

Labour Tax Plans Threaten UK Property Market

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Britain's property market, heavily reliant on family financial support, faces potential disruption due to proposed changes to inheritance tax rules under Labour. Experts warn that new limits on tax-free gifts could affect home-buying plans for thousands of first-time buyers and ripple across the housing market.

Reports suggest that Chancellor Rachel Reeves is considering a lifetime cap on the value of gifts that can be passed on tax-free. This would include contributions made decades before death, such as parental assistance with a property deposit. Currently, parents can give

unlimited amounts to children without triggering inheritance tax, provided the gift is made at least seven years before death.

Mortgage broker Nicholas Mendes of John Charcol said restrictions on tax-free gifts would likely reduce house prices and slow the market. “Should Labour’s proposed lifetime cap come into effect, we would see a reduction in parental assistance,” he said. “Fewer buyers entering the market will slow transactions and dampen price growth, particularly at the lower end.”

Data from 2024 shows that gifts and loans from parents to first-time buyers totalled £9.6 billion. Nearly 173,500 buyers received an average of £55,572 from the so-called Bank of Mum and Dad, according to estate agents. Any curtailing of this support could significantly impact the market, not only for first-time buyers but also for those moving up the property ladder. Roarie Scarisbrick of buying agency Property Vision warned of wider consequences: “The property ladder is interlinked. Taxes such as stamp duty have already slowed movement, and any changes to parental gifts risk creating further congestion in the chain.”

First-time buyers previously benefited from stamp duty exemptions on properties up to £425,000. Since April 2025, properties in this bracket now face £6,250 in tax.

Financial support from family has become particularly crucial in high-cost regions. Aneisha Beveridge of Hamptons estate agency highlighted the disproportionate impact of inheritance tax changes in London and the South East. “Here, buyers typically receive larger gifts, so a cap on lifetime tax-free transfers could severely affect those trying to buy in expensive areas,” she said. The average first-time buyer deposit in London stands at £137,863, compared to £68,631 in the South East and £26,858 in the North East, according to Savills. Lucian Cook of Savills noted that deposit requirements often outpace salaries, making family assistance essential. “The average deposit as a percentage of income in London is 138 per cent, far beyond what most can save independently,” he said.

Wealth manager Richard Cook of Rathbones added that the Bank of Mum and Dad often makes the difference between buying a home and remaining on the sidelines. “Any changes to gift rules would complicate estate planning and could affect the plans of potential buyers,” he said. Adrian Anderson of mortgage broker Adrian Harris warned that the changes would also affect “next-time buyers” seeking larger properties with parental support. He cited a recent case where parents gifted £300,000 to assist with their next property purchase.

Mendes noted that speculation around new tax rules could temporarily boost activity, as buyers rush to complete transactions before changes take effect. However, uncertainty can also suppress market activity. Simon Shaw, finance director at Savills, said: “A lack of clear information creates uncertainty. People fill the vacuum with fears about what might happen, slowing decisions in the residential market.”

A Treasury spokesperson emphasised the Government’s focus on economic growth rather than tax hikes. “As outlined in the Plan for Change, strengthening public finances is best achieved by growing the economy. Planning reforms are expected to increase growth by £6.8 billion and reduce borrowing by £3.4 billion. We remain committed to keeping taxes for working people as low as possible, protecting income tax rates, National Insurance, and VAT.”

Analysts agree that any changes to inheritance tax rules would have wide-reaching effects, from slowing first-time buyer activity to constraining the broader property ladder. With family financial support playing a pivotal role in enabling homeownership, proposed reforms under Labour could leave many aspiring buyers struggling to get a foothold on the property market.