# Reforming UK property taxes: a bold move to address fairness and efficiency in the housing market



The UK’s property tax system is widely viewed as both inefficient and unfair, contributing significantly to the country's entrenched housing crisis and sluggish economic growth. Stamp duty, the principal transaction tax on property purchases, is at the heart of these issues. Charged as a lump sum at the point of purchase, stamp duty creates a strong disincentive for homeowners to move, inhibiting labour mobility and preventing individuals and families from finding homes that better suit their size or location needs. This inefficiency is compounded by the broader economic context of high interest rates and sluggish growth, leading to near-record lows in property transactions.

Current housing dynamics illustrate the scale of the problem. More than a third of English households live in government-defined under-occupied homes, with at least two spare bedrooms primarily owned by the baby-boomer generation now entering retirement. Reforming stamp duty to encourage downsizing could unlock this underused stock, potentially boosting productivity and economic growth while alleviating some pressure in the housing market. However, property tax cuts have historically driven demand and thus house prices higher, often negating benefits for first-time buyers by pricing them out, as seen with previous help-to-buy schemes.

Political parties are divided on how best to tackle these challenges. The Conservative Party, under opposition leader Kemi Badenoch, has pledged to abolish stamp duty on primary residences, a move designed to stimulate market activity by reducing transaction costs. Meanwhile, the Reform UK party proposes more modest stamp duty reductions alongside cuts to inheritance tax and reinstatement of some landlord tax reliefs. Critics argue such policies risk inflating house prices further, disproportionately benefiting owners in London and the prosperous south-east, where homes are more expensive and transactions more frequent, while doing little to help less affluent buyers elsewhere. They also undermine incentives for older homeowners to downsize, which is crucial for freeing up family-sized houses.

The system’s unfairness extends to council tax, which has effectively become a regressive wealth tax on low- and middle-income homeowners. This tax, banded based on property values last assessed in 1991 and never updated since, means many higher-value properties pay proportionately less tax than modest homes in less affluent areas. For instance, some multimillion-pound mansions in central London incur lower council tax bills than smaller homes in northern England. This distortion aggravated by the absence of a revaluation means local revenues and tax burdens are badly mismatched geographically and financially.

Further unfairness arises because the property tax system heavily favours homeowners over renters and real estate investment over other asset classes. Unlike some countries like the Netherlands, which levy taxes on the ‘imputed rent’ homeowners benefit from, the UK provides 100% capital gains tax relief on the sale of primary residences. This relief amounted to £31.5 billion in 2023-24, making it the largest single tax break nationally, equivalent to nearly 1.15% of GDP—the size of budgets for multiple major government departments combined. Such policies skew investment towards property instead of businesses or capital markets, exacerbating the country’s long-standing productivity stagnation.

Reforming this tangled system requires a bold, comprehensive approach rather than piecemeal fixes. There is growing consensus among economists across the political spectrum for replacing the current stamp duty and council tax regimes with an annual proportional property tax (PPT) on market values or land values at a rate around 0.5%. This would correct inefficiencies by taxing property wealth annually, rather than discouraging movement through lump-sum taxes at purchase, while also addressing fairness by aligning tax burdens more closely to actual wealth and local public service needs. Campaign groups like Fairer Share have demonstrated such reform could benefit three-quarters of the population and deliver particular gains for traditionally Labour-supporting areas in the so-called “red wall.”

However, reform presents challenges, notably avoiding a significant fiscal shock to local government finances reliant on council tax revenues. A recent proposal from former government adviser Tim Leunig suggests giving councils control over revenues from properties valued under £500,000 with a minimum payment floor, while central government would collect higher rates on top-end homes to manage redistribution. Rumours suggest the Treasury is considering such a scheme, though political risk is substantial given the media hostility towards new property taxes.

Meanwhile, industry voices have joined calls for change with nuance. Bellway CEO Jason Honeyman advocates eliminating stamp duty specifically for first-time buyers combined with deposit assistance schemes to revive demand and support younger buyers lacking financial family backing. This contrasts with some Conservative proposals that aim to abolish stamp duty more broadly, raising concerns about inflating prices further without targeted support. The government has also announced increases in stamp duty surcharges on second homes to fund first-time buyer programmes, reflecting the complex balancing act between raising revenue and supporting affordability.

The Institute for Fiscal Studies (IFS) and think tanks like the Adam Smith Institute have been vocally critical of stamp duty, describing it as economically harmful—a tax that impedes the efficient allocation of property and stifles economic mobility. The IFS argues abolishing stamp duty would help address labour market inefficiencies by encouraging movement and downsizing, similar to academic perspectives on the broader need to rebalance property taxation away from transactional levies to more stable, annual taxes.

For the Labour Party, embracing radical property tax reform could align with core goals to reduce wealth inequality, address regional disparities, resolve the housing crisis, and foster economic growth. It would mark a decisive break from incrementalism, putting economic efficiency and fairness at the heart of housing policy while challenging entrenched privilege within the property market. The stakes are high, but the potential gains for the UK’s economy and society are substantial.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.theguardian.com/society/commentisfree/2025/oct/15/stamp-duty-britain-housing-crisis-property-tax-economists), [[5]](https://www.mortgagesolutions.co.uk/news/2025/10/13/stamp-duty-causes-an-inefficient-allocation-of-property-and-should-not-be-increased-says-ifs/), [[6]](https://ifs.org.uk/articles/stamp-duty-economic-nonsense), [[7]](https://www.adamsmith.org/press-releases/scrap-stamp-duty)
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* Paragraph 6 – [[1]](https://www.theguardian.com/society/commentisfree/2025/oct/15/stamp-duty-britain-housing-crisis-property-tax-economists), [[3]](https://www.reuters.com/world/uk/uk-opposition-conservative-leader-makes-surprise-pledge-cut-property-tax-2025-10-08/), [[4]](https://www.reuters.com/world/uk/uk-increases-stamp-duty-tax-second-homes-2024-10-30/)
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* Paragraph 10 – [[1]](https://www.theguardian.com/society/commentisfree/2025/oct/15/stamp-duty-britain-housing-crisis-property-tax-economists), [[2]](https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/), [[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.theguardian.com/society/commentisfree/2025/oct/15/stamp-duty-britain-housing-crisis-property-tax-economists> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/> - Bellway CEO Jason Honeyman has called on the UK government to eliminate stamp duty for first-time homebuyers and introduce a long-term deposit assistance scheme to revive the struggling housing market. Homebuilders are facing declining demand due to affordability challenges and low consumer confidence, despite offering incentives such as deposit top-ups and discounts. Honeyman criticized the lack of government support, noting that many young people lack family financial backing. Since the April expiration of temporary stamp duty relief, first-time buyers in England must pay tax on homes over £300,000. Honeyman and other major builders are urging the Labour government, which has prioritized housing in its economic growth strategy, to provide entry-level support to stimulate market activity. In a contrasting move, Conservative Party leader Kemi Badenoch recently pledged to eliminate stamp duty for primary home purchases. The government also aims to build 1.5 million homes by 2029, though it is currently projected to fall short by 200,000 units. ([reuters.com](https://www.reuters.com/world/uk/bellway-ceo-calls-end-stamp-duty-revive-uk-housing-sector-2025-10-14/?utm_source=openai))
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. ([reuters.com](https://www.reuters.com/world/uk/uk-opposition-conservative-leader-makes-surprise-pledge-cut-property-tax-2025-10-08/?utm_source=openai))
4. <https://www.reuters.com/world/uk/uk-increases-stamp-duty-tax-second-homes-2024-10-30/> - Britain will raise the stamp duty tax paid on second house purchases from Thursday, in a bid to raise revenue to support first-time homebuyers, finance minister Rachel Reeves announced in her first budget on Wednesday. The surcharge on second homes will increase by 2 percentage points to ... . 'This will support over 130, ... ,' Reeves said. Reeves did not extend a discount for ... . At present, stamp duty is paid ... . Those thresholds, introduced in September ... . Housing is a key pillar of the ... . It has an aim of delivering ... . The Institute for Fiscal Studies, a ... . Wednesday's announcement might make it harder ... . Stamp duty, payable in England and ... . ([reuters.com](https://www.reuters.com/world/uk/uk-increases-stamp-duty-tax-second-homes-2024-10-30/?utm_source=openai))
5. <https://www.mortgagesolutions.co.uk/news/2025/10/13/stamp-duty-causes-an-inefficient-allocation-of-property-and-should-not-be-increased-says-ifs/> - The Institute for Fiscal Studies (IFS) has criticized stamp duty for causing an 'inefficient allocation of property' and has advised against increasing the tax. The IFS report highlights that taxing asset transactions impedes mutually beneficial exchanges, leading to an inefficient allocation of property. The report suggests that stamp duty should not be increased and, in a 'well-designed' tax system, there would be no place for it at all. The IFS advocates for replacing stamp duty with an annual proportional property tax to address these inefficiencies. ([mortgagesolutions.co.uk](https://www.mortgagesolutions.co.uk/news/2025/10/13/stamp-duty-causes-an-inefficient-allocation-of-property-and-should-not-be-increased-says-ifs/?utm_source=openai))
6. <https://ifs.org.uk/articles/stamp-duty-economic-nonsense> - The Institute for Fiscal Studies (IFS) argues that stamp duty is an economic nonsense, stating that transaction taxes should be avoided as they impede the efficient allocation of assets. The IFS highlights that stamp duty discourages people from moving to where jobs are, young families struggle to trade up, and older people are forced to hold tight to bigger properties they might prefer to leave, because it costs so much to move. The IFS suggests that stamp duty should be abolished on residential property transactions to improve economic efficiency. ([ifs.org.uk](https://ifs.org.uk/articles/stamp-duty-economic-nonsense?utm_source=openai))
7. <https://www.adamsmith.org/press-releases/scrap-stamp-duty> - The Adam Smith Institute has released a report advocating for the abolition of Stamp Duty Land Tax (SDLT) in the UK. The report argues that taxing transactions of Britain’s £7.5 trillion stock of property is keeping people in homes of incorrect sizes and too far from jobs. It states that SDLT is four times more harmful to economic efficiency than income tax and eight times more harmful than VAT. The report suggests that SDLT could be costing the UK economy £10 billion on top of the £12 billion hit to house sellers and recommends scrapping SDLT to boost economic productivity, growth, and employment. ([adamsmith.org](https://www.adamsmith.org/press-releases/scrap-stamp-duty?utm_source=openai))