# Recalibrating London’s council tax bands sparks concerns over property market and living costs



Chancellor Rachel Reeves' forthcoming budget is set to introduce substantial changes to council tax bands across London, potentially affecting thousands of homeowners, particularly in affluent areas. This initiative aims to recalibrate council tax bands that have remained largely unchanged since 1991, despite significant shifts in property values, especially in the capital. The current Band H, which applies to properties valued from £320,001 in 1991, now encompasses homes worth approximately £3 million in 2025. The recalibration is intended to address a £42 billion deficit and provide additional funding for local authorities, lessening their dependence on Treasury grants.

The proposed changes have sparked concern among property owners and market analysts, as higher council tax rates could exacerbate the already struggling property market in London. Sales of properties valued at £5 million or more in central London dropped by 40% last year, underscoring the sensitivity of the high-end property sector to financial pressures. Critics warn that imposing new tax bands or increasing tax burdens on wealthy homeowners could further dampen market activity in the capital.

Moreover, the budget plans include broader tax increases affecting London residents and businesses. These include a potential rise in National Insurance contributions for employers, which could raise up to £20 billion, impacting the 530,000 VAT-registered and PAYE firms based in London. Income tax thresholds may also be frozen, pushing more Londoners into higher tax brackets given the city's higher median annual salaries. The capital gains tax is expected to increase, disproportionately affecting the wealthiest individuals, many of whom reside in London. Changes to stamp duty and inheritance tax could likewise have significant repercussions due to the high property values in the region.

Economists predict inflation-busting council tax rises of at least 5% annually, despite inflation trends dropping to around 2%. The government’s limited options for raising revenue—stemming from pledges not to increase income tax, VAT, or National Insurance—place pressure on local authorities to boost council tax revenues. This situation is compounded by police funding strategies, where a 2.3% annual increase in police ‘spending power’ is likely to materialise through an increased police council tax precept. For example, Band D households in London currently pay £319.13 annually to fund the Metropolitan Police, with a £14 rise anticipated, placing further financial strain on local families.

Labour’s recent Spending Review reveals an expected £9.4 billion rise in council tax bills across England by April 2029, with two-thirds of this increase expected to come directly from households. The substantial rise in council tax forms part of broader efforts to enhance local authority spending power by an average of 2.6% by 2029, though it risks heightening the financial burden on many residents.

Overall, Rachel Reeves’ budget proposals reflect a delicate balancing act between raising crucial public service funds and managing living costs. While the recalibration of council tax bands in London seeks to reflect modern property valuations and shore up local government finances, it faces criticism for potentially exacerbating economic pressures on homeowners and businesses in a city already grappling with economic challenges.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.standard.co.uk/news/uk/virginia-giuffre-prince-andrew-met-police-prince-donald-trump-b1253970.html), [[2]](https://www.standard.co.uk/news/politics/council-tax-bands-rachel-reeves-budget-b1253698.html)
* Paragraph 2 – [[2]](https://www.standard.co.uk/news/politics/council-tax-bands-rachel-reeves-budget-b1253698.html), [[3]](https://www.gbnews.com/politics/council-tax-increase-latest-tax-band-revaluation-rachel-reeves)
* Paragraph 3 – [[4]](https://www.standard.co.uk/news/politics/budget-2024-tax-rises-chancellor-rachel-reeves-labour-london-b1189122.html), [[5]](https://www.standard.co.uk/news/politics/council-tax-rise-budget-rachel-reeves-national-insurance-capital-gains-tax-b1187234.html)
* Paragraph 4 – [[6]](https://www.standard.co.uk/news/politics/council-tax-chancellor-rachel-reeves-police-funding-spending-review-b1232441.html), [[5]](https://www.standard.co.uk/news/politics/council-tax-rise-budget-rachel-reeves-national-insurance-capital-gains-tax-b1187234.html)
* Paragraph 5 – [[7]](https://www.standard.co.uk/news/politics/council-tax-rise-households-bills-labour-keir-starmer-b1232441.html)
* Paragraph 6 – [[1]](https://www.standard.co.uk/news/uk/virginia-giuffre-prince-andrew-met-police-prince-donald-trump-b1253970.html), [[2]](https://www.standard.co.uk/news/politics/council-tax-bands-rachel-reeves-budget-b1253698.html), [[4]](https://www.standard.co.uk/news/politics/budget-2024-tax-rises-chancellor-rachel-reeves-labour-london-b1189122.html), [[7]](https://www.standard.co.uk/news/politics/council-tax-rise-households-bills-labour-keir-starmer-b1232441.html)

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## Bibliography

1. <https://www.standard.co.uk/news/uk/virginia-giuffre-prince-andrew-met-police-prince-donald-trump-b1253970.html> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/news/politics/council-tax-bands-rachel-reeves-budget-b1253698.html> - The article discusses proposed changes to council tax bands in London under Chancellor Rachel Reeves' budget plans. Affluent Londoners and residents in the South East are expected to be the primary targets of these new taxes. The initiative aims to address a £42 billion deficit and provide additional funding for local authorities, reducing their reliance on Treasury grants. The highest council tax band, Band H, currently applies to properties valued at £320,001 or more in 1991. However, due to significant property value increases, especially in London, this band now encompasses properties worth around £3 million in 2025. The proposal has faced criticism, with concerns that higher council tax rates could further dampen the struggling property market. For instance, sales of properties valued at £5 million or more in central London declined by 40% last year. A Treasury spokesperson stated that the upcoming budget will balance funding for public services with efforts to boost living standards.
3. <https://www.gbnews.com/politics/council-tax-increase-latest-tax-band-revaluation-rachel-reeves> - This article highlights the potential impact of proposed council tax band revaluations advocated by Rachel Reeves. A 2018 pamphlet by Reeves suggested a 're-evaluation and revision' of existing council tax bands, which were set in 1991. While Reeves has ruled out tax rises under a Labour Government, changes to council tax bands could lead to tax increases for some households, while others might see a reduction in payments. The Sunday Telegraph reports that a revision of the banding could cost four million households £1,200 a year. The article underscores the ongoing debate over council tax reforms and their potential effects on homeowners across the UK.
4. <https://www.standard.co.uk/news/politics/budget-2024-tax-rises-chancellor-rachel-reeves-labour-london-b1189122.html> - The article examines the potential impact of Chancellor Rachel Reeves' proposed tax increases in the 2024 budget on Londoners and London-based businesses. Key proposals include a rise in National Insurance for employers, potentially raising up to £20 billion, which would significantly affect the 530,000 VAT and PAYE firms in London. Additionally, freezing income tax thresholds could push more Londoners into higher tax brackets, given the higher median annual pay in the capital. Capital gains tax is also expected to rise, with the wealthiest individuals, many residing in London, being the most affected. The article also discusses potential changes to stamp duty and inheritance tax, with Londoners likely to be impacted due to the high property values in the region. The overall theme is that the proposed tax changes could lead to substantial financial implications for London residents and businesses.
5. <https://www.standard.co.uk/news/politics/council-tax-rise-budget-rachel-reeves-national-insurance-capital-gains-tax-b1187234.html> - This article warns of potential inflation-busting council tax rises of at least 5% in Chancellor Rachel Reeves' upcoming budget. Economists suggest that, despite inflation falling to around two per cent, Reeves may allow local authorities to increase council tax by 5% annually. The Institute for Fiscal Studies (IFS) director Paul Johnson explains that the government has limited options for raising revenue, given the pledges not to increase income tax, VAT, or National Insurance. The article also touches upon other proposed tax changes, including increases in employer National Insurance and capital gains tax, which could have significant implications for Londoners due to the higher property values and incomes in the capital.
6. <https://www.standard.co.uk/news/politics/council-tax-chancellor-rachel-reeves-police-funding-spending-review-b1232441.html> - The article discusses concerns over a potential 'hidden' council tax rise in Chancellor Rachel Reeves' police funding plans. Reeves announced a 2.3% annual increase in police 'spending power' as part of the Spending Review. However, this increase is believed to rely on raising the policing council tax precept, effectively passing the funding burden onto local residents. In London, an average Band D household currently pays £319.13 annually to fund the Metropolitan Police, a £14 increase from 2024. Critics argue that this approach could place additional financial strain on local families and is a 'hidden council tax bombshell' to fund police services.
7. <https://www.standard.co.uk/news/politics/council-tax-rise-households-bills-labour-keir-starmer-b1232441.html> - This article reports on the expected £9.4 billion increase in council tax bills for households in England by April 2029, as revealed by Labour's recent admissions. The increase is part of Chancellor Rachel Reeves' Spending Review, which aims to raise local authorities' spending power by an average of 2.6% by 2029. However, two-thirds of this increase is anticipated to come from higher taxes on bill payers, leading to concerns about the financial burden on households. The article highlights the potential impact of these proposed council tax hikes on residents across the country.