

Rent benefit

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What is rent benefit?

The aim of the Rent Benefit Act is to bring down the cost of accommodation for lower-income tenants and reduce inequality on the rented property market.

The local authorities administer the rent benefit system, which is financed by them and the Local Authorities' Equalisation Fund. Rent benefit entitlements are calculated on the basis of rent, income, net assets and the number of dependent children.

Awards and payments under the rent benefit scheme are handled by the local authorities, and applications should be submitted to the local authority in the area of the applicants' legal domicile.

Who is entitled to rent benefit?

All those who rent residential premises and live in them are entitled to rent benefit. Foreign nationals who are resident in Iceland have the same entitlement to rent benefit as Icelandic citizens. Tenants living in premises that they rent from the local authorities themselves also have the right to receive rent benefit.

Residential premises

Rent benefit is only paid in respect of residential premises. 'Residential premises' refers to ordinary and satisfactory home facilities, the minimum requirement being that these include at least one bedroom with a separate kitchen or cooking facilities and a separate toilet and bathing facilities, even if the flat itself is not officially approved as such. Rent benefit is not normally paid in connection with the renting of single rooms or when a kitchen or toilet is shared with other units. If a rented flat is situated in registered commercial premises, such as shop or factory premises, the tenant does not qualify for rent benefit. Regarding types of premises, reference shall be made to the records in the Land Registry of Iceland.

Students and residents of communal dwellings for the handicapped

Exemption from the domicile requirement for students

Students are exempt from the requirement regarding legal domicile. If a person is engaged in studies in Iceland and is living outside the local government area in which he

was legally domiciled at the beginning of his studies, and is registered as being resident there, he may qualify for rent benefit. This applies, e.g., when students from the rural areas pursue studies in the capital area. Applications for rent benefit in such cases shall be submitted to the local authorities where the students are legally domiciled, irrespective of their place of residence.

Renting of rooms – special rules applying to residents of communal dwellings for the handicapped and students in student residences or boarding school hostels

Handicapped individuals who demonstrably live in communal dwellings for which they pay rent are entitled to receive rent benefit even though part of the space they rent, such as the cooking facilities, sitting room and even the bathroom, is shared. In such cases, leases shall be made with each occupant separately covering part of the dwelling.

Students in upper secondary and third-level education who rent rooms in a school boarding school hostel or college residence with shared access to cooking facilities, sitting rooms and bathrooms are entitled to rent benefit. In these cases, the premises shall be regarded as ‘residential premises’. In such cases, the lease shall be registered as applying to the relevant room. This exemption shall not apply to students who rent rooms ‘down town’ or parts of flats rented on the open market.

How is rent benefit paid?

Application forms and where to apply

Applications for rent benefit shall be made on a special form. Forms are available from the local authorities’ social services offices and the Housing Fund, and can also be found on the Ministry’s website (www.felagsmalaraduneyti.is > húsnæðismál > húsaleigubætur).

Completed applications shall be submitted to the social services of the local authority where the applicant is legally domiciled. Some local authorities, e.g. Reykjavík and Akureyri, have had special application forms prepared.

Application deadlines. Validity of applications

Applications for rent benefit must reach the local authority not later than the 16th day of the first month for which benefit is to be paid; if the application is received later, then no rent benefit will be paid for that month. If the application is unsatisfactory, or is not accompanied by the necessary documents, then benefit will not be paid. If, on the other hand, satisfactory materials are received within the next two months, then the right to receive benefit will be based on the date of the application. Applications for rent benefit must be made each calendar year, and remain valid until the end of the year.

Applicants for rent benefit

The application forms for rent benefit are designed for one applicant only; rent benefit will therefore be paid to one only person living in the rented flat. Thus, the tenants must decide which of them the payments are to be made to. Tenants may also choose to have the payments made directly to the landlord. All those resident in the flat aged 18 and over must sign the application form.

What must accompany the application?

The following specific demands are made regarding the materials that must be submitted with the application.

1. A lease for a period of at least six months; it must be evident that the lease has been registered.
2. Certified photocopies of the tax returns of those who are legally domiciled and resident in the flat.
3. Pay slips of those who are legally domiciled and resident in the flat for the past three months and information on calculated remuneration in cases where they are self-employed.
4. Confirmation from a school or college concerning the studies of applicants' children who are aged 20 or older and are engaged in programmes of study lasting six months or more during the year.
5. A certificate from Statistics Iceland on those registered as living in the relevant flat. If the local authority has direct access to data held by the Director of Internal Revenue on applicants' income and assets, including information on their tax deducted at source, it may decide that an applicant does not have to submit a copy of his tax return and pay slips; a condition for this is that the local authority has received full authorisation from the applicants to obtain this information from the tax authorities. The same shall apply regarding the certificate of residence from Statistics Iceland.

Registration of leases

The lease must be registered. The original of the lease shall be submitted to the office of the district commissioner in the area in which the property is located. It is not necessary, however, to register leases applying to flat owned by the local authorities or by enterprises that are wholly owned by the local authorities.

Calculation of benefit

Rent

The rent used to calculate the amount of benefit shall be the sum directly paid for the rental of the premises. Other payments which the tenant is obliged to make for water, heat and electricity shall therefore not be considered as forming part of the rent under the Act.

Basic sums and calculation of rent benefit

The basic sum for each flat is ISK 8,000; an additional ISK 7,000 is paid in respect of the first child, ISK 6,000 in respect of the second and ISK 5,500 in respect of the third. The children must be legally domiciled in the rented premises. In addition, 15% of the rent

lying between ISK 20,000 and ISK 50,000 may be paid as rent benefit. The maximum monthly level of rent benefit is ISK 31,000; this may never exceed 50% of the rent.

What factors may reduce benefit entitlement?

Income reduces monthly rent benefit by 1% of annual income in excess of ISK 2 million. 'Income' here refers to the aggregate total earnings of all those who are legally domiciled or resident in the relevant rented premises; the earnings of applicants' children aged 20 and over shall be included unless they are engaged in programmes of school or college (university) study for six months or more during the year. Social security benefit payment from the State Social Security Institute, rent benefit for the previous year and income payments that are not subject to tax shall be excluded from these calculations.

Assets reduce rent benefit if, aggregated and after deduction of liabilities, they exceed ISK 3,702,866. In such cases, 25% of the amount exceeding this sum shall be added to the income figure used to calculate rent benefit. This asset reference figure shall be based on the Consumer Price Index as of 1 January each year; the figure of ISK 3,702,866 is based on the index for 1 January 2003. The calculation shall be based on the aggregate assets of all those who are legally domiciled or resident in the relevant rented premises, less their liabilities.

Payment of rent benefit

Rent benefit is paid in arrears, becoming payable as from the month in which the right to receive benefit has been established. The local authorities shall pay benefit each month in respect of the previous month, not later than the 5th day of each month.

Taxation

Rent benefit must be declared, but is not taxed. Thus, no tax is paid on rent benefit payments.

Calculator

The Ministry's website includes a calculator to calculate rent benefit entitlement (www.felagsmalaraduneyti.is > húsnæðismál > húsaleigubætur).

Repayment

A beneficiary who receives benefit wrongly, or benefit payments that are too high, cover too long a period or in any other way exceed what he was entitled to, shall repay the excess amount with a 15% supplement. The local authority may also request a set-off of excess amounts of rent benefit paid against the beneficiary's credit with the state in connection with the payment of child benefit, interest benefit and tax rebates.

Factors which disqualify applicants from receiving rent benefit

1. If the applicant, or any other person living with him in the premises, is a close relative or close associate of the landlord who lives in the same building (e.g. if the basement or attic flat is rented), he shall not be eligible to receive rent benefit.

2. If the applicant, or any other person living with him in the premises, exercises his right to interest benefit, he shall not be eligible to receive rent benefit. Thus, attention shall always be given to whether the applicant is entitled to receive interest benefit.

3. If the lease is made for a period of less than six months, the tenant shall not be entitled to receive rent benefit.

Loss of the right to benefit

Article 15 of the Act covers circumstances in which the right to benefit is lost and the conditions of the Act for the payment of rent benefit are no longer met. This occurs, for example, when the applicant moves out of the residential premises, sub-lets the flat or provides incorrect or misleading information.

General information

Local authorities' authorisation to pay higher rates of benefit

A local authority may decide to pay rent benefit at higher rates than the basic sums stated above. Local authorities shall advertise such decisions.

Special provision in the event of the illness of the applicant or his family

The local authority may pay rent benefit to a beneficiary who has to live temporarily in another local government area due to illness or illness in his family. The rent benefit application shall be submitted to the local authority in the area in which the applicant is legally domiciled.

Changed circumstances – tenants' duty of notification

Beneficiaries shall be obliged to inform the local authority immediately of all changes in their personal circumstances that could affect their entitlement to receive rent benefit and on the benefit amount.

Appeals

Applicants who consider they have been unfairly treated in the application of the Act by a local authority may refer the relevant decision by the social affairs council or committee to the Social Services Tribunal. The tribunal is located in the Ministry of Social Affairs, Hafnarhúsinu v/Tryggvagötu, 150 Reykjavík.