



Estate agents say the new tax is already affecting the housing market

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Mansion tax will cost almost £400 million before a penny is collected

FoI request shows scale of cost to the Treasury and the property market

NEW

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Monday May 04 2026, 8.10pm, The Times

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Labour's mansion tax is expected to cost the Treasury almost £400 million before a penny is raised.

Treasury officials estimate that stamp duty and inheritance tax receipts will slump by £230 million over the next three years as property values near the thresholds for the new tax plummet.

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In last year's budget the chancellor, [Rachel Reeves](#), announced what is officially known as the high-value council tax surcharge, amid a clamour from backbench Labour MPs to generate more cash from the wealthiest.

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Under the government's plans, from April 2028 homeowners will pay a flat annual surcharge on top of their council tax bill if their property is valued at £2 million or more. The charge is 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 homes worth more than £5 million.

Estate agents say the tax is already beginning to distort the property market. They report falling transactions above the £2 million threshold, suggesting buyers have been put off by the prospect of paying the annual levy, and [falling prices as vendors try to attract buyers](#).

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by 2030/31.



Rachel Reeves announced the policy in last year's budget

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However, these figures are only estimates and some estate agents believe the real impact of the tax will be much greater.

The FoI request shows the Treasury expects the tax to result in only 90 fewer £2 million-plus sales each year on average over the next three years. Last year, there were nearly 6,000 transactions in this category, meaning the Treasury believes the market will lose only 1.5 per cent of sales.

Aneisha Beveridge, head of research at the estate agent Hamptons, said: "Losing only 1.5 per cent of sales feels like quite a small figure. Our analysis suggests the mansion tax is already shaping behaviour for both buyers and sellers, particularly around the £2 million entry point.

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“In recent months, buyers targeting homes priced close to the threshold have increasingly structured offers to ensure the final sale price remains below £2 million. Sellers are adapting too. In the two months following the budget, the number of homes coming to market priced between £1.8 and £2 million rose by 6 per cent year on year, while listings between £2 and £2.2 million fell by 7 per cent.”

The FOI request also reveals that the Treasury conducted no analysis of how the new tax might affect VAT or corporation tax receipts, suggesting the full scale of lost revenue could be even greater.

- [Beware the unintended consequences of mansion tax](#)

Estate agencies, the construction trade, the removals industry, the home furnishing sector and other businesses linked to the high-end property market are all likely to suffer reduced sales and profits because of the tax, resulting in lower corporation tax and VAT receipts.

Experts in the building trade, for example, are fearful that the estimated 200,000 people who own homes worth between £1.5 million and £2 million will now be less likely to complete renovations, extensions or home improvements, fearing any work might push their homes into the qualifying bracket.

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Despite the implementation costs, the Treasury expects the policy will ultimately bear fruit by raising nearly £1.4 billion in the first three years of operation.

After costs and the negative impact on other tax receipts, the Treasury estimates the tax will generate a net £930 million by 2031. In the scheme of the public finances, this is a relatively modest amount. The latest official figures show the government spent £1.2 trillion last year, meaning the tax will not even fund 0.1 per cent of public spending.

This has raised concerns in the property industry that once the tax has been introduced future governments will expand its scope to generate more cash. Beveridge said: “When governments bring in thresholds like this, generally they tend to come down. So we could see future governments tweak the £2 million level just to pull in more tax.”

In the FoI, the Treasury declined to reveal how many homeowners it expected to appeal their valuation, citing the need to maintain a “safe space” for policy development. However, it did say it expected the tax ultimately to be levied against 156,000 homeowners, the typical qualifying household paying nearly £3,000 a year, or £250 a month.

The Treasury said: “This tax is expected to raise around £1.4 billion to help fund public services, including cutting the cost of living, by addressing the unfairness of a Band D home in Blackpool paying nearly £300 more in council tax than a £10 million Mayfair mansion. It is normal for there to be