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Budget 2025: No housing giveaways, but big changes for some

Two targeted tax shifts will have a stark impact on high-value homeowners and landlords, but wider hopes for the sector were left on hold, says Jon Cooper, Director of Mortgage Distribution at Aldermore

The headline announcements from this week's Autumn Budget include the removal of the two-child benefit limit and the extension of the income tax threshold freeze to 2030–31. Both will affect disposable income, and the fiscal drag could make affordability tighter as more people are pulled into higher tax bands.

Housing received more stick than carrot, and the Chancellor took a narrow path, with two changes focused on high-value homeowners and private landlords.

These clients will need your help to understand how the measures could change their plans.

'Mansion Tax' announced for £2m-plus properties

The first housing announcement was the new High Value Council Tax Surcharge, the so-called "Mansion Tax", due to take effect from April 2028.

Homes valued at more than £2 million (based on 2026 assessments) will face an extra annual charge on top of their standard council tax bill.

Although the Government expects fewer than 1% of properties in England to be affected, it noted that the average Band D home pays around £2,280 a year, which is £250 more than a Band H charge for a £10 million property in Mayfair.

To address this imbalance, the annual surcharge will apply at the following levels:

- £2m–£2.5m: £2,500
- £2.5m–£3.5m: £3,500
- £3.5m–£5m: £5,000
- £5m+: £7,500

Charges will increase in line with inflation, and properties will be revalued every five years (drawing more homes into the scope of the tax). The Government said it may introduce a deferral option for households that genuinely cannot afford the charge.

Although it's aimed at the top of the market, the practical impact of the surcharge will be broader, particularly in London and the South East, where £2 million family homes are not unusual or necessarily owned by the super-rich.

Expect to see values clustering under the thresholds, with many properties marketed at £1.99 million as buyers avoid crossing the line.

Behaviour will probably start to shift before the change comes into force. Owners of high-value properties might look to downsize sooner, and some may ditch extensions or improvements that risk pushing them above the threshold.

Increased pressure on landlords

The second major housing announcement was the introduction of higher standalone property income tax rates from April 2027. Instead of the rumoured National Insurance levy on rental income, the Chancellor created dedicated tax bands for property income: 22% (basic rate), 42% (higher rate) and 47% (additional rate).

It's another challenge for landlords who are already absorbing higher mortgage costs, tax changes, and new rules and regulations. With the Renters' Rights Act arriving next year and EPC tightening after that, even a modest tax rise could be the straw that breaks some landlords' backs.

Others may sell older or less efficient stock, while some will transfer properties into limited company structures. And, let's be honest, some landlords may be forced to raise rents to cover the burden, putting further pressure on tenants.

Potential to go further

Aldermore had called for an 18-month Stamp Duty holiday on new-build homes under £500,000 to stimulate sales and help SME developers. We also urged the Government to reinstate Help to Build to support new housing delivery. But neither measure was introduced.

Several anticipated measures, such as changes to Stamp Duty, first-time buyer support, and adjustments to Capital Gains Tax, were not included in this Budget. The Lifetime ISA review is scheduled for next year, which could pave the way for further improvements.Taken together, the Budget delivered targeted tax changes but no broader plan for housing supply or affordability. The commitment to build 1.5 million homes over this parliament still stands, and Aldermore supports the Government's ambition here, but the target is looking increasingly tricky to achieve.

Broker support needed

The message for brokers is simple: your guidance and expertise will matter more than ever.

High-value homeowners will need support as they plan for the surcharge and factor the cost into their long-term decisions. Some may want to explore downsizing or remortgaging sooner; others may be worried about meeting their mortgage payments and the new tax.

Your landlord clients may need help navigating their investment strategy, assessing whether to incorporate and potentially remortgaging before the new tax rules take effect. Demand for specialist and limited-company buy-to-let lending is likely to increase, and Aldermore is ready to support you and your clients through the raft of changes they currently face.