

Policy Framework for the Activation of Vacant Residential Property in Slovenia

A Structural Reform Proposal for a More Efficient and Transparent Rental Market

Executive Summary

Slovenia faces structural imbalances in its housing market, particularly in the rental segment. According to official data from the Statistical Office of the Republic of Slovenia (SURS), more than 165,000 residential units were recorded as unoccupied as of 1 January 2021. Independent utility-consumption analyses suggest that at least 20,000 of these units in major urban municipalities are physically usable and potentially available for rental purposes.

At the same time, the supply of affordable rental housing remains insufficient. Public construction delivers up to 1,000 units annually, while private construction contributes approximately 4,000 units per year—insufficient to meet demographic and labor-market needs. This structural mismatch increases housing costs, reduces mobility, and constrains demographic sustainability.

This policy proposal aims to activate a significant portion of vacant yet usable residential property through a coordinated package of legal, fiscal, and administrative reforms. The objective is not punitive taxation, but market activation through improved legal certainty, reduced administrative burden, proportionate incentives, and effective enforcement.

The reform is aligned with EU priorities concerning:

- Efficient use of existing housing stock
- Urban sustainability and land-use optimization
- Rule of law and legal certainty in civil disputes
- Fair and broad-based taxation
- Social cohesion and demographic resilience

The proposed measures could activate several thousand housing units annually, at significantly lower fiscal cost than large-scale public construction programs.

1. Structural Context

1.1 Housing Supply Constraints

Slovenia's housing market is characterized by:

- High ownership rates
- Underdeveloped private rental market
- Limited institutional rental sector
- Administrative inefficiencies in dispute resolution
- Insufficient transparency in rental reporting

Average housing prices in Ljubljana exceed EUR 4,500 per m², placing homeownership beyond reach for many young households. The rental market remains constrained partly due to regulatory uncertainty and limited enforcement capacity.

1.2 Underutilization of Existing Housing Stock

Official data confirm substantial vacancy rates. While some units are structurally unusable, evidence suggests a significant share of physically habitable units remain vacant due to:

- Legal uncertainty in eviction procedures
- High effective taxation of rental income
- Low fiscal disincentives for vacancy
- Weak enforcement of registration requirements
- Fragmented administrative databases

This creates allocative inefficiency within the housing system.

2. Key Policy Barriers

2.1 Legal Uncertainty and Procedural Delays

Eviction proceedings may last 1–3 years. Landlords face significant uncertainty regarding recovery of possession in cases of non-payment. This risk perception materially reduces rental supply.

2.2 Distortive Tax Structure

Current rental income taxation (nominally 25% with standardized cost deduction) results in an effective rate of approximately 22.5%, which discourages formal participation.

Simultaneously, fiscal costs of leaving dwellings vacant are minimal (limited to NUSZ and minor property-based charges), creating asymmetric incentives.

2.3 Weak Enforcement and Data Fragmentation

- Late or non-registration of rental agreements is widespread (estimated 40–50% informal market).
- Residence registration databases are not systematically linked to tax records.
- No operational definition of “undeclared rental” exists in legislation.
- No integrated registry of vacant dwellings exists.

This weakens fiscal fairness and regulatory credibility.

3. Reform Objectives

The reform pursues five strategic objectives:

1. Increase formal rental supply through legal certainty.
2. Improve tax compliance while reducing tax distortion.
3. Activate vacant housing without large-scale public expenditure.
4. Enhance transparency and inter-institutional coordination.
5. Support demographic stability and labor mobility.

4. Core Reform Measures

4.1 Legal Reform: Accelerated and Predictable Dispute Resolution

Establish mandatory pre-litigation arbitration for rental disputes (modelled on EU consumer ADR frameworks).

Introduce specialization of judges for residential rental disputes.

Set target eviction timelines (30 days after lawful termination; proportionally longer for long-term contracts).

This increases predictability and aligns with EU principles of effective judicial protection.

4.2 Tax Procedure Reform

Mandatory electronic registration of rental contracts within five days via the FURS portal.
Abolition of standardized lump-sum cost deductions to enable simplified monthly tax assessment.
Integration of residence registry and rental contract registry.

This improves traceability, reduces administrative complexity, and enhances compliance.

4.3 Incentive-Based Rental Taxation

- Reduce base rental income tax to 15%.
- Gradually reduce to 10% for long-term tenancy (minimum floor).
- Introduce minimum region-based recognized rents to prevent artificial underreporting.
- Lower rates broaden the tax base and improve voluntary compliance.

4.4 Vacant Dwelling Tax

- Introduce a proportionate tax on long-term vacant residential units, set at approximately 0,5 of potential rental tax liability.
- The objective is activation rather than revenue generation.
- Exemptions would apply under clearly defined circumstances (e.g., close family use with registered residence).
- Comparable models exist in several EU Member States and Switzerland.

4.5 Strengthened Sanctions

Define "undeclared rental" as failure to register within prescribed deadline.

Increase penalties to EUR 3,000–30,000.

Simplified sanction model: one annual rent for first violation; double for repeat offense.

- Enforcement must be credible, proportionate, and transparent.

5. Administrative Modernization

- Create inter-institutional data exchange between FURS, SURS, Ministry of Public Administration.
- Establish vacancy identification mechanism based on utility consumption thresholds.
- Develop national rental market monitoring framework.

This aligns with EU digital governance objectives.

6. Expected Impact

6.1 Economic Impact

Activation of several thousand units annually.

- Reduced pressure for greenfield development.
- Protection of agricultural land.
- Improved labor mobility.

6.2 Fiscal Impact

- Broader tax base at lower rates.
- Improved compliance.
- Reduced long-term public construction burden.

6.3 Social Impact

- Increased rental accessibility for young households.
- Improved demographic prospects.
- Reduced housing-driven inequality.

7. Compliance with EU Principles

The proposal respects:

- Proportionality (tax calibrated below rental equivalent).
- Legal certainty and access to justice.
- Fiscal neutrality and fairness.

- Social cohesion and sustainable urban development.
- Efficient use of existing assets (Green Deal compatibility).

The approach emphasizes activation rather than expropriation, incentive alignment rather than punitive taxation, and rule-of-law reinforcement rather than administrative expansion.

8. Conclusion

Slovenia possesses sufficient existing housing stock to significantly alleviate rental market pressure without relying exclusively on costly new construction.

A coordinated legal-fiscal reform package can:

- Increase formal rental supply
- Improve transparency
- Strengthen tax fairness
- Support demographic resilience
- Reduce long-term fiscal exposure

This proposal represents a structural reform of the rental market consistent with European governance standards and sustainable housing policy principles.

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