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A cynical tax trap has been set for homeowners

We call it a mansion tax, but it could soon come for those living in modest homes in more expensive areas

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The clampdown on family wealth has truly begun. From next April many pensions will no longer be excluded from inheritance tax, dragging more families into paying the loathed death duty.

Then — only a year later — anyone with a home worth £2 million or more will have to pay a council tax surcharge, a so-called mansion tax, on top of what they are already paying.

The [mansion tax](#) will be set in four bands: £2,500 a year for homes worth between £2 million and £2.5 million; £3,500 for those from £2.5 million to £3.5 million; £5,000 for properties valued between £3.5 million and £5 million; and £7,500 for

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wealthy, think again.

At the moment, some 138,818 homes in England & Wales are worth £2 million or more, according to the estate agency Hamptons. If property prices went up 2 per cent a year for the next decade — a realistic scenario given how the market has performed over the past year — about 229,024 properties would come under the scope of the tax by 2036. In just over ten years the number of properties valued at £2 million or more would have almost doubled. And if house prices grew 5 per cent a year, the number would almost double in five years.

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Of course, house price growth could stall, but that is unlikely to last for the long term.

The figures show that even small changes in values on paper can mean many more households dragged into paying the surcharge.

A broader demographic of homeowners are likely to be pulled into this tax trap, especially in areas such as the south east of England and London, where property prices are already

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The Office for Budget Responsibility, the spending watchdog, has estimated that the surcharge will raise about £430 million a year by the end of the decade, but Hamptons thinks this figure could reach £4.5 billion — more than ten times that amount — if we have 20 years of 5 per cent a year house price growth.

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In another twist, consultation documents published on Tuesday by the Treasury said that homeowners on incomes of less than £35,000 a year would be able to defer the tax until they die or sell their home.

This means that many baby boomers, who are sitting on most of the UK's housing wealth but living on modest pensions, would be able to leave the tax bill until they die. The charge — plus interest — which could run into tens of thousands of pounds would then be collected when the house is sold or transferred. And who would pay it? The beneficiaries of course, who could be forced to sell the home to settle the [mansion tax](#) bill and their other inheritance tax liabilities.

It is simply another inheritance tax, by a different name, and another way for politicians to try to get their mitts on our