

Stamp duty saps UK's strength

By ...Alex Michelin | 27 Aug 2025

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



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This once marginal transaction cost has evolved into a structural impediment to the proper functioning of the UK housing market, throttling mobility and discouraging trade-ups and downsizing and, in doing so, stifling productivity and wider economic growth.

Let's start with the numbers. SDLT receipts reached £11.6bn in 2022-23, according to HMRC – nearly double what they were a decade ago. This has come not from a booming market, but from bracket creep; as house prices have risen, more buyers are pushed into higher tax bands. In London, for example, the average house price is £564,000, meaning that even modest family homes incur a hefty SDLT charge. A family upgrading to a £1.2m home – a typical four-bedroom house in London travel zones two to four – faces a £61,250 tax bill before a single box is packed.

This cost has a chilling effect – fewer people move. In 2023, just 1.01 million transactions took place, down from an average of 1.2 million to 1.3 million before the pandemic, and the lowest number of transactions since 2012. A 2017 report by LSE concluded that SDLT was a major deterrent to transactions, reducing mobility – and in areas like London, the impact is even more acute.

SDLT has evolved into a structural impediment to the functioning of the UK housing market

In 2015, the year after the Conservative government's major overhaul of SDLT, transaction volumes fell notably, with total sales in England and Wales down 11% and deals in prime central London declining by 17% compared with 2014. People are trapped in their homes because they cannot justify paying the SDLT.

Young buyers are hit hardest. Despite government schemes such as Help to Buy, many first-time buyers now face the double challenge of high deposits and SDLT. Those who scrape together a deposit can find themselves unable to afford the tax hit required to climb the ladder. It's an irony that successive governments have pledged to support 'generation rent', yet have allowed SDLT policy to trap them.

It is not just the young who suffer; older homeowners, often asset-rich but income-poor, want to downsize – freeing up family homes – but find themselves penalised.

Troubling economic impact

The broader economic impact is just as troubling. The housing market is a critical enabler of labour mobility. When people can move easily, they take new jobs, start families and expand businesses. SDLT disincentivises this mobility. A 2017 study by LSE estimated that for every 1% increase in SDLT, there was a 17% to 20% decrease in the probability of a household moving. We have designed a tax that penalises dynamism.

What's more, SDLT distorts where people choose to live. It incentivises people to stay in unsuitable homes – too small for growing families but too large for ageing singles – simply to avoid the tax. This is a gross misallocation of stock in a country that is already suffering from a chronic housing shortage.



Priced out: the high cost of stamp duty makes it harder for young couples to get on the property ladder

To be clear, revenue from property taxes is important. But SDLT is an inefficient way of raising it. It punishes transactions rather than ownership. It penalises the behaviour we should encourage – moving, downsizing and releasing housing stock for future generations – and instead reinforces the status quo.

There are alternatives. Reforming the outdated council tax – introduced in 1993 and not revalued since – to reflect current 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 hampers mobility.

Ultimately, a dynamic housing market fuels consumption, employment, construction and economic growth. Most importantly, it is about lives on hold: the young family with 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 too expensive.

Stamp duty, in its current form, works against all of them. It is time we rethought it.

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