



Stamp duty puts lives on hold and is bad for the economy

SDLT is keeping people trapped on the bottom rung of the property ladder — it's time to rethink it

Alex Michelin | Tuesday July 08 2025, 6.00pm, The Times

Ask any first-time buyer, young family or downsizing pensioner what's stopping them from moving home and increasingly you'll hear the same answer: stamp duty land tax (SDLT).

What was once a marginal transaction cost has evolved into a structural impediment to the proper functioning of the UK housing market. It is throttling mobility, discouraging trade-ups and downsizing, and stifling productivity and growth in the wider economy.

Let's start with the numbers. SDLT receipts reached £11.6 billion in 2022-23, according to HMRC — nearly double what they were a decade ago.

This growth has come not from a booming market but from bracket creep: as house prices have risen, more buyers are pushed into higher tax bands.

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In London, for example, the average house price is now £508,000, meaning even modest family homes incur a hefty SDLT charge. A family upgrading to a £1.2 million home — not a mansion but a typical four-bedroom house in zones 2-4 — faces a tax bill of £63,750 before a single box is packed.

This cost has a chilling effect. Fewer people move home. In 2023, 1.01 million property sales took place, the lowest number since 2012.

According to a 2021 report by the Centre for Policy Studies, SDLT reduces the number of property sales by up to 15 per cent a year. In 2015, the year after the Conservative government's big overhaul of the SDLT, the number of sales in London fell by 35 per cent.



Stamp duty encourages people to stay in unsuitable homes, Michelin says
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People are trapped in their homes because they cannot justify the SDLT cost, which is often more than their annual income.

Young buyers are hit hardest. Despite government schemes such as Help to Buy, many first-time buyers face the double challenge of high deposits and punitive SDLT. Those who manage to scrape together a deposit find themselves unable to afford the tax hit if they want to climb the ladder. It is an irony that successive governments have pledged to support “generation rent” yet have allowed SDLT policy to trap them at the bottom rung.

Older homeowners, often asset rich but income poor, want to downsize — freeing up large family homes for the next generation — but find themselves penalised for doing so. Downsizing from a £2.5 million family house to a £1.5 million flat can still incur more than £90,000 in SDLT. That's more than most retirees can or will pay to live in a smaller space.

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The housing market is a critical enabler of labour mobility. When people can move easily, they take new jobs, start families, grow businesses. SDLT actively stops people moving around. A 2017 study by the London School of Economics estimated that for every 1 per cent increase in SDLT, there's a 1.7 per cent decrease in the probability of a household moving. We have designed a tax that penalises dynamism.

SDLT incentivises people to stay in unsuitable homes — too small for growing families, too large for ageing singles — simply to avoid the tax. This is a gross misallocation of housing stock in a country already suffering from a chronic shortage.

To be clear, revenue from property taxes is important, but SDLT is an inefficient way of raising it. It affects transactions rather than ownership, which is backwards.

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There are alternatives. Reforming the hopelessly outdated council tax — introduced in 1993 and not revalued since — to reflect modern property values while significantly reducing SDLT would be far more progressive. It would place the burden on those with the broadest shoulders, maintain revenue and remove the market friction that currently hampers mobility.

Ultimately, a dynamic housing market is not just about bricks and mortar. It fuels consumption, employment, construction and economic growth. Most importantly, it's about people. It's about lives on hold: the young family with a second child but no second bedroom, the retiree who wants less space but faces a £90,000 tax penalty, the worker turning down a job across the country because moving house is just too expensive.

Stamp duty, in its present form, works against all of them. It's time we rethought it.

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