# Uncertainty over UK property taxes triggers market slowdown ahead of autumn Budget



Speculation over significant changes to the UK property tax regime ahead of the Autumn Budget has precipitated a notable slowdown and instability in the housing market, according to leading estate agents and market experts. Chancellor Rachel Reeves confirmed the Budget’s delay to 26 November, extending a period of uncertainty now lasting 84 days—a window in which rumours of sweeping reforms have heightened buyer anxiety. Martyn Gerrard Estate Agents, a London-based firm with 15 offices, reports that nearly one in five agreed sales in August collapsed as buyers rapidly withdrew their offers shortly after acceptance, a clear sign of the market’s fragility amid taxing speculation.

Simon Gerrard, the chairman of Martyn Gerrard, attributes this volatility to "panic, confusion and uncertainty" triggered by potential tax hikes on property transactions. These concerns centre on proposals including replacing stamp duty with an annual property tax targeting homes valued at £500,000 or more, an expansion of capital gains tax on sales of residences above £1.5 million, and changes to gifting rules that could complicate intergenerational transfers such as parental assistance with house deposits. Another significant rumour involves imposing National Insurance Contributions (NICs) on rental income, a move that could add an estimated 8% levy for many landlords and raise their annual tax bills by more than £1,000, potentially reducing the supply of rental properties and driving up rents.

Polly Ogden Duffy, managing director of John D Wood & Co, highlights how the lengthy delay until late November compounds tension in the market. She observes a bifurcation emerging where some buyers rush to complete transactions before potential tax changes take effect, while others have become paralysed by uncertainty and are postponing purchases altogether. This split creates a disjointed market environment, with rising fall-through rates and an overall atmosphere of hesitation expected to persist into 2025. Ogden expresses particular concern over the possibility of capital gains tax applying to primary residences—a policy seen as a double blow after stamp duty charges and one that may deter downsizing, thereby restricting housing supply and pushing prices upward.

Recent data corroborate the impact of these developments. Nationwide Building Society reported an unexpected 0.1% decline in UK house prices in August 2025, marking the third fall since April. Year-on-year price growth slowed to 2.1%, the weakest pace since mid-2024. Analysts attribute this softness to affordability pressures, with first-time buyers now spending around 35% of their take-home pay on mortgage repayments, well beyond historical norms. The Bank of England’s interest rate cut to 4% in early August has yet to sufficiently ease this burden amid ongoing inflation concerns, and tax policy uncertainty likely exacerbates buyer reluctance.

Looking ahead, Martyn Gerrard expects continued stagnation or modest declines in prices until the Budget clarifies the government’s intentions, with the market effectively "grinding to a halt" during the run-up to the festive season. This prediction aligns with broader forecasts from property consultancies like Savills and Rightmove, which have reduced their growth expectations for 2025 to 1-2%, though they anticipate stronger recovery from 2026 onward as wage growth and mortgage conditions improve. Amid this backdrop, estate agents advise buyers to remain focused on current market conditions rather than reacting to speculative future tax changes.

However, the sentiment among all buyers is not uniformly negative. Jo Eccles, founder of the prime central London buying agency Eccord, notes that some prospective purchasers—particularly those targeting high-value properties—may appreciate an annual property tax replacing the lump-sum stamp duty. This alternative could offer greater financial flexibility. For instance, one private equity client told Eccles that the current steep stamp duty on multimillion-pound homes limits purchase decisions to longer-term ownership, whereas an annual tax would allow easier movement within the property ladder.

Meanwhile, the wider economic context intensifies the stakes around the Budget. The UK government faces persistent fiscal challenges, with a projected £41.2 billion fiscal gap by 2029/30 that necessitates careful consideration of revenue-raising measures. As reported by economic analysts and reinforced by the National Institute of Economic and Social Research, tax reforms—including council tax, VAT, and pension relief amendments—are under discussion alongside property-specific levies. While the government has pledged not to increase headline income tax, VAT, or employees’ NIC rates, broadening the tax base through property and wealth taxes remains a critical avenue.

Further complicating market dynamics, the UK Treasury is eyeing measures such as levying NICs on landlords' rental income to generate about £2 billion, a policy that may accelerate the reduction in buy-to-let landlords and impact rental affordability. Industry observers caution that some landlords might shift holdings into limited company structures to mitigate tax liabilities, potentially diluting government revenue gains.

In London’s luxury housing sector, these fiscal pressures and evolving regulations have already reshaped buyer demographics. According to property market data, international demand for high-end homes has declined following tax changes targeting non-domiciled residents, including caps on overseas income tax relief and inheritance tax on global assets. This trend has created opportunities for domestic buyers, particularly families from outer London previously priced out, enabling acquisitions at markedly reduced prices in prestigious locations such as Belgravia, Kensington, and Knightsbridge. Property prices in this segment have dropped by around 5%, and sales volumes and buyer registrations have fallen significantly compared to the previous year.

In summary, the extended wait until the late November Budget coupled with pervasive rumours of substantial property tax reforms is fostering a climate of uncertainty that is stalling transactions and dampening buyer confidence across the UK housing market. The spectre of new taxes on both buyers and landlords threatens to constrain market liquidity and price growth, at least in the near term, while some segments adapt by recalibrating purchase strategies or seizing emerging value opportunities in the prime market. The Chancellor’s forthcoming decisions will be pivotal in determining the sector’s trajectory amid a challenging economic backdrop.

### 📌 Reference Map:

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2. <https://www.reuters.com/world/uk/uk-budget-speculation-adds-risks-economy-2025-09-03/> - Amid ongoing speculation over the UK's upcoming budget, concerns are growing over its potential impact on economic confidence. Finance Minister Rachel Reeves is rumored to be considering various tax increases, such as levies on home sales, income tax expansions, changes to pension relief, and new charges on banks and gambling. These discussions, set ahead of the November 26 budget announcement, are heightening anxiety among households and businesses already wary of high inflation and job insecurity. Despite strong GDP growth in the first half of 2025, largely fueled by public spending and trade responses to U.S. tariffs, the UK's weak public finances require significant tax hikes — estimated at £20–£40 billion — to meet fiscal goals. Business and consumer sentiment is deteriorating, with indicators like the "Fear Index" showing pandemic-level anxiety. The Confederation of British Industry warns that existing tax burdens and uncertainty are delaying investment and hiring. Markets remain sensitive after past fiscal missteps, notably the 2022 mini-budget. With limited scope for large tax hikes or spending cuts, experts see constrained options for Reeves and suggest the UK might need broader fiscal reforms if current uncertainty continues into the next year.
3. <https://www.reuters.com/business/finance/uk-house-prices-unexpectedly-fell-august-nationwide-data-shows-2025-09-01/> - In August 2025, UK house prices unexpectedly declined by 0.1% from July, according to data from Nationwide Building Society. This marks the third monthly fall since April when a tax break for lower-value home buyers ended. Year-on-year growth slowed to 2.1%, the weakest pace since June 2024 and below the forecast of 2.8%. Nationwide cited stretched affordability as a key factor, noting that average monthly mortgage payments for first-time buyers now consume about 35% of take-home pay, well above the long-term average of 30%. Economists had predicted a 0.2% monthly price rise. Although the Bank of England lowered interest rates to 4% in early August, concerns about persistent inflation could slow further rate cuts. Additionally, buyer sentiment may be affected by speculation over potential tax increases in the autumn budget, such as a mansion tax, further weighing on the housing market.
4. <https://moneyweek.com/personal-finance/tax/national-insurance-landlords-rental-income> - The UK Treasury is reportedly considering extending National Insurance contributions (NICs) to rental income from landlords in the upcoming Autumn Budget, aiming to raise around £2 billion. While earnings from property are currently exempt from NICs, this proposed change could subject buy-to-let landlords to an 8% levy on rental income. The move is suggested to target the most common property income bracket (£50,000–£70,000), potentially adding over £1,000 to annual tax bills for many landlords. The government argues that such a reform would not breach its pledge not to increase tax rates, as the measure would broaden the tax base without altering rates. However, critics warn it could exacerbate the existing landlord exodus, reducing supply and pushing up rents for tenants. Some experts suggest landlords may increasingly turn to limited company structures to minimize tax obligations, potentially reducing the policy’s revenue impact. The Treasury has neither confirmed nor denied the rumors, instead emphasizing its focus on economic growth over direct taxation. Meanwhile, the government is also considering other property tax reforms, including replacing stamp duty with a national property tax and introducing a mansion tax.
5. <https://moneyweek.com/investments/house-prices/house-prices> - As of August 2025, the UK housing market is showing signs of renewed activity after a slowdown driven by stamp duty changes. Despite this recovery, expectations for house price growth in 2025 have been downgraded. Savills cut its forecast from 4% to 1%, and Rightmove halved its outlook to 2%. Growth varies by region, with northern areas experiencing higher rises due to better affordability. Sales have increased, supported by lower asking prices and more realistic seller expectations. July 2025 was the busiest since 2020, with sales up 8% year-on-year. While asking prices dropped 1.3% in August, the average selling price has risen modestly, with HM Land Registry reporting a 3.7% annual increase to £269,000 by June. Forecasts suggest modest gains for the rest of 2025, but stronger growth is anticipated from 2026 onward, driven by wage increases, easing mortgage rates, and more relaxed lending rules. Savills and Knight Frank project 4–6% annual growth between 2026 and 2029. Speculation around policy changes, including a potential replacement of stamp duty with annual property taxes, adds uncertainty. Experts advise buyers to focus on current conditions and personal needs rather than reacting to future tax rumours.
6. <https://moneyweek.com/personal-finance/tax/budget-tax-rises> - The UK government is expected to raise taxes in the 2025 Autumn Budget due to weak economic growth, high public spending, and a £41.2 billion fiscal gap projected by 2029/30. The National Institute of Economic and Social Research has recommended modest and sustained tax increases, including reforming council tax, VAT, and pension allowances. Although better-than-expected economic data has emerged, including improved GDP growth and lower-than-expected government borrowing, substantial fiscal pressure remains. Key revenue-raising options include extending the income tax threshold freeze beyond 2028, altering salary sacrifice rules, and reforming pension tax relief. Property taxes are under active review, with proposals like a "mansion tax," replacing stamp duty with a new levy, and taxing capital gains on high-value primary residences. Landlords may also be targeted through National Insurance on rental income. Despite a pledge not to raise income tax, VAT, or employees’ National Insurance, these three remain the government’s largest revenue sources, limiting room for alternatives. Wealth and inheritance tax reforms are also on the table, though implementing a broad wealth tax faces logistical and political hurdles. The budget will likely aim for the "least worst" options amid ongoing budgetary constraints.
7. <https://www.ft.com/content/076c40fa-f090-4063-b6d7-550dbb4b40cb> - UK families are capitalizing on falling prices in London’s luxury housing market as international demand wanes due to new tax policies targeting non-domiciled residents. These changes, including a cap on tax relief for overseas income and the introduction of inheritance tax on worldwide assets, have driven many wealthy international buyers away. Traditionally dominant in the market for £5 million-plus homes, these absent buyers have reduced competition and opened up opportunities in exclusive areas like Belgravia, Kensington, and Knightsbridge. Estate agents report that domestic families from outer London, previously priced out, are now purchasing prime properties at significantly reduced rates—sometimes below £2,000 per square foot. Price cuts averaging 5% and properties lingering 50% longer on the market have further empowered local buyers. Data from Knight Frank shows a 7% drop in prime property sales and a 13% decrease in new buyer registrations compared to the previous year. Overall, this shift marks a significant rebalancing in London’s prime housing market, with domestic buyers seizing the chance to move into prestigious postcodes that were once out of reach.