

# Will your home be caught in Rachel Reeves's mansion tax net?

## How the government will calculate who pays the new surcharge



The Treasury says that properties in council tax bands F, G and H will be revalued in 2026 to check whether their value exceeds £2 million

**Melissa York**, Assistant Property Editor

Thursday November 27 2025, 3.00pm, The Times

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**T**he mansion tax is back. First mooted by the Liberal Democrats in their 2010 manifesto, the policy to tax Britain's most expensive homes was resurrected by Rachel Reeves in the budget.

## MANSION TAX

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council tax bills.

“In London, this is a terrace tax, not a mansion tax,” says Dominic Agace, chief executive of the estate agent Winkworth. “Many people living in London in £2 million-plus homes are those who are leveraged with large mortgages or those with their property as their only asset, and living on a small retirement income.”

To ensure the Treasury isn't making a mansion out of a molehill, there will be new “updated valuations” undertaken next year to work out which properties are worth more than £2 million and will be subjected to the [high value council tax surcharge](#).

The last time such an exercise was undertaken en masse was in 1991 — it was such a costly headache that council tax bands are still based on these values today. It took two years to complete, albeit with significantly less data available than today.

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The Treasury has confirmed that only properties in bands F, G and H will be revalued in 2026 to check whether their market value exceeds £2 million. It's not a full revaluation of all homes

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If the government gets the revaluations wrong, however, their error could leave them wide open to legal challenges from disgruntled homeowners.

So how will Westminster decide whether an Englishman's home is, in fact, a mansion?

## What counts as a mansion?



In her budget speech, the chancellor Rachel Reeves took aim at high value homes

ALAMY

About 2.4 million homes in council tax bands F, G and H are expected to be investigated and an estimated 100,000 homes subject to the new surcharge. This figure is an estimate derived from Land Registry data showing about 0.5 per cent of properties in England sold for more than £2 million last year.

Property valued in the £2 million to £2.5 million range will be hit with an annual surcharge of £2,500, rising to £7,500 a year for homes worth more than £5 million. A high value council tax surcharge — the so-called mansion tax — will be levied on all properties worth £2 million or more, from April 2028.

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## Mansion tax: need to know

- Owners of properties worth £2m-£2.5m face an annual surcharge of £2,500
- In the £2.5m-£3.5m bracket, the charge will be £3,500
- From £3.5m-£5m the bill will be £5,000
- For homes worth over £5m the bill is £7,500

This targeted valuation could rely heavily on the Valuation Office Agency (VOA)'s automated valuation model (AVM), a tool created in-house to provide property valuations for the purpose of council tax.

It analyses recent sales figures, alongside other factors that could influence a property's house price, such as transport links, energy performance certificate (EPC) ratings, local crime rates, garden size, planning applications and aerial mapping.

The system can estimate values quickly, but estate agents are already wringing their hands over the use of AVM. While extremely good at valuing mid-price homes, the system tends to struggle to accurately value homes at the higher end of the market. There are fewer sales at higher price points, so less comparable data to work with, and these homes, by their nature, tend to be more diverse.

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AS NICK DEEMING, chairman of the estate agent Jackson-Stops, says, AVMs can be “notoriously unreliable for higher-value or unique properties, risking significant inaccuracies”. The algorithm is only as good as the data that goes into it, and the prime market has been in a funk for some time.

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This month, the property website Rightmove reported that agreed sales for homes above £2 million had fallen 13 per cent year-on-year, while the estate agent [Knight Frank](#) said that while mainstream prices have risen 41 per cent over the last decade, average prices in prime central London have fallen 21 per cent in the same period.

It's also extremely likely that taxpayers are going to contest values, given the recent downward pressure on property values at the top end. David Fell, lead analyst at the estate agent Hamptons, says: “Even with a wealth of data now available, the accurate valuation of a home which is on the margins of paying more tax but hasn't been sold for a generation is likely to be a highly contentious process.”

Fell compared it to recent business rate revaluations, where many retailers “have seen bills more than double” and those

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A desktop valuation is cheaper and faster, while in-person inspections are more reliable but more expensive

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There is a clear cost versus accuracy trade-off. A desktop valuation using AVM is cheaper and faster, but far less robust than physical inspections.

This is why the VOA also sends valuers out to visit a sample of properties to inspect the accuracy of its desktop valuations, and to outliers or properties on the cusp of council tax bands.

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higher the value and greater the novelty of the property, the greater the risk of error.

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The Welsh government estimates that the cost of administering a revaluation of all its housing stock is up to £18 million for 1.48 million properties, or about £12 per property. Applying that to England's 2.4 million targeted homes suggests a valuation bill of £28.8 million.

That calculation assumes a desktop-only exercise. If surveyors are deployed for "boots on the ground" inspections, costs could rise significantly. Yet the cost of not doing this may be greater, if homeowners bring legal challenges and appeals.

Paula Higgins, chief executive of the HomeOwners' Alliance, warns that without "adequate resourcing and a straightforward process people can trust, this risks becoming chaotic, slow and deeply contentious."

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This places pressure on the VOA's limited resources at an inopportune time; the agency is currently being rolled into HMRC as a cost-cutting exercise that will be complete in April 2026.

## 'Bunching' and cliff edges



Claire Reynolds of Strutt & Parker: "The speculation alone in this week's budget meant we saw a restructuring of a number of deals around the £2 million mark"

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The existence of a clearly defined £2 million cliff edge commonly results in what economists call "bunching". Buyers avoid offering at or above the price threshold, and sellers adjust their asking prices to just below it. As seen with stamp duty thresholds, this can distort house prices.

Claire Reynolds, national head of sales at the estate agent Strutt & Parker, says: "The speculation alone around the council tax surcharge in this week's budget meant we saw a restructuring of a number of deals around the £2 million mark; transactions reshaped, lotting reconsidered [property split into separate lots] and main dwellings agreed at £1,999,999."

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council tax surcharge, though this may take time and it will depend on wider market conditions, such as interest rates. Homeowners may also put renovations on hold while valuations are carried out.

As the April 2028 deadline creeps closer, there may be a sudden rush of sales from older people in “empty nest” £2 million homes who are keen to downsize. Rubensohn believes that “we are at least 12 to 18 months away” from owners making decisions based on the tax. For now, he sees it reinforcing an already “stagnant trend” at the top end of the market, which he says is “not beneficial for the wider economy”.

## A step towards full revaluation?

Is this headache — and the political fallout — worth £400 million? It could be if it's seen as a trial for total reform of England's outdated council tax system.

Hannah Aldridge, senior research and policy analyst at the Resolution Foundation, one of Labour's favoured think tanks, says: “If you start with a revaluation of a small number of properties, then that could potentially open the door to do more.” She describes it as “a sensible first step” designed to “shift the burden a bit more onto the shoulders of those with the highest wealth” while leaving the tax structure largely unchanged.

As this tax is administered as a surcharge bolted onto council tax, a future government could, in theory, scrap it and return to

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As the clock ticks towards 2028, homeowners will watch, wait and, at some point, start counting the cost of living in a so-called mansion.

*Additional reporting by Rick Kelsey*

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Sophia Cook



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**M** **Matt Greene** ...  
 27 NOVEMBER, 2025

Here's the thing: it's £2 million now, but just wait until Reeves realises there is still not enough money in the pot for all the welfare she wants to hand out - she'll drop it down to a million or lower.

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**M** **M Thornton** ...  
 27 NOVEMBER, 2025

Normally I'd be protesting that London gets the best of everything going, but this is basically a tax on Londoners. A quick look on Rightmove yesterday showed only 2 properties for sale within 10 miles of me over 2 million and both utterly enormous.

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27 NOVEMBER, 2025

There are many people who bought a house thirty years ago, paid off the mortgage, brought up a family and enjoy their home which has increased enormously in value possibly from £600,000 to £2,000,000. Persuading them to see it just as bricks and mortar to feed those living on benefits rather than ...

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**Giorgio Focco**

27 NOVEMBER, 2025

Downsize and pay massive stamp duty... I doubt it!  
(Edited)

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**B Horack**

27 NOVEMBER, 2025

If your home was worth, say, £2.3m on Monday then guess what? Today it's worth £1,999,999, because that is the most anyone will pay for it.

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**Sue Archer**

27 NOVEMBER, 2025

Trust me, if you can afford to buy a £2m house another £2500 per annum on council tax won't touch the sides on monthly outgoings. This will impact me, and I'm happy to pay it.

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bedroomed band E property pay less council tax. The whole council tax wants reviewing. Thatcher was right. It should be a poll tax.

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**H** **H Mountford** ...

27 NOVEMBER, 2025

I agree, but you missed the point the tax is paid for the same services, no matter if you live in a band C or band H property.

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**D** **David Karat** ...

27 NOVEMBER, 2025

All this to support the scroungers budget  
Working is penalised  
Being responsible is penalised  
Saving is penalised

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**A** **Andrea Wood** ...

30 DECEMBER, 2025

Or perhaps to fill pot holes, pay for more teachers, contribute to the defence budget...

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**R** **Richard Williams** ...

27 NOVEMBER, 2025

I have decided to have my shoulders removed. That way I will no longer have the broadest shoulders to take the weight of the next set of taxes.

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N

**Nicholas Lambert**

...

27 NOVEMBER, 2025

So no incentive to spend money on your home as it may move it to a higher band - and I have no doubt this 'stealth wealth' tax will quickly be dropped to £1.5m and then £1m. Not great for the building trade.

How about revaluing all houses as almost all will go up two council tax bands, then increasi...

**See more** *(Edited)*

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G

**G Lightfoot**

...

27 NOVEMBER, 2025

All houses should be revalued since the last valuation was in 1991.

But all governments have run scared of it since they know how much rage will be whipped up about it.

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P

**Philip Sharp**

...

27 NOVEMBER, 2025

Still think it would have been easier and would be fairer to just introduce a beard tax and forget about reevaluating all these houses

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**P Philip Womack** ...  
27 NOVEMBER, 2025

Taxed for living in your own house. What a world we live in.

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**D D Addison** ...  
27 NOVEMBER, 2025

What would you do? Keep on borrowing?

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**M Matthew Dawson** ...  
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What happens if you live on a farm? Will the farm house / farm buildings / land be included in the valuation? Won't this be another blow to farmers?

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**T Theodora Zemek** ...  
27 NOVEMBER, 2025

Good question.

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**C C Maccuish** ...  
27 NOVEMBER, 2025

This won't happen. There are too many problems associated with it-including the fact that only the top 3

**R****Richard Matthews**

27 NOVEMBER, 2025

The algorithm might work in a street in London with similar houses, but outside of towns where houses have not been sold for generations algorithms will not cut it. The cost of administering this will therefore be a significant proportion of the revenue. So in true labour style of inefficiency and ...

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28 NOVEMBER, 2025

But imagine it, it's a socialist's dream - lots of people engaged by the state to do this work, all costing money (including of course their inflation-proof pensions etc) and generating delays and disputes requiring panels and tribunals to take years to resolve and all the while the property owner...

**See more**[Reply](#) • [☆ Recommend \(2\)](#) • [Share](#)**P****Phillip Goodwin**

27 NOVEMBER, 2025

The effect on the property market in terms of bunching, lower prices and therefore lower stamp duty and inheritance tax receipts together with general stagnation will more than cancel out the projected £400 million gain. The chancellor really doesn't get the Laffer curve or is this tax purely cynical...

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happily pay more to lift children out of poverty.

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M

**Michael Statman**

...

27 NOVEMBER, 2025

No...not peanuts for those who are leveraged or dont have much income

Will not lift children out of poverty because just as likely to be spaffed up the wall

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P

**P Norton**

...

27 NOVEMBER, 2025

If a house is going to be more costly to run then it will be worth less. How will the price fixers account for their own wealth destroying policy?

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K

**Kevin Clarke**

...

27 NOVEMBER, 2025

They will see it as a success because it will reduce relative poverty. Far easier to destroy than to build.

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M

**Mr Lea Court**

...

27 NOVEMBER, 2025

**Will your home be caught in Rachel Reeves's mansion tax net?**

No

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BTW your home might not be directly affected but this will have a knock-on effect throughout the property market.

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A

**A Earl**

27 NOVEMBER, 2025

No I won't get caught. As per the Times advice I plan to put an indoor pool into my mid terrace house in London.

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A

**A Stevens**

27 NOVEMBER, 2025

Don't forget some decking and fake grass too!

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W

**William Paul Savage**

27 NOVEMBER, 2025

We've been in our house 25 years and I will not pay her on the basis of a guess. They are people without honour.  
*(Edited)*

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R

**R Turner**

27 NOVEMBER, 2025

You are already paying on a guess from 1991.

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**A** **AJ Pickering** ...

27 NOVEMBER, 2025

Yep. If you have a rare guitar, or statue or.. it is worthless if nobody wants to buy.

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**C** **Cliff Buffham** ...

27 NOVEMBER, 2025

If they reckon 100,000 are worth more than £2 million why waste money on valuing 2.4 million homes? Huge amounts of money can be saved by only valuing those that genuinely stand a chance of having that value. My area in the southeast is nearly all band G and H houses but none will be worth £2 milli...

**See more**

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**A** **Ant Woolley** ...

27 NOVEMBER, 2025

Because their are rumours that they will then also increase the rates for those in F, G and H. They could create more bands or just use the increased valuations as a rational for higher council taxes on those bands.

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**E** **Emily Chatwin** ...

27 NOVEMBER, 2025

The government may think a home is worth over £2 million. The homeowner and the realtor may agree. But

**A** **Alan Layng** ...  
 27 NOVEMBER, 2025

Yes you're absolutely right, but there's one small error in your logic.

You are assuming that the govt cares whether the value it assigns for tax purposes is actually realisable for sale. I suspect it doesn't.

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**G** **Gordon Vail** ...  
 27 NOVEMBER, 2025

"20 billion black hole". And Starmer is paying some tin pot island 30 billion to take over a group of small islands. Cancel the Chagos Islands deal to Mauritius immediately.

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**K** **Kim Talmache** ...  
 27 NOVEMBER, 2025

Call it what it is. A tax on those who live in the south. You can be living in the same standard and size of house, with the same standard of living, but if you live in London you will pay thousands of extra tax relative to those who live elsewhere in the country. How is this ever fair?

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**S** **S Johnson** ...  
 27 NOVEMBER, 2025

The reverse is true currently. The owner of a £150k house in Hartlepool pays significantly more than the owner of a £2m house in West London.

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27 NOVEMBER, 2025

Seems like a lot of aggro to raise supposedly 400m. Suspect when costs of revaluation and collection are factored the amount will be a lot less. Timewasters

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**T Thomas Williams** ...

27 NOVEMBER, 2025

I think she is planning to drag a lot more houses into this tax. She won't be around to see it but it will be a nice little earner for those who follow her. This is the thin end of the wedge.

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**W W Robins** ...

27 NOVEMBER, 2025

"You'll own nothing and you'll be happy".

Under Liebour you'll, effectively, never own your own home.

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**M Mick James** ...

27 NOVEMBER, 2025

You're not happy now, are you?

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**S Susan Hamlyn** ...

27 NOVEMBER, 2025

**A Alan Layng** ...  
 27 NOVEMBER, 2025

Like the equity release mortgage, it will be deferred and only paid on death or when the house is sold.

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**S S Booth** ...  
 27 NOVEMBER, 2025

Yes, council tax bands were valued en masse in 1991. But I thought that if you made significant alterations to you house (e.g. extension) then the council would revalue your band. The nominal house value is surely irrelevant - what matters is where your house lies relative to others.

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**A A Brennan** ...  
 27 NOVEMBER, 2025

Out of the 30million+ dwellings, are you one of the 100,000 wealthy unlucky ones looking for a lot of sympathy from the little people?

*(Edited)*

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**P P Norton** ...  
 27 NOVEMBER, 2025

Grubby politics of envy.

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**A Alan Layng** ...  
 27 NOVEMBER, 2025

**M Mrs Charles Harding** ...

27 NOVEMBER, 2025

Oh good I'm not in a mansion..

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**V Vincente Chamberlain** ...

27 NOVEMBER, 2025

Cut garden in half, register land under a different title and give to your kids.

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**A Alan Layng** ...

27 NOVEMBER, 2025

You'll have to pay CGT and stamp duty on the transfer.

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