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Many London homes would be liable for the annual mansion tax, which is set to be levied on properties worth more than £2 million

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Number of homeowners facing mansion tax to almost double in a decade


The government's plan to hit high-value homes with extra council tax could spiral if property prices rise in line with expectations



Rachel Mortimer, Deputy money editor

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The number of homes hit by the government's mansion tax could double to 230,000 over the next decade with bereaved families likely to have to pay the surcharge from their inheritances.

OPINARY

Some 138,818 homes in England & Wales are valued at £2 million or more, according to the property company Hamptons. But the number of homeowners liable for the tax could increase dramatically with even modest house price growth.

If property prices were to rise 2 per cent each year for the next decade – which Hamptons found to be the most realistic scenario – the number of homes within the scope of the tax would jump significantly to 229,024.

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Hamptons expects house prices to rise 2.5 per cent in 2026, 2 per cent in 2027 and 1.5 per cent in 2028.

Aneisha Beveridge from the company said: “Even what sounds like fairly small changes in values on paper can quickly affect the number of people paying the mansion tax.

“That matters because a fixed £2 million cut-off today rarely stays put in real terms. Over time, it’s likely to pull in a broader group of homeowners, particularly across London and the South of England where values are already higher.”

Beveridge said this had already been seen with other property taxes because thresholds had not kept pace with house price growth — for example stamp duty and capital gains tax — dragging those living in more modest homes into paying more tax.

How will the mansion tax work?

Under the government’s [mansion tax](#) proposals, owners of homes worth between £2 million and £2.5 million will pay a surcharge of £2,500 a year, rising to £3,500 for homes worth up to £3.5 million, £5,000 for homes worth up to £5 million and £7,500 for properties above that threshold. The levy will sit on top of ordinary council tax and rise annually with inflation.

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The policy has raised concerns about “asset-rich, cash-poor” households being unable to afford the tax, such as pensioners who bought their homes decades ago when property prices were much lower.

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In a consultation into its scheme published this week the government proposed allowing those with an annual income of less than £35,000, or savings of less than £16,000, to defer payment of the surcharge until they sold their property or died. Properties that were the main home of someone disabled or severely mentally impaired could also be eligible for deferral.

Interest will be charged on the outstanding amount for as long as the payment is deferred, which critics say could leave relatives with large bills to settle once they inherit a property, tantamount to another “death tax”.

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James Cleverly, the shadow housing secretary, said: “Many pensioners will be pressured into deferring the new surcharge, and then passing the bill on to their children. When combined with inheritance tax, this is a cruel double death tax. The Labour government is punishing aspiration and success.”

While the rate of interest for delayed payment is yet to be decided, the government has suggested it could be HM Revenue & Customs’ official rate of interest (3.75 per cent at the moment), the Bank of England base rate (also 3.75 per cent), or the rate applied to deferred payments of adult social care (4.75 per cent).

The Valuation Office Agency, which is part of HMRC, plans to publish a draft list of affected properties in late 2027 before final bills are issued in March 2028. Homeowners who believe they have been placed in an incorrect band will have eight months to challenge a decision. For challenges in the years after that, the standard six-month council tax appeal deadline will apply.

Under the proposed system, homeowners would first challenge their valuation through the Valuation Office Agency or their local authority before potentially escalating the case to the Valuation Tribunal for England.

But those who challenge a valuation will still have to pay the surcharge, and could potentially claim it back later. The government said that not doing it this way round would be “administratively burdensome and risk incentivising speculative challenges”.

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Hamptons said that there was, however, a flipside to the potential effects of house-price growth – if prices dropped 2 per cent over the next decade, for example, it estimated that the number of properties liable for the mansion tax would fall from 138,818 to 84,707.

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