

Insights

AUTUMN BUDGET 2025 – WHAT’S THE TAX IMPACT ON THE REAL ESTATE SECTOR?

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Given the amount of hype in advance of the Budget concerning potential changes, there were few unpleasant surprises for the real estate industry announced today.

MANSION TAX

A new council tax surcharge, aka the “mansion tax”, will apply to properties valued at £2m or more. A flat amount will apply to four bands over that value, starting at £2,500 for properties valued between £2m and £2.5m. The mansion tax will be capped at £7,500 for properties of over £5m. This is very different from the proportional property tax that had been mooted, which was supposed to tax values over £2m at 1% annually. Although it is essentially an adjustment to council tax, it is a tax on owners rather than occupiers. A consultation will be published in early 2026 that will consider reliefs and exemptions as well as its application to properties held through SPVs. The tax will apply from April 2028.

BUSINESS RATES

The government has given more detail today on reforms in this area, which it had previously consulted on. As expected, it will be introducing a higher rate on properties with a rateable value of at least £500,000, representing about 1% of properties. The government intends to set the higher rate at 2.8p above the national standard multiplier. The high-value multiplier will be 50.8p in 2026-27.

This will fund permanently lower tax rates for retail, hospitality and leisure (RHL) properties, worth nearly £900 million a year. The RHL multipliers will be 5p below their national equivalents, making the small business RHL multiplier 38.2p and the standard RHL multiplier 43p in 2026-27.

In her speech, the Chancellor presented this as a cost on online retail businesses, but in reality the higher rate will be borne across all business sectors.

STAMP DUTY LAND TAX

Other than a relief for local government pension schemes, there does not appear to have been any stamp duty land tax changes. We did not therefore see the reintroduction of multiple dwellings relief – which the build to rent sector continue to lobby for.

INCREASE IN RATES FOR INDIVIDUAL LANDLORDS

From April 2027, individual landlords will need to pay an additional 2% of income tax on their property income, whether they are a basic rate taxpayer, higher rate taxpayer or an additional rate taxpayer. This is intended to narrow the gap between tax rates on earned income and passive income. The increase could have been worse, as a significant amount of earned income is subject to employee NICs at 8%. The 2% increase is unlikely to see every individual landlord listing their properties for sale, but some may sell, tired of a series of measures making renting harder.

CAPITAL ALLOWANCES CHANGES

There is some good news: full expensing is not affected. Also, there will be a new first year allowance at 40% for main rate expenditure, which is expected to incentivise investment into leased assets and unincorporated businesses (where full expensing is not available). The bad news is that writing down allowances for main rate expenditure of 18% will reduce to 14% from April 2026. This means that this writing down relief will not be as valuable. However, it is unlikely to have a material impact on commercial property prices.

STUDENT ACCOMMODATION

The government is introducing a new international student levy on higher education providers of £925 per student per year of study, starting in August 2028. All providers will be given an allowance for the first 220 international students per year. It is expected that the providers will pass on the levy to the international student. The Government intends to keep the rate under review.

TOURISM TAX

The government is going to give English regional mayors the power to charge a tourist tax for overnight stays. The hotel industry will be eager to see the details that emerge on this as they are likely to be the ones collecting the tax from guests.

VAT TREATMENT OF LAND INTENDED FOR SOCIAL HOUSING

The government will shortly consult on the reform of VAT rules to incentivise the development of land intended for social housing.

LIFETIME ISA

There has been criticism of the lifetime ISA, which is intended to help first time buyers get on the housing ladder. Currently, they are not allowed to buy property over £450,000 without suffering a penalty. The government will consult in early 2026 on the implementation of a new simpler ISA product to support first time buyers to buy a home.

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MEET THE TEAM



Elizabeth Bradley

Partner and Global Practice Group
Leader - Tax, Employee Benefits and
Private Client, London

elizabeth.bradley@bclplaw.com

[+44 \(0\) 20 3400 2323](tel:+442034002323)



Anne Powell

Knowledge Counsel, London

anne.powell@bclplaw.com

[+44 \(0\) 20 3400 2162](tel:+442034002162)



Andy West

Partner, London

andy.west@bclplaw.com

+44 (0) 20 3400 3566



David Klass

Partner, London

david.klass@bclplaw.com

+44 (0) 20 3400 4427

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