Jeremy Hunt MP,
Chancellor of the Exchequer,
11 Downing Street,
London,
SW1A 2AB

27th July 2023

Dear Chancellor of the Exchequer,

Re: Incentivising energy efficiency investment in the private rented sector

We are writing as a coalition of financial institutions, consumer groups, fuel poverty organisations and landlord and letting agent associations to encourage the reintroduction of tax exemptions for energy efficiency improvements made to privately rented properties. This will make investments more attractive to landlords and property agents, while reducing energy bills for renters.

There is a compelling case for boosting energy efficiency in the private rented sector. Citizens Advice highlighted that renters face widespread problems with damp, mould and cold, with 1.6 million children exposed to these conditions.[i] Around two-thirds of privately rented properties in England and Wales fall below EPC C, the government's target rating for all fuel poor homes by 2030.[ii] There is evidence that tax incentives could help make investments more attractive, incentivising retrofit. Recent survey evidence from Propertymark, the UK's leading professional body for property agents, shows that nearly 70% of agents think that support should extend to allow energy efficiency improvement to be offset against capital gains tax.

A simple tax restructuring to allow energy performance improvements to be deductible against rental income could help make investment more attractive for landlords. Individual landlords currently pay income tax on their rental properties at the same rate as other earned income. Before they work out how much they will be taxed, landlords may deduct costs of managing the property, legal fees, replacement furniture, insurance, utility bills, ground rent and maintenance and upkeep – but not energy saving improvements. We encourage this allowance to be expanded to include expenditure on improvements that result in an increase in the Environmental Impact Rating of the property, or included in an agreed list of measures (i.e., loft insulation, cavity wall insulation, etc). This would represent a maximum tax revenue foregone of £1.2bn to 2028, or around £0.24bn per annum over 5 years.[iii]

This simple tax change could drive investments that bring about significant energy bill savings for renters and support a shift towards higher standards, helping meet fuel poverty targets. We would be pleased to discuss this further. Please contact **Juliet.Phillips@e3g.org** to organise a meeting.

Kind regards,

E3G

The National Residential Landlords Association (NRLA)

Propertymark

Nationwide Building Society

Citizens Advice

Coventry Building Society

Homes For Good

National Energy Action

Paragon Bank

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[i] Citizens Advice, 2022. **Damp, cold and full of mould**
[ii] DLUHC, July 2022, English Housing Survey: Private Rented Sector, 2020-21
[iii] E3G, 2023. **Incentivising energy efficiency improvements for UK private renters: Autumn Budget briefing**