. Self-assessment:</b></p> <p>In case of action, please provide a self-assessment on whether the actions undertaken are fully compliant, largely compliant, partially compliant, materially non-compliant or non-compliant with the above sub-recommendation.</p>	<p>Several measures are still to be implemented or are gradually phased out, hence the effect of the measures on compliance with the recommendation are not yet visible. However, we expect that the taken measures will weaken the incentive to take on excessive mortgage debt and could mitigate the excessive growth in housing prices. These factors are of course not only influenced by policy measures, but also exogenous factors.</p>

<p><b>6. Justifications:</b></p> <p>Please provide, as appropriate, justifications for (i) inaction, (ii) delays in action and (iii) departure from this Recommendation, as may be relevant. Please provide a self-assessment on whether the inaction is sufficiently or insufficiently explained.</p>	
<p><b>7. Additional information:</b></p> <p>Please provide other information that is not otherwise covered in the present document and that is relevant for the purposes of the follow-up assessment.</p> <p>Please also attach any relevant documents (if applicable).</p>	