R3 LEGAL BRIEF

Legal Update #18

R3Location
Reliability Reputation Relationships

NEWSLETTER
NOVEMBER 2026

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> *"The Budget delivers a triple squeeze on tenants: higher landlord taxes, council tax surcharges, and reduced rental supply… pushing rents higher".*

The Budget and what it means for the Relo Industry

Much has been written about the Budget, and here we mainly focus on those areas that may materially impact the relocation industry.

Higher taxes for Landlords
From April 2027, landlords will face a further 2% (on top of the recently announced 2%) in income tax on rental profits. This will further incentivise landlords to increase rents and at the same time drive some landlords out of the market reducing supply and giving landlords even more leverage to push rents higher still.

High value council tax surcharge
No changes announced to the bands, but it still means an additional cost for landlords starting at £2,500 a year for properties valued at between £2.0m and £2.5m. These are properties where the rent would fall within the limits of an Assured Periodic Tenancy and this cost will inevitably be passed on to tenants through higher rents.

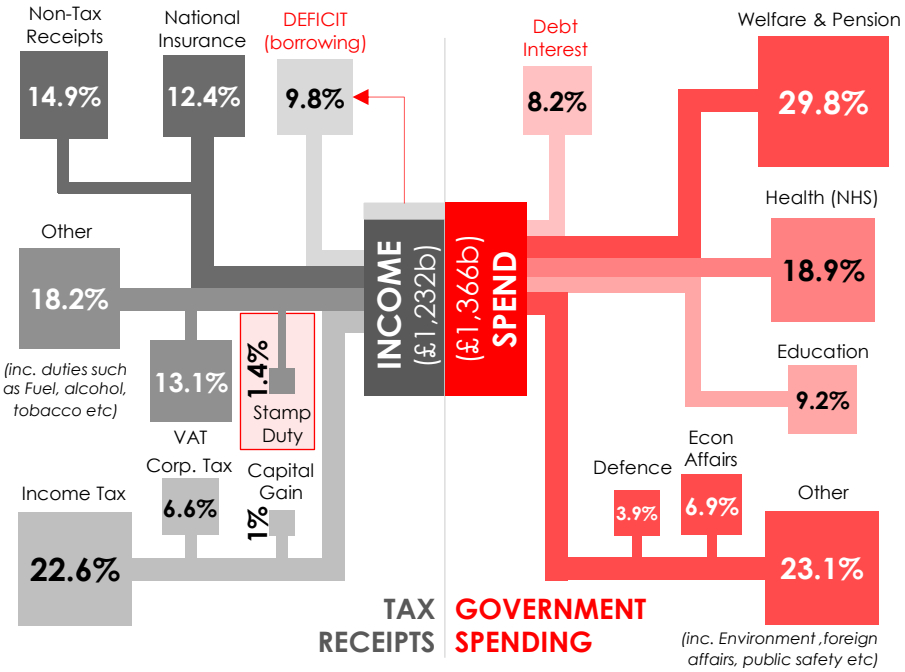
A triple squeeze for tenants
It will essentially be a triple squeeze for tenants, paradoxically, coming at time when the rental stock has already suffered pressure from the introduction of the Renters Right Act 2025.

Policy reassessment
Employers may need to reassess gross-up costs and adjust housing allowances accordingly. R3 can help provide benchmarking here so do get in touch if you need an independent validation of your housing budgets and other relocation costs.

s13 rent increase notices

Record numbers of tenants are challenging increases since the Renters' Rights Act took effect in May. Both tenants and landlords report increasingly long delays for hearings and inconsistent decisions on "fair market rent." A recent report suggest appealing may be counter productive but won't deter tenants from trying. As always, R3 can help validate any s13 increases before any time is wasted on unsuccessful appeals.

FIGURE 1 – ANNUAL TAX RECEIPTS AND SPEND 2025-26 (**Source:** OBR)



SDLT as a structural deterrent to downsizing

A barrier to a healthier housing market
We have made this point before, but it's worth reaffirming it in light of the recent budget (which did not touch SDLT). Stamp Duty is widely recognised as a significant barrier to moving home, and its impact on downsizing is particularly important.

Negligible tax revenue with a disproportionate Impact
The tax is charged on the purchase price of a new home, and represent a very modest 1.4% of all national tax receipts as can be seen on **FIGURE 1 below**. In other words, not a lot for a tax that is putting a real downer on the property market.

Downsizing penalty
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.

Distorting the housing market and the case for reform
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.