# Anticipated property tax reforms threaten to disrupt London's housing market recovery



Rumoured changes to property taxation, anticipated in the upcoming Autumn Budget, have raised concerns about exacerbating pressures on the housing markets of London and the South East, areas already exhibiting subdued performance. According to Rightmove, speculation surrounds proposals that might include a national proportional property tax on homes valued over £500,000 and the introduction of national insurance contributions for landlords. These potential reforms come amidst an environment of cautious buyer and seller behaviour, particularly in higher-value brackets where market uncertainty tends to be more pronounced.

Rightmove's property expert, Coleen Babcock, observed that rumoured tax changes "began swirling in mid-August," and with the Budget expected several months later, this prolonged uncertainty may influence market decisions, particularly in London and the South East, where housing activity has been softer compared to other regions. The property portal's analysis emphasises that nearly 60 percent of home sales in London would be affected if stamp duty were altered for homes over £500,000, compared to just 22 percent across England and as low as 8 percent in the North East. Furthermore, a "mansion tax" targeted at properties above £1.5 million would impact over one in ten London homes, contrasting starkly with the nationwide average of 2 percent.

In terms of pricing trends, the average asking price across Britain saw a modest monthly increase of 0.4 percent to £370,257 in September 2025, yet remains slightly below last year's figures by 0.1 percent, largely due to weakness in London and the southern regions. Rightmove's data indicates that the number of homes for sale in the South of England rose more sharply than in other parts of the UK, increasing competition and leading to longer selling times, with buyers taking an average of five days longer to secure properties. This competitive environment has encouraged sellers to adopt more sensible pricing strategies, helping sustain higher levels of sales agreed compared to the previous year.

Veteran estate agent Jeremy Leaf highlighted that while asking prices represent sellers' initial expectations rather than final sale values, market realities show marginal price rises in more affordable areas but softening elsewhere. He warned of the risk that "unrealistic vendor ambitions" could hamper sales activity amidst a market where buyers have significant choice, urging sellers to price properties competitively to attract genuine offers.

Amid these dynamics, affordability remains a critical issue. Tomer Aboody, director of MT Finance, pointed to ongoing challenges for first-time buyers, citing that average property prices still outstrip typical income multiples, making entry into the housing market difficult. He stressed the need for stamp duty reform to stimulate market mobility, particularly encouraging downsizers to sell and freeing up homes for growing families and first-time buyers. Echoing this, industry reports note that the Bank of England's recent interest rate cut to 4 percent—the lowest since March 2023—has provided some relief, though rates are expected to hold steady in the short term.

Government discussions on property tax reform extend to more significant structural changes. The UK Treasury is reportedly contemplating abolishing stamp duty on transactions and replacing it with an annual property tax for homes valued over £500,000. This proposed shift aims to enhance housing market fluidity by reducing upfront transaction costs, potentially helping to unlock economic growth. However, it also raises concerns about the financial burden on older, long-term homeowners, particularly pensioners in London and the South East, who might struggle with ongoing annual payments on their appreciated properties. Critics caution that without carefully designed safeguards, such reforms could disproportionately penalise certain demographics and inadvertently deter downsizing, thereby impeding market fluidity.

Adding to the complexity, the government is also considering levying national insurance contributions on landlords, which would further impact the property sector focused in the higher-priced regions of England and Wales. Chancellor Rachel Reeves is expected to unveil these proposals either at the scheduled Autumn Budget or a related fiscal event, with the aim of addressing regional disparities and possibly paving the way for localized property tax models to eventually replace council tax.

The backdrop to these potential tax changes includes shifts already underway in the housing market. Recent surveys reveal that asking prices, especially in southern England, have been more sensitive to tax-related anxieties, contributing to slower price growth. Meanwhile, rental markets are recording their slowest annual price increases in four years as greater rental supply and improving mortgage access for buyers ease demand pressures. Combined with economic uncertainties and stalled growth reported in mid-2025, these factors paint a nuanced picture of a market navigating both evolving fiscal policies and persistent affordability challenges.

As market participants await formal government announcements, experts urge buyers and sellers alike to remain vigilant, with the understanding that proposed tax reforms could reshape housing dynamics, potentially reinforcing existing regional divides while seeking to foster a more balanced and accessible property market.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/mortgageshome/article-15091845/Property-tax-shake-pile-pressure-underperforming-London-South-East.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.thenationalnews.com/news/uk/2025/08/19/rachel-reeves-puts-londons-property-market-in-her-pre-budget-crosshairs/), [[4]](https://www.chbl.uk/en/explore/Understanding-London-Potential-Property-Tax-Changes)
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* Paragraph 7 – [[2]](https://www.reuters.com/world/uk/uk-house-prices-fall-while-rents-rise-by-least-4-years-surveys-show-2025-09-14/), [[6]](https://www.reuters.com/world/uk/uk-housing-market-starts-feel-drag-tax-change-rightmove-says-2025-02-17/)

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## Bibliography

1. <https://www.dailymail.co.uk/money/mortgageshome/article-15091845/Property-tax-shake-pile-pressure-underperforming-London-South-East.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-house-prices-fall-while-rents-rise-by-least-4-years-surveys-show-2025-09-14/> - In September 2025, UK house prices experienced their first annual drop since January 2024, with asking prices falling 0.1% compared to the previous year, according to Rightmove. Although there was a slight month-on-month increase of 0.4%, it was below seasonal norms and followed three months of declines. The fall was mainly driven by southern England, where more expensive properties are more sensitive to potential tax hikes, contributing to increased sales. Market uncertainty is being influenced by expected property tax changes in the upcoming November budget. Meanwhile, Zoopla reported that rental prices rose 2.4% annually in the four weeks to September 2—the slowest growth in four years. Despite affordability issues, more rental properties are available, easing demand pressures. Average rents now stand at £1,300 per month, with a 3% overall rise projected by year-end. Lower migration and improved mortgage access for first-time buyers are reducing rental market pressure. Economic growth stalled in July, and interest rates are expected to remain unchanged at 4% in the Bank of England’s September 18 meeting, with the next possible rate cut anticipated in spring 2026.
3. <https://www.ft.com/content/d050e2d9-d66a-4cf3-b692-0bc7c637f46a> - The UK Treasury is considering a major shift in housing taxation by removing stamp duty—a transaction tax on properties over £125,000—and replacing it with an annual property tax on homes valued over £500,000. Experts describe this as a 'radical' but welcome move that could enhance housing market fluidity and economic growth. However, concerns arise that this new levy would disproportionately affect older and wealthier homeowners, particularly in London and the South East, where property values are highest. Critics warn that while scrapping stamp duty might encourage more people to move and open housing opportunities, an annual tax could penalize long-term homeowners, especially pensioners, who may not have the income to afford yearly payments on their appreciated homes. Analysts urge careful implementation to avoid burdening recent buyers who already paid stamp duty and to prevent discouraging downsizing. Industry voices emphasize the need for balanced reform that supports a fairer, more efficient housing market without disproportionately targeting specific demographics. The Treasury maintains its goal of growing the economy while keeping taxes low for working people.
4. <https://www.chbl.uk/en/explore/Understanding-London-Potential-Property-Tax-Changes> - The UK government is considering replacing stamp duty with an annual property tax on homes valued over £500,000. This change is expected to have a significant impact on London, where half of all home sales over £500,000 occur. The shift could slow down transactions, particularly in high-value areas, and may affect ordinary Londoners financially, not just wealthy investors. Potential benefits include reduced upfront costs for first-time buyers and increased market mobility. However, drawbacks involve short-term uncertainty and higher seller costs in high-value areas, which could affect their decision to sell. Buyers are advised to stay updated with government announcements.
5. <https://www.thenationalnews.com/news/uk/2025/08/19/rachel-reeves-puts-londons-property-market-in-her-pre-budget-crosshairs/> - Government officials are considering a potential property tax to replace stamp duty on owner-occupied homes. This 'homes tax' would disproportionately affect homeowners in London and the South East, where properties are more expensive. The average UK house price currently stands at £282,766, compared with £673,000 in London. No final decision has been made, but it is thought this tax covering England and Wales could help build a model for local levies to replace council tax in the medium term. Chancellor Rachel Reeves would unveil any changes to the government’s tax policy at a fiscal event, such as a budget. The next budget is scheduled for late October or early November.
6. <https://www.reuters.com/world/uk/uk-housing-market-starts-feel-drag-tax-change-rightmove-says-2025-02-17/> - The UK housing market is experiencing a slowdown in the increase of asking prices for newly listed homes due to an upcoming property purchase tax hike, according to a survey by Rightmove. From January 12 to February 8, the average price of properties on the market rose by 0.5% to £367,994, a weaker rise compared to the typical season and a significant slowdown from the 1.7% increase observed in the prior four weeks. Asking prices are 1.4% higher than the same period last year. The impending end of a temporary tax break on March 31 for buyers of cheaper homes and first-time buyers in England and Northern Ireland is cited as a reason for the slowdown. Colleen Babcock of Rightmove mentioned potential delays due to conveyancing backlogs and suggested a short extension of the tax break. Despite this, new property listings have risen by 13%, buyer demand by 8%, and agreed sales by 15% compared to last year. The market has faced challenges due to slower-than-expected reductions in borrowing costs, with the Bank of England recently lowering rates from 4.75% to 4.5%.
7. <https://moneyweek.com/personal-finance/stamp-duty/how-much-stamp-duty-will-i-pay-in-2025> - As of April 1, 2025, the stamp duty thresholds in the UK reverted to their pre-recession levels, meaning homebuyers now face higher property tax bills. The tax-free allowance for regular buyers halved from £250,000 to £125,000, and first-time buyers' threshold reduced from £425,000 to £300,000. This change especially impacts first-time buyers who not only need to gather enough for a deposit but also for an elevated tax bill. Buyers in London and southern England, where property prices are higher, are hit harder. For instance, a typical house priced at £269,000 would incur stamp duty of £950 under current rules, rising to £3,450 from April 1. The tax increment is more significant for more expensive properties. Buyers who rushed to meet the deadline caused a surge in market activity. Missed buyers, however, can still take steps to mitigate the increased costs, including negotiating a lower price or shopping for better mortgage rates. The changes aim to curb the heated property market, as evidenced by a slowdown in mortgage applications and market predictions for less competition and more buyer negotiating power post-change.