R3 MARKET INSIGHT

Autumn Budget 2026

Key changes, rumours and what it means for the property industry, landlords, renters, buyers and sellers

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PRE-BUDGET ANALYSIS

KEY CHANGES, RUMOURS & SO WHATS

AUTUMN BUDGET 2026
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SDLT as a structural deterrent to downsizing

Stamp Duty is widely recognised as a significant barrier to moving home, and its impact on downsizing is particularly important. The tax is charged on the purchase price of a new home, and represent a very modest 1.3% of all national tax receipts. In other words, not a lot for a tax that is putting a real downer on the property market.

So for an older homeowners with plenty of spare and unused bedrooms looking to downsize, the SDLT bill on a smaller replacement property can easily run into thousands of pounds, making the move financially unattractive even when the underlying motivation is strong. i.e. releasing equity, reducing maintenance, or moving closer to family, Not to mention the benefit of making the house available on the sales market for younger, larger families for example.

The current SDLT structure discourages Such moves, which includes most downsizing transactions, and this reduces the efficiency with which the housing stock is used.

Economists have argued the case for merging Council Tax and Stamp Duty into a single, regularly revalued property tax, but such reform would require long-term strategic vision rather than short-term fixes; these being the common currency of any incumbent Government, including this one.

1.3%

SDLT receipts as a % of total annual tax take

40%

Under-occupied households according to latest Gov survey

The upcoming Budget on 28 October 2026 arrives in the middle of a property tax landscape already ill-treated by previous reforms, with widespread speculation about further changes, often triggered by government insiders spreading rumours to test the "mood".

Key confirmed measures include a "mansion tax" surcharge on properties over £2 million from April 2028, higher property income tax rates for landlords from April 2027, and possible Capital Gains Tax reforms.

Stamp Duty remains officially off the table for reform, though the Prime Minister's past criticisms of the tax have fuelled persistent speculation about land value tax or replacement models. Something we feel will be left well alone for now.

For buyers, sellers, and renters, the primary impact is higher costs, higher taxes, uncertainty and a SDLT regime that makes little sense for a global city like London.

In this **Autumn Pre-Budget Update**, we review likely key changes, rumours and what it might all mean for the property industry in urgent need of better fiscal cohesiveness.

1. The "Mansion" Tax

The **High Value Council Tax Surcharge (HVCTS)** on properties worth over £2 million was confirmed in the November 2025 Budget and takes effect from April 2028.

It will be collected alongside existing council tax bills, with annual charges ranging from £2,500 to £7,500 depending on property value. The surcharge is expected to raise around £430 million per year and will be administered by local authorities, though the revenue goes to central government.

The policy has drawn criticism for creating a hard "cliff-edge" at the £2 million mark. Properties valued just below the threshold look to gain a pricing advantage, while those just above face a recurring annual charge that will weigh on valuations.

Because the surcharge falls disproportionately on London and the South-East, where property values are highest, some analysts describe it as a regional tax on the UK's most productive economy rather than a genuine national wealth tax,

One likely change to the HVCTS at the Budget will be a reduction of the threshold from £2 million to £1.5 million. While Hammersmith & Fulham, Wandsworth, Kensington & Chelsea, Westminster and Camden would be areas most impacted by lower threshold for the tax, £1.5m would bring a significant number of properties within the tax net in many other "non-prime" areas of London.

Tax experts indicate the majority of homes caught by the broader tax would be in London and the wider South-East, with 1 in 4 houses in London potentially caught by the new levy.

1 in 4 houses in London are caught by the Mansion tax threshold of £1.5m

2. Stamp Duty Land Tax

The Prime Minister has explicitly ruled out changing or scrapping Stamp Duty in this year's Budget, rejecting reports that SDLT and council tax would be replaced with a single annual property tax. The November 2025 Budget also left Stamp Duty untouched despite months of speculation and industry pressure. **Please see inset on page 1 on why SDLT is in need of reform.**

The government's denials have not fully dampened speculation. Leaked documents suggest that reforms to "capital and property taxes" are being examined, potentially including some Stamp Duty changes.

We do not think much will change in this area of tax despite the usual tedious, grandiose political narrative around "aspirational socialism".

3. Landlord taxes are rising

From April 2027, **property income tax rates** will increase by 2 percentage points across all bands, taking the basic rate to 22%, higher rate to 42%, and additional rate to 47%. This applies to landlords regardless of any further Budget announcements.

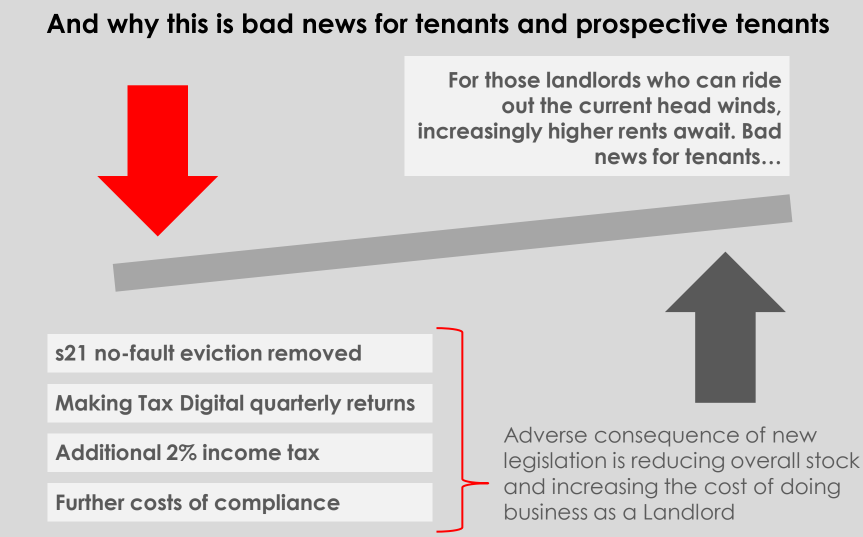
This comes on top of the introduction of Making Tax Digital (additional reporting requirement for Landlords), and additional costs associated with the Renters Rights Act 2026.

The Office for Budget Responsibility has acknowledged that these successive measures have steadily reduced landlord returns. This will, consequently, reduce rental supply over the medium to long term and inevitably increase rents. Some landlords will exit the market entirely, further constraining an already tight private rental sector.

2.0%

Increase in average advertised rents in London in the latest reported quarter, reaching a record average of £2,791 per calendar month

Fig 1: Landlords under siege



4. CGT reforms?

The current rate of CGT on residential property stands at 18% for basic-rate taxpayers and 24% for higher-rate taxpayers.

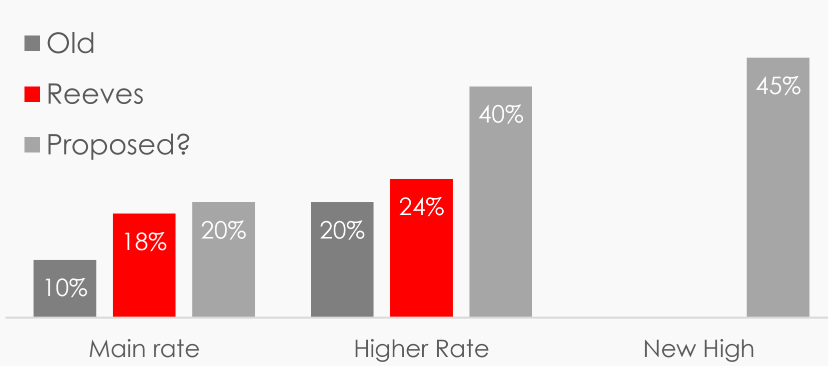
If the government goes ahead with rumoured proposals to align CGT with income tax rates (which could push the top rate up to 45%), it will directly impact wallets upon sale completion on certain types of property assets, namely, second homes and rental investments. Any potential tax hike will apply directly to these sales. CGT would be levied on the profit (the difference between what you bought it for and what you sell it for, minus allowed expenses).

Primary Residences (i.e. your main home) would remain untouched. For most everyday homeowners, a CGT increase will not have an impact as it currently benefits from Private Residence Relief, and this provides for a complete exemption from CGT when selling.

It is worth noting that this reform remains highly speculative.

Fig 21: CGT rates

Rachel Reeves increased the lower main rate of CGT from 10% to 18% for basic rate taxpayers and the higher main rate from 20% to 24% for higher or additional rate taxpayers. John Healey may seek to further increase these rates, whether incrementally or more radically by aligning CGT with income tax.



What to watch out for between now and 28 October?

5. What to watch out for

Nothing transformative
With the Budget confirmed for 28 October 2026, the most likely scenarios are limited in scope rather than being hugely transformative. There simply isn't enough time for major reforms outside the Labour manifesto at this stage.

Mansion tax threshold
Further changes to council tax bands or valuations could be considered, and there have been reports that the £2 million mansion tax threshold could be lowered to £1.5 million, though the government has not confirmed this.

Capital Gains Tax
On Capital Gains Tax, the Prime Minister has previously expressed interest in aligning CGT rates with income tax, but this remains speculative at the time of writing with the usual leaks sounding out public opinion on the matter.

Wealth Tax
A broader wealth tax has been described as "off the agenda for now".

Fig 2: Speculative predictions **(probably won't happen, but fun to imagine!)**

Every Budget needs its wild-card rumours. **For a bit of fun**, we thought we'd include this year's long shots. **Please do not rely on any of these predictions** for investment purpose, or use them to rearrange your share portfolio! Don't hold your breath for any of these to crystalize. Then again, stranger things have happened on Budget day.

Flat 10% "care tax" on all Estates to replace inheritance tax	There has been speculation about a flat tax on all estates to fund social care, but this is considered a highly speculative proposal with no government confirmation at this stage. A review might be announced on Budget day.
Replacement of Stamp Duty with Land Value Tax	While the Prime Minister has historically advocated for land value tax, he has explicitly ruled out scrapping or changing Stamp Duty in this Budget, making near-term implementation highly unlikely. But perhaps an announcement for some costing analysis … ?
National Insurance on rental income	Charging National Insurance on landlords' rental profits. Under current rules, rental income doesn't attract NI. Extending it would be a fundamental shift in how property income is taxed, blurring the line between earned and unearned income. What a mess!

Our research hub: if you like our research, you can find more of it on our research hub on our website. Below are our two latest issues, but all our insights are accessible for free.

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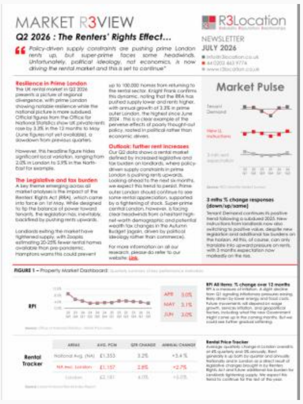

Our dedicated team: if you have any questions about our research, or would like some help in finding the right property, please get in touch. We are always happy to have a coffee or a conversation about the market.

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