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Starmer's senseless mansion tax should be scrapped before it's too late

Perhaps the Prime Minister can finally make a logical about-turn and get rid of this unravelling levy

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The mansion tax's overall revenues will be precisely zilch Credit: Paul Campbell/Image Source



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Thousands of extra officials have already been hired to do the paperwork. The legal challenges are already being prepared. And the revenue forecasts are

already being downgraded.

Britain has had some senseless taxes over the years, and plenty of government projects that have gone hopelessly wrong. But the so-called mansion tax is already shaping up to be a fiasco on an epic scale.

Sir Keir Starmer should scrap it before it is too late.

When Rachel Reeves announced her plans for an extra levy on homes worth more than £2m late last year, she claimed it would be a victory for fairness and social justice.

She was, the Chancellor told us, taking decisive “steps to deal with a longstanding source of wealth inequality in our country” while her cheerleaders at The Guardian, to no one's great surprise, hailed it as “a small but brave step”.

It was in effect a wealth tax by stealth. Anyone who owns a more expensive property would have to pay more, with extra contributions from higher-value homes, and the money could then be used to help less fortunate people.

Even better, it would be almost impossible to avoid. A big house in the home counties, or the prosperous suburbs of Cheshire, can't move to a Caribbean tax haven, nor can it be hidden off balance sheet in the books of a company. The mansion tax would be easy to collect and redistribute wealth: exactly what the Labour tribe wanted.

Here's the problem, however. We are still four years away from its introduction, and already, the tax is starting to unravel.

165,000 homeowners in line for mansion tax in first year alone

Estimated number of properties in scope of surcharge

Price band (£m)	2028-29	2029-30	2030-31
2.0 to 2.5	71,000	72,000	72,000
2.5 to 3.5	54,000	55,000	55,000
3.5 to 5.0	25,000	25,000	25,000
Over 5	15,000	15,000	15,000
Total	165,000	166,000	167,000

Source: OBR

The Office for Budget Responsibility (OBR) gave us a glimpse into the train wreck heading towards us with an updated report this week, forecasting that 20pc of valuations would be challenged in court and that 40pc of the legal cases would be successful.

The result? The OBR is already downgrading its forecasts for the amount of revenue the tax will raise. It predicts it will raise £400m in its first year, rising to £435m by 2030 to 2031.

But it also claimed that revenue would fall by around £370m before April 2028 because of reduced stamp duty, capital gains tax and inheritance tax receipts as households sold or downsized.

In other words, at best, the tax might raise almost £400m. And even that is almost certainly an overestimate, given that the OBR's models are already notorious for downplaying the behavioural impact of tax rises.

If I had to hazard a guess, it would be this. When you net everything out, the mansion tax's overall revenues will be, to use the technical accounting term, precisely zilch.

Against that, the costs are escalating. We learnt in February that HMRC was hiring an extra 1,000 staff to carry out all the valuations needed to impose the levy.

After all, someone has to decide whether a home is worth £1.9m or £2.1m, and there is no point in asking the person who owns it, given that we can guess their answer.

How much will all those officials cost? Let's assume salaries of £70,000, plus gold-plated public sector pension contributions, and a car thrown in to research those "mansions", and each "valuation officer" will cost around £150,000 a year.

That is a total of £150m. Every year.

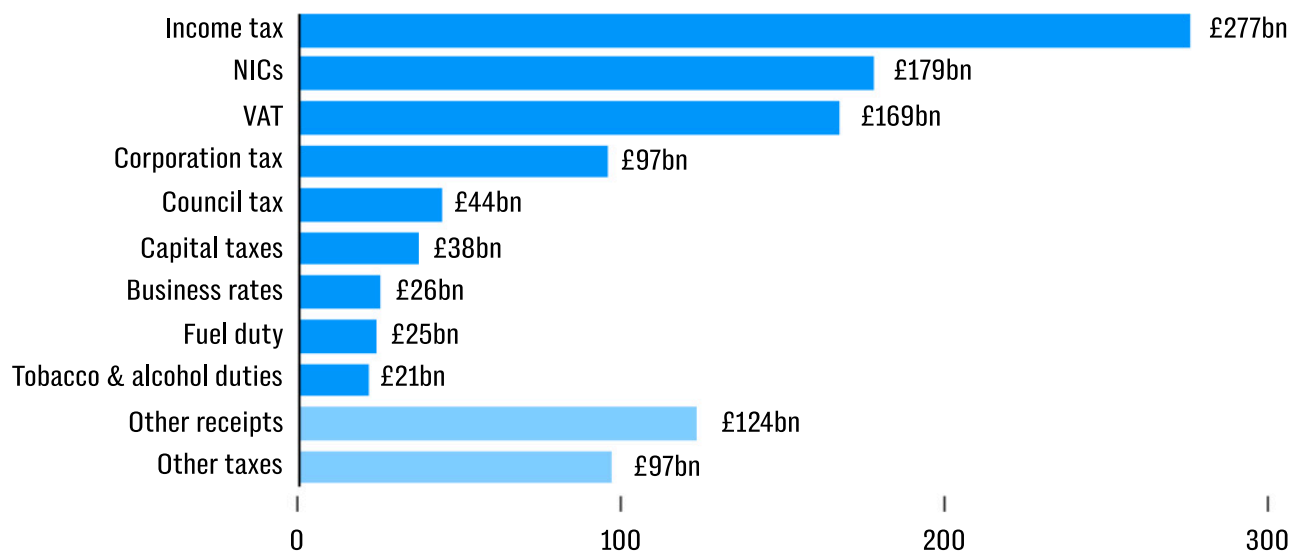
Meanwhile, the Government is set to announce its own consultation process on the mansion tax over the next few months. With all the lawyers, surveyors and economists that will be needed for that, let's add another couple of hundred million to the costs.

Let's be serious about this. We are spending hundreds of millions on the levy, and it is still years away from being implemented.

We know from bitter experience that the British state has become so shambolic that almost every major project it undertakes ends up both costing far more than anyone expected and delivering far less than was hoped for.

Britain is burdened with levies

Government tax receipts, 2023-24



Source: ONS, House of Commons Library

The Government spent £160m on planning for a tunnel under Stonehenge before finally deciding to scrap the whole project. The Lower Thames Crossing has cost £800m so far and the diggers have still not started work. The bill for restoring the House of Commons has already doubled since the initial estimates were made and is still rising. The list goes on and on and I haven't even mentioned HS2 yet.

The blunt truth is this. Whenever the Government attempts a major new scheme, it costs three times as much as planned and takes twice as long.

Sure, a mansion tax might be a good idea, at least if your only major ambition for the country is to redistribute wealth more equally instead of generating more of it so that everyone can be a little richer. The council tax system is already creaking under its own complexity, and it is long overdue for reform.

But regardless of whether you support the principle or not, one point is surely already becoming absolutely clear. The mansion tax is turning into a catastrophic mistake.

It is going to be hugely expensive to administer, it will raise far less than expected, it will clog up the courts with pointless arguments about what

properties are worth when they could be dealing with real criminals instead, and it will make Britain even less attractive to the global entrepreneurs needed to keep the economy afloat.

As it gets closer, the chaos over its implementation means it will almost certainly be abandoned anyway.

Starmer is not exactly averse to a sudden about-turn on policy. Perhaps he could do the whole country a favour and scrap the levy before it does any more damage.

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