# Reeves asks Treasury to model shift from stamp duty to annual levy on homes over £500,000



It is the last thing many hard‑pressed homeowners feared: Treasury officials have been asked to model far‑reaching changes to property taxation that could shift the burden from buyers to owners of higher‑value homes. According to Money Mail and reporting in The Independent, Chancellor Rachel Reeves has instructed officials to explore replacing stamp duty and possibly council tax with a new, proportional property levy that would target homes worth £500,000 and above as ministers seek ways to close a roughly £51 billion fiscal gap.

Ministers and officials are understood to be at the modelling stage and have not taken any decisions. The options being examined range from a seller‑paid charge on disposals of expensive homes to a two‑part system of a national levy on values above a threshold combined with a local property tax in place of council tax. The Independent reported the work is intended to feed into preparatory analysis ahead of the Autumn Budget, while Money Mail set out the particular variants under consideration.

Under one set of proposals being discussed, the current buyer‑paid stamp duty system would be scrapped in favour of a charge payable by sellers on homes above a given threshold — widely reported as £500,000. That would represent a significant change to the existing Stamp Duty Land Tax regime, which — according to HM Revenue & Customs guidance — charges nil on the initial slices of value for most buyers, then 5 per cent on the portion from £250,001 to £925,000, rising to 10 per cent and 12 per cent in the highest bands. Money Mail’s analysis illustrates the difference in scale: stamp duty on a £600,000 sale currently reaches tens of thousands, whereas a lower, annualised levy would spread that cost over many years.

The practical and behavioural effects of those options are contested. Andrew Marr, tax expert at Forbes Dawson, told Money Mail the shift would in effect create a luxury tax that risks a two‑tier market above and below the chosen threshold and could make owners reluctant to move. The stamp duty holiday during the pandemic is cited as evidence that removing upfront transaction costs boosts activity — and conversely, that new upfront or ongoing levies could chill moves, reducing downsizing and freeing up larger homes. Some industry figures argue seller‑paid levies would be less of a tax on aspiration: Simon Gerrard, chairman of Martyn Gerrard Estate Agents, told Money Mail the change would relieve buyers of the immediate cost of moving, while Aneisha Beveridge, head of research at Hamptons, warned that sellers are likely to fold any new levy into asking prices, fragmenting the market.

A more developed alternative is set out in Tim Leunig’s Onward report, which has clearly informed the Treasury’s thinking. The paper proposes a local tax on the first £500,000 of a property’s value (with a minimum payment of £800) and a national levy on the portion above £500,000 — suggested rates of 0.54 per cent between £500,000 and £1 million and 0.81 per cent above £1 million. Under the report’s worked examples, a £600,000 home would face a national levy of about £540 a year and a combined bill (including the local element) substantially lower in any single year than the current stamp duty bill, but persistent and recurring. Onward argues this would make moving cheaper up front, reduce regional unfairness and eventually remove the market distortion caused by a costly transaction tax.

If a national levy and local replacement for council tax were adopted together, the numbers quickly become material for owners of high‑value stock. Money Mail’s calculations — drawing on the Onward proposals — show the combined annual charges could be thousands of pounds on homes worth £800,000 or more and exceed £10,000 a year in the very top‑end markets. Tim Leunig told Money Mail his system would encourage mobility because liability would reset on sale and rates would be linked to inflation and periodic revaluations, but he acknowledged the losers would chiefly be those who buy and then stay put for many years.

The distributional geography matters. Official statistics show sharp regional contrasts: the Department for Levelling Up, Housing and Communities reports the average Band D council tax will be £2,280 in 2025–26, while Office for National Statistics data put the average house price in Wandsworth at about £718,000 in May 2025. Rightmove’s June 2025 analysis also highlights a rise in high‑value stock, noting the share of listings at £1 million or more has doubled since 2019 and remains concentrated in London and surrounding boroughs. That combination means many households in the South — and older owners downsizing within expensive local markets — are disproportionately likely to face higher ongoing bills under the sorts of regimes under consideration.

Practical concerns about implementation are widespread. Industry and tax experts have warned about how properties would be valued for tax purposes, whether liabilities would take account of mortgage debt or only market value, and the administrative challenge for HM Revenue & Customs and local authorities. Money Mail quoted tax professionals who said HMRC is already overstretched and that lenders would likely factor any new annual levy into affordability calculations. There is also a risk of a “double hit” for existing owners who paid stamp duty when they bought and could subsequently face an annual charge unless the Treasury chooses transitional protections. Landlords, too, could pass new costs on to tenants, according to analysts.

Politically, the proposals are sensitive. The Independent noted that ministers have not settled on any path and that the measures draw from a centre‑Right think‑tank’s recommendations, raising questions about timing, electoral reaction and the short‑term revenue implications of any move away from stamp duty. Analysts cited by Money Mail, including Tom Bill of Knight Frank, emphasise that a package would need careful calibration to avoid depressing transactions in high‑value markets and to manage a potentially large short‑term loss of stamp duty receipts.

For now the work remains modelling rather than policy. Officials are weighing multiple designs — seller charges on disposal, an annual national levy, reform of council tax — and significant design questions remain, from valuation rules to transitional arrangements. Homeowners should expect more detail only if and when ministers publish firm proposals in advance of a Budget; until then, the main certainty is uncertainty, and the political battleground over who ultimately pays is only just opening.

### 📌 Reference Map:

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* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/mailplus/article-15015261/How-Labours-huge-property-tax-shake-smash-hole-household-budget.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[7]](https://www.the-independent.com/news/uk/home-news/reeves-property-tax-stamp-duty-b2809910.html)
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* Paragraph 7 – [[4]](https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2025-to-2026/council-tax-levels-set-by-local-authorities-in-england-2025-to-2026), [[5]](https://www.ons.gov.uk/visualisations/housingpriceslocal/E09000032/), [[6]](https://www.rightmove.co.uk/press-centre/number-of-million-pound-homes-for-sale-doubles-since-2019/), [[1]](https://www.dailymail.co.uk/money/mailplus/article-15015261/How-Labours-huge-property-tax-shake-smash-hole-household-budget.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
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1. <https://www.dailymail.co.uk/money/mailplus/article-15015261/How-Labours-huge-property-tax-shake-smash-hole-household-budget.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ukonward.com/reports/a-fairer-property-tax/> - A Fairer Property Tax, a report by Tim Leunig for the Onward think‑tank published in August 2024, proposes replacing stamp duty and council tax with proportional annual property levies. It recommends a local tax on the first £500,000 of value with a minimum payment of £800 and a national levy on values above £500,000 with suggested rates of 0.54% between £500,000 and £1m and 0.81% above £1m. The paper argues this would make moving cheaper, reduce unfair regional disparities, simplify valuation, and eventually replace upfront transaction taxes while protecting those who have already paid stamp duty and ease market distortions.
3. <https://www.gov.uk/government/publications/rates-and-allowances-stamp-duty-land-tax/stamp-duty-land-tax-rates-31-october-2024-to-31-march-2025> - The HM Government publication on Stamp Duty Land Tax rates (31 October 2024 to 31 March 2025) sets out residential thresholds and bands used to calculate tax when buying property. It confirms nil rates up to £250,000 for most buyers, then 5% on the portion from £250,001 to £925,000, 10% from £925,001 to £1.5 million and 12% above that, alongside higher rates for additional dwellings and corporate buyers. The page notes surcharges and recent changes effective from October 2024 and explains how different purchaser types and rates interact with thresholds and exemptions. It is the official guidance published by HMRC.
4. <https://www.gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2025-to-2026/council-tax-levels-set-by-local-authorities-in-england-2025-to-2026> - The Department for Levelling Up, Housing and Communities statistical release for council tax levels set by local authorities in England 2025‑26 reports the average Band D council tax will be £2,280 for 2025‑26, a five per cent rise from 2024‑25. The release provides national totals, regional breakdowns, and tables showing council tax requirements and tax bases, plus commentary on adult social care and parish precepts. It explains calculation methods, includes technical notes, and gives examples of how average bills vary between areas such as London and shire counties, offering authoritative figures used by analysts and media and informing local government.
5. <https://www.ons.gov.uk/visualisations/housingpriceslocal/E09000032/> - The Office for National Statistics local housing page for Wandsworth presents updated house price data, reporting an average house price of £718,000 in May 2025. The interactive briefing provides monthly and annual changes, breakdowns by property type and buyer type, and cautions about provisional nature and small-sample volatility at local level. It draws on the UK House Price Index compiled from HM Land Registry data and offers downloadable charts and data tables, making it a reliable source for borough-level valuation and for illustrating how London boroughs compare in average prices and trends. It is widely used by journalists and policymakers.
6. <https://www.rightmove.co.uk/press-centre/number-of-million-pound-homes-for-sale-doubles-since-2019/> - Rightmove’s press release (June 2025) reveals the number of properties for sale priced at £1 million or more has doubled since 2019, rising to just over five per cent of listings. The analysis compares January–April 2025 with the same period in 2019, highlights London as the region with the most million‑pound homes for sale and lists boroughs such as Westminster, Kensington and Wandsworth topping the tables. Rightmove provides regional breakdowns, explanatory commentary from its property expert and downloadable data, demonstrating the growing concentration of high‑value stock and geographical clustering of expensive property. The dataset underpins media coverage and market analysis.
7. <https://www.the-independent.com/news/uk/home-news/reeves-property-tax-stamp-duty-b2809910.html> - The Independent reported that Treasury officials have been asked to model proposals to replace stamp duty with a new national property levy targeting homes worth more than £500,000, drawing on an Onward report by Tim Leunig. The piece explains ministers are studying how a proportional property tax could be implemented and modelled ahead of the Autumn Budget, with a potential second stage replacing council tax via a local property levy. It notes no decisions are final, outlines political sensitivities, and quotes experts on distributional effects, while emphasising the proposals would mainly affect owner‑occupiers of higher‑value houses and pensioner affordability concerns.