# Reeves considers higher property taxes amid UK housing market slowdown



Chancellor Rachel Reeves is reportedly contemplating measures to raise additional revenue by increasing taxes on high-value homes, a move that could have profound implications for the UK housing market and the broader economy. The Treasury is said to be considering options such as higher property taxes on homes worth over £1 million and potential hikes in stamp duty. This strategy aims to target wealthier households amid a pressing need for an extra £30 billion in fiscal tightening through either spending cuts or tax increases.

Current market data illustrate that the upper end of the property market is already experiencing significant strain. In prime central London—a traditional stronghold for wealthy buyers—a glut of properties is on the market with transactions down by a third. About 80% of high-end homes reportedly sell below their asking prices, with average discounts around 9%. This has led to a year-on-year price decline of approximately 3.6% in central London. This downturn predates recent tax increase rumours and seems largely driven by the departure of non-domiciled residents following legislative changes affecting tax and residency status earlier this year. Anecdotes suggest that affluent domestic buyers are taking advantage of softer prices by purchasing in more prosperous outer London areas like Chiswick and Richmond.

The broader impact of non-doms leaving London is still being assessed, but the scale is limited compared to the roughly 6.7 million households in the wealthiest 10% of the UK population, each averaging over £1.2 million in wealth, half of which is typically held in property assets. Should Reeves pursue additional taxes on all homes valued above £1 million, it could dampen high-end property markets across the country, not just in London.

The housing market's condition has real consequences for the economy, given its role in consumer confidence. Housing wealth influences spending patterns through the "wealth effect," where rising home values encourage homeowners to increase their consumption, particularly of discretionary goods and services, thus stimulating economic activity. A vibrant housing market also generates economic ripple effects through associated industries like home improvements and furnishings. Conversely, a housing slump risks pushing recent buyers into negative equity and suppressing overall economic growth.

Recent data underscore these fragile conditions nationally. Halifax has reported the slowest UK house price growth since April 2024, with prices up just 1.3% year-on-year but slipping 0.3% in September 2025 alone—contrary to economists' predictions of modest gains. This slowdown is attributed to economic uncertainty, fears over further property tax hikes, and high borrowing costs, with London prices rising only marginally by 0.6% annually. Similar subdued trends were reported by Nationwide, though projections remain cautiously optimistic for 2025, expecting 2-4% growth driven by easing interest rates and rising earnings.

Tax reform proposals set to be unveiled in the upcoming budget add complexity and caution to an already cautious market. Suggestions include replacing stamp duty with a seller’s tax on properties over £500,000, introducing stamp duty instalments, and extending capital gains tax obligations to primary residences. Experts warn these changes could deter home sales, restrict the availability of properties, raise costs for landlords (potentially pushing up rents), and inadvertently squeeze first-time buyers who rely heavily on market liquidity and support from family financial help.

Meanwhile, the UK government is taking steps to stimulate the housing market through reforms aimed at reducing transaction costs and delays. Proposed measures such as mandating the publication of searches and surveys before listing properties and introducing binding contracts intend to shorten the typical home-buying process and reduce failed transactions, which currently affect nearly one in three deals. Such initiatives, coupled with the government’s commitment to constructing 1.5 million new homes over the next five years, reflect efforts to improve market efficiency and accessibility amid ongoing challenges.

The political landscape further complicates the housing debate. At the Conservative Party conference, opposition leader Kemi Badenoch announced plans to abolish stamp duty on properties over £125,000, coupled with significant spending cuts and a controversial pledge to scrap net zero environmental goals. These proposals contrast sharply with the government's approach and signal potential shifts in fiscal policy and housing market regulation depending on future electoral outcomes.

In sum, Chancellor Reeves faces a delicate balancing act. While seeking to raise revenue from the wealthier segments through property taxes, the risk remains that overzealous measures could destabilise the housing market and undermine the wider economy. As Hamish McRae cautioned, a housing crash driven by tax hikes could paradoxically reduce government revenues and inflict broad economic damage, underscoring the need for careful policy calibration in these uncertain times.

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* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/comment/article-15183053/HAMISH-MCRAE-Tax-homes-peril-Chancellor.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://moneyweek.com/investments/property/property-tax-changes-rachel-reeves-budget-backfire)
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* Paragraph 7 – [[3]](https://www.reuters.com/world/uk/uk-opposition-conservative-leader-makes-surprise-pledge-cut-property-tax-2025-10-08/)
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## Bibliography

1. <https://www.dailymail.co.uk/money/comment/article-15183053/HAMISH-MCRAE-Tax-homes-peril-Chancellor.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-rise-by-least-since-april-2024-halifax-says-2025-10-07/> - UK house prices rose by just 1.3% in the year to September 2025—the slowest increase since April 2024—according to Halifax. Prices also declined month-on-month by 0.3%, countering economists' predictions of a 0.2% monthly gain and a 2.2% annual rise. This softening in growth contrasts with stronger performance in the second half of 2024, when annual increases were between 4% and 5%. The market slowdown is attributed to economic uncertainty, concerns over potential property tax increases, and high borrowing costs. Finance Minister Rachel Reeves is expected to unveil tax changes in her upcoming budget, adding to market caution. Regional disparities persist, with London registering a modest 0.6% annual increase while Northern Ireland saw the strongest growth at 6.5%. Despite the subdued figures, Halifax's head of mortgages, Amanda Bryden, maintained expectations for modest growth due to improving affordability. Meanwhile, Capital Economics warned that tax rises could reduce disposable income and further impact housing demand. Rival lender Nationwide previously reported a 0.5% price rise in September and a 2.2% annual increase, indicating mixed signals in the housing market.
3. <https://www.reuters.com/world/uk/uk-opposition-conservative-leader-makes-surprise-pledge-cut-property-tax-2025-10-08/> - At the 2025 Conservative Party conference, UK opposition leader Kemi Badenoch made a surprise pledge to abolish stamp duty on property purchases over £125,000 in England and Northern Ireland. Economists often criticize this tax for discouraging housing transactions and limiting economic mobility. Alongside this announcement, Badenoch introduced a new fiscal "golden rule" aimed at reducing government borrowing by implementing £47 billion in annual spending cuts focused on welfare, foreign aid, and the government workforce. Half of the savings would be used to reduce Britain's high national debt, now approaching 100% of GDP, and the other half would support tax cuts or public spending. Badenoch also pledged to eliminate net zero environmental targets. Her comprehensive proposals aim to revive the Conservative Party's image, which has been weakened by post-Brexit turmoil and internal divisions. In contrast, Prime Minister Keir Starmer at the Labour Party conference warned against the rising support for the far-right Reform UK party.
4. <https://www.reuters.com/world/uk/uk-plans-cuts-costs-delays-housing-sales-2025-10-05/> - The UK government announced plans to streamline the home-buying process, aiming to reduce costs and delays to stimulate the property market. The proposed changes include requiring search and survey information to be published before a property is listed, which could shorten the average transaction time by four weeks from the current five-month duration. The government is also considering introducing binding contracts to reduce the number of failed transactions, which currently affect nearly one in three property deals. These reforms are projected to lower the average cost for first-time homebuyers by £710 ($957). Support for the initiative came from the Royal Institution of Chartered Surveyors, citing the inefficiencies and high costs of the current system. The government has also committed to building 1.5 million new homes over its five-year term and will initiate a UK-wide consultation on these housing process reforms, though Scotland's property laws remain separate.
5. <https://moneyweek.com/investments/house-prices/halifax-house-prices-fell-tax-hike-fears> - UK house prices saw a slight decline of 0.3% in September 2025, bringing the average price down to £298,184, according to Halifax data. This follows a modest rise in August and reflects a broadly stable market amid economic uncertainty. Annual price growth dipped to 1.3%—its lowest since April 2024. The quarterly trend, however, showed a slight 0.4% increase. Market activity remains subdued, partly due to fallout from an April 2025 stamp duty hike and fresh rumours of further tax reforms in the upcoming Autumn Budget. These speculations include replacing stamp duty with a new tax on homes over £500,000 and potentially extending capital gains tax to primary residences. Such uncertainty has dampened higher-end property sales, with demand for homes over £1 million dropping by 11%. Regionally, Northern Ireland leads annual growth at 6.5%, with strong performance also seen in the North East and Scotland. Conversely, the South West saw a 0.2% annual decrease, the lowest in the UK. London remains the most expensive region, with an average price of £543,497, though growth there has been minimal at 0.6%.
6. <https://moneyweek.com/investments/property/property-tax-changes-rachel-reeves-budget-backfire> - Chancellor Rachel Reeves is considering property tax reforms aimed at wealthier homeowners and landlords in the upcoming budget, but experts warn they could inadvertently harm first-time buyers. Coventry Building Society cautions that proposed changes—such as replacing stamp duty for buyers with a seller's tax on homes over £500,000, introducing stamp duty instalments, adding capital gains tax (CGT) on main residences, and expanding National Insurance to rental income—may restrict property movement and affordability. These reforms could discourage owners, especially wealthy ones, from selling, reducing housing availability for new buyers. While removing upfront stamp duty could seem beneficial, it might lead to fewer homes on the market. Paying stamp duty in instalments might ease initial costs but increase ongoing financial strain. Introducing CGT on primary homes may deter downsizing, limiting intergenerational financial support like the "Bank of Mum and Dad," which assisted over half of first-time buyers last year with an average of £55,572. Moreover, taxing rental income could drive up rents as landlords pass on costs or exit the market, exacerbating challenges for those saving for deposits. Experts urge caution to prevent unintended consequences for those most in need of support.
7. <https://www.reuters.com/world/uk/uk-house-prices-likely-rise-by-2-4-2025-nationwide-says-2024-12-16/> - British house prices are projected to rise by 2%-4% in 2025, as per mortgage lender Nationwide. This increase is anticipated despite upcoming home purchase tax hikes set for April. Lower interest rates and higher earnings will alleviate affordability constraints, contributing to the market's gradual strengthening, according to Nationwide's chief economist, Robert Gardner. Changes to UK stamp duty will introduce some volatility, prompting a surge in transactions before the additional tax takes effect, followed by reduced activity for up to six months. New stamp duty rules will see first-time buyers paying tax on properties costing 300,000 pounds and others from 125,000 pounds, with a higher surcharge for second homes.