

## Government Eyes Big Property Tax Overhaul

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The UK government is considering comprehensive reforms to the property tax system, which could significantly reshape the housing market and alter the way millions of households pay for local services. According to policy discussions currently under review, ministers are considering scrapping stamp duty and council tax, replacing them with a new seller-based national property tax and, eventually, a proportional local property tax.

At the core of the proposal is a plan to shift the burden of property-related taxation from buyers to sellers. Under the suggested model, a national property tax would be levied at



0.54% on homes valued over £500,000, with higher rates for properties worth more than £1 million. The change is designed to ease the financial barrier for first-time buyers, who often struggle with hefty upfront costs in addition to deposits and mortgage requirements. Instead, the tax would be absorbed by those selling higher-value homes, representing roughly 20% of transactions each year.

Alongside this adjustment, the government is considering a phased abolition of council tax, which critics have long described as outdated and regressive. Council tax, introduced in the early 1990s, is based on property valuations that have not been updated in more than three decades. As a result, many homeowners in lower-value regions pay a proportionally higher amount than those in higher-value areas. A new value-based local property tax would address this imbalance by charging households according to their property's current market value. Under early drafts, homes valued under £500,000 could see annual bills start at around £800, while more expensive properties would be taxed at higher rates in line with their value.

Supporters argue that the overhaul would modernise an antiquated system, promote fairness, and reduce barriers to homeownership. Housing affordability has become a central issue in UK politics, with property prices soaring well beyond wage growth in recent years. By eliminating stamp duty for buyers, the government aims to stimulate market activity, particularly among younger and middle-income households struggling to climb the property ladder.

Critics, however, warn that the proposed reforms could have unintended consequences. Shifting the tax burden to sellers could discourage homeowners from relocating, potentially reducing the supply of homes on the market and further driving up prices. Local authorities also fear that replacing council tax with a centrally guided property tax system could undermine their financial independence, creating uncertainty for funding public services.

Economists remain divided. Some argue that taxing property more proportionally to value is long overdue and could help close wealth gaps, while others caution that the transition period could destabilise the housing market. Landlords, in particular, are expected to push back against the changes, as additional costs could either cut into profits or be passed on to renters in an already strained rental sector.

The Treasury has not yet released a formal white paper, but government insiders suggest that the reforms are being seriously considered as part of a broader fiscal modernisation



effort. With pressure mounting on Prime Minister Keir Starmer's administration to address housing inequality and unlock growth in the real estate sector, the property tax overhaul could emerge as one of the most contentious economic debates of the year.

For now, industry stakeholders, local councils, and homeowner groups are bracing for further details. If implemented, the reforms would mark the most significant shake-up in UK property taxation in decades, with lasting effects on buyers, sellers, and communities across the country.