




Beware the unintended consequences of mansion tax

Putting the brake on renovations and extensions, more family house swaps ... homeowners are bound to change their plans to avoid paying the new surcharge

Elizabeth Small

Thursday December 11 2025, 6.00pm, The Times

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The government's new high-value council tax surcharge (HVCTS), or the mansion tax, as it's known, is a clever tax that will be difficult to avoid without selling up and investing abroad.

With the charge not effective until April 2028, we may see property owners trying to reduce their home's value or overall council tax liability to fall below the various thresholds.

While all tax issues and legal ramifications should be looked at holistically, examples of their efforts could include reducing the number of bedrooms or putting off lease extensions and improvement works, including improving the EPC rating — so long as the cost of heating the home doesn't outweigh the tax.

Conversely, properties with easements, flying and creeping

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Houses with additional planning permissions tend to be worth more, so we may also see fewer planning applications for extensions, but more for subdividing houses into more than one unit.

- [Will your home be caught in Rachel Reeves's mansion tax net?](#)

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Family house swaps may also increase. Consider an asset-rich, cash-poor granny living in a house that has gone up significantly in value, but with only a modest income to sustain her. If she wants to continue living in the property, she could lease it (on a rent-free basis) to a family member who will eventually succeed her. This suppresses the property's value and avoids her having to rely on a potential, narrowly targeted government deferment relief.

Alternatively, if it is time to downsize, a property swap with a younger family member could pass the valuable property (and its problematic taxes) on to someone else. Granny and grandchild would both pay stamp duty and Granny would need to think about inheritance tax. She may be making a potentially

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the spring, now is the time to think creatively and put forward sensible measures. Rural property valuations, for example, may include surrounding fields, barns and ancillary buildings that could push a home into a relevant band. While property owners may seek to divide their property into constituent elements (house/garden versus land/outbuildings transferred to an entity they own), lobbying for targeted relief or exemptions is a more sensible approach than for property owners to develop these structures.

- [‘My home is no mansion’: the suburb left on the brink by new tax](#)

The government has mooted that a support scheme will be put in place for those who struggle to pay the charge. While it is understood that this relief will be targeted, the government will need to address concerns that the annual earnings limit to satisfy this may be set too low.

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While readers may wonder why anyone would try to reduce their home's value just to avoid a £7,500 liability (the proposed top charge, for properties worth more than £5 million), there are a number of eventualities which could bring this surcharge closer to the charges on the annual tax on enveloped dwellings (ATED), a tax on residential properties worth more than £500,000 which are owned by a corporate entity. Like council tax, it is calculated on bands based on the property's value, and ranges from £4,450 a year to £292,350 a year for properties valued at more than £20 million. HVCTS charges could reach a similar level if the liability increases at a rate higher than inflation, if the bands narrow, and if higher bands are introduced over time.

After all, introducing a new tax destined to raise only £430 million a year from 2028 does seem a strange use of HMRC and Treasury resources.

Elizabeth Small is a partner in the tax team at Forsters LLP

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What is mansion tax and how can I devalue my home to avoid it?

November 26, 2025, 9.49am

David Byers, Deputy Property Editor

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Sophia Cook



S

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M Mal Smith ...
 11 DECEMBER, 2025
 Give it ten years and this tax will be 5 times more than what spite driven Rachel Reeves has introduced for 2028. Demand for £8,000,000 plus homes in London will dry up. Prices overall will plummet as we become festering pit of Socialist depravity.

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R R Piper ...
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 One hopes a new government will be more sympathetic.

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J John Thomson ...
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 This is just the start. Stamp duty was originally levied at 1%. Look where it is now.

The “Mansion tax” Will go the same way.

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T Tom Watson ...
 12 DECEMBER, 2025
 This is a wealth tax with a fake moustache. Inflation will eventually drag the middle classes into the firing line, and all we’re getting is tax piled on tax with zero

D David Guinness

12 DECEMBER, 2025

The middle classes are already in the firing no line. They are now becoming the cannon fodder.

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S Stephen Roberts

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I am affected by this tax. I know several others who are also affected, and have discussed it with them. None of us will be put-off making value-enhancing improvements to our houses for fear of nudging into a higher tax band. To do so would be economically illiterate (and barely worth the effort). ...

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C C Martin

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This envy tax will just be the beginning of the gouging if these people ar re- elected. God help the country if that happens.

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C C Martin

12 DECEMBER, 2025

Obviously an envy tax - red meat for the Marxists in Labour. I read it may eventually raise £400 million but that £375 will be lost in stamp duty. It sends a message to the world which is anti ambition and anti wealth creation so more tax will be lost there. There will be hundreds of disputes.

C Staniland
 13 DECEMBER, 2025

While calling it a ‘mansion tax’ plays on envy and goes down well with the Labour base (and many voters). 85% of the homes are in London and SE England most of which are quite modest, i.e. it’s a location tax not a mansion tax.

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This message was deleted.

D David Finlay
 12 DECEMBER, 2025

You can’t expect Scandinavian level services on US style taxes. Nice pastiche of Martin Niemöller though.

(Edited)

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C Staniland
 13 DECEMBER, 2025
 Replying to David Finlay

A very revealing article in FT pointed out we have the most progressive tax system in the Western world and for the top of earners 10% we have Scandinavian style taxes for US level services.

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M Mr Brian Rowlands
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fortunate that almost certainly the date of valuation will be set when the market...

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NS Thompson

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Who pays for the Chartered Valuation Surveys?

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Mark Lights

13 DECEMBER, 2025

It will cost more to administer, collect, the revalue exercise, staff costs and the inevitably poor sickness records these kind of departments have, dispute resolution, and loss of stamp duty when people move less. Badly thought out and waste of resources, for a small if anything tax take.

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simon greenley

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Completely agree.

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Tim Jackson

13 DECEMBER, 2025

The consequences are only unintended because the decision makers in the. government are seemingly so thick. Same as the vat on private schools. They are punishment taxes pure and simple.

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TLeigh

13 DECEMBER, 2025

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J

James Hawthorne

12 DECEMBER, 2025

Not worth staying in Britain any more. Health system -- average 9 -14 months wait for non life threatening elective surgery, a mere 3000 flu patients (out of a population of around 68 million) virtually maxes out the NHS hospital system and the average A&E has more chaos than a decent hospital in...

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R

Richard Garrett

13 DECEMBER, 2025

The number of people that are holding millions in assets and are whining about a few £k in extra tax makes me ashamed to be British. These people are welcome to leave. Their property will remain in the UK.

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D

D Pennell

13 DECEMBER, 2025

This mansion tax wasn't announced by Reeves to raise revenue - even the most optimistic estimates are in the mid hundreds of millions of pounds which is a drop in the welfare splurge ocean - and frankly by the time houses have been valued/challenges made and they will all realise how impractical it...

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B Sanghera

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We need an aspirational country not one built on dependency.
 The false definition of “ relative “ poverty needs to be called out for the garbage it is . It’...

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N NS Thompson ...

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Agree... also the VAT on education (like the double council tax on 2nd homes), was initially considered by Gove, supposedly a Tory

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S S Douglas ...

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Bad tax. The article reminds me of the wonderful old properties in Edinburgh with stone where windows should be, to avoid the old window tax. Surprised Labour haven't thought of bringing that one back too.

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M Mr A R Jackson ...

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Give it time

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G G Robson ...

13 DECEMBER, 2025

The administrative cost will be ridiculous.
 The Labour Party is not working for this country. This country is working for the Labour Party.

**Kevin Cooper**

12 DECEMBER, 2025

Utter rubbish “may see owners trying to change their house value”. Its not worth the aggravation. Wait for the numbers - appeal if definitely wrong pay up if not.

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**Rowan Davison**

13 DECEMBER, 2025

What a great way to tax success again.

This will do other than stagnate the housing market with no one willing to risk moving above £1.5m. Those that currently own properties over £2m especially those with maxed out mortgages in London (which are a far cry for a mansion) will be looking to offload ...

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**A Cummins**

12 DECEMBER, 2025

It'll never happen. They'll spend £100ms setting it up. They'll be gone.

Stick it on the debt we bequeath to our children, with shame.

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**Terry Mackie**

12 DECEMBER, 2025

So, a tax escape artist tells us the tricks of the trade, while rubbing her hands that she will make more money from very wealthy people. Then has the effrontery to conclude it's not a tax that will bring in huge amounts.

M**Mr C Kershaw**

12 DECEMBER, 2025

The actual percentage charge on the property value is very small. Of course the Times without exception is against taxing the rich and helping the poor (eg taking children out of poverty).

[Reply](#) · [☆ Recommend \(4\)](#) · [Share](#)**J****J Davidson**

13 DECEMBER, 2025

It's emotive, but the figures are clear: in the UK, higher earners fund a disproportionately large share. A recent FT article contrasted this with Scandinavia, where the burden is spread more evenly and most people pay more.

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12 DECEMBER, 2025

Only if we assume that Labour is still in power in April 2028.

[Reply](#) · [☆ Recommend \(4\)](#) · [Share](#)**L****Lawrence Goldman**

12 DECEMBER, 2025

Why does this person tell us at the start that this is a clever tax and at the end describe it as a waste of HMRC resources in the collection? Is she as confused as the government?

[Reply](#) · [☆ Recommend \(3\)](#) · [Share](#)**C****Chris West**

14 DECEMBER, 2025

S **S Rodrick** ...
 13 DECEMBER, 2025

What a load of old tosh. The Times seems very worried that the rich should not pay a penny more in tax. I don't think we need to worry. They didn't get this rich without knowing how to avoid tax.

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J **Jonathan Chadwick** ...
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Doubt this will see the light of day - though any incoming govt would be pleased for the money and blame Starmer

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M **Martin Fessey** ...
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I look at this quite simply - the house value will be reduced by the interest saved on a smaller mortgage payment equivalent to the annual tax I.e. £2,500 >> £62,500 @4% and will increase if rates fall.

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W **william morrison** ...
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The whole thing paves the way for the Tories to return with a manifesto scrapping this tax, and capital gains. Reform will have imploded by then.

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T **T Thompson** ...

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A land tax, by whatever name, is in effect a perpetual rent to government.

It converts ownership into tenancy a licence to occupy granted...

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J

James Hawthorne

13 DECEMBER, 2025

How about a staircase tax. That at least might encourage more older buildings to have chairlifts etc and give engineering companies a bit of work. Don't forget also to impose a Chimney congestion charge over Xmas on Santa.

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R

Roland Comet

14 DECEMBER, 2025

In addition the revaluation of the council tax bands will add to the tax burden on all F, G, and H property owners. So it isn't a mansion tax, it's a tax which will hit many. Let us hope Labour realize that this has 'Poll Tax' ramifications for them

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S

S Anderson

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Convert to leasehold with a short lease

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P

Paul McMullan

13 DECEMBER, 2025

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