Institute and Faculty of Actuaries

Independent thinking from the IFoA

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UK stamp duty: A path to enhanced mobility and social mobility

by **Jake Iveson and Sarah Iveson**

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Part of the IFoA's purpose is to promote debate within and beyond the profession, and to position our members as leading voices on the biggest public policy challenges of our time.

We aim to showcase the diverse range of expertise and critical thinking both within and outside the profession.

Our 'think' series seeks to promote debate on topics across the spectrum of actuarial work, providing a platform for members and stakeholders alike and sharing views that may differ from the IFoA's house view. In doing this, we hope to challenge the status quo, question the orthodoxy, and shine a light on complex or under-examined issues, thereby stimulating discussion and dialogue to help tackle issues in a different way.

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Jake Iveson is a London-based Chartered Actuary who works for the management consulting firm Oliver Wyman. He has a great passion for tackling complex strategic and technical challenges.

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In his free time, Jake enjoys adventure and board games.

Sarah Iveson

Sarah Iveson is a London-based actuary and currently serves as the sole reserving actuary at Berkley Re. She is a Freeman of the Worshipful Company of Insurers and a committee member for the WCI's young members section, iEngage.

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Outside of work, she enjoys board games and keeps busy with a variety of creative hobbies.

Contents

think

Summary

Residential Stamp Duty Land Tax (rSDLT) poses a significant barrier to mobility in the UK, substantially increasing the upfront cost of moving house.

Homeowners who wish to avoid paying significant rSDLT are discouraged from moving, leading to a 'locked-in' effect. This in turn leads to stagnation in the housing market, by disincentivising incremental moves up the property ladder.

As a result, homeowners tend to defer moving until much later, taking larger leaps rather than smaller, more manageable steps. In addition, homeowners are discouraged from relocating around the country.

This reduces the supply of affordable homes, concentrates wealth and expertise in specific regions, and ultimately limits both economic and social mobility.

While abolishing stamp duty outright would stimulate economic growth, such a move would reduce government tax receipts by approximately £10 billion. (HMRC, 2024)

Furthermore, removing stamp duty entirely would eliminate protective safeguards intended to curb property flipping and prevent the excessive concentration of property ownership, both of which could destabilise the market.

We propose a more balanced reform by restructuring rSDLT to allow homeowners to apply previously paid stamp duty towards the amount owed on subsequent property purchases.

This approach retains the majority of the benefits of full abolition, namely increased market fluidity and social mobility, while preserving tax revenues and existing market protections.

Under our proposal, households, especially those in 'starter homes', will be encouraged to move incrementally up the housing ladder, increasing the availability of affordable homes and mitigating the 'locked-in' effect.

Downsizers and individuals relocating for work or family reasons would also benefit from reduced or null stamp duty.

Our vision is to make the aspiration of moving up the property ladder a practical reality for UK residents, by removing artificial barriers and supporting a healthier, more dynamic housing market.

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Understanding UK residential stamp duty

Overview

Residential Stamp Duty Land Tax (rSDLT) is levied on property purchases above a certain value and is a key financial consideration in UK property transactions. The tax is applied in progressive bands, with higher rates charged on higher portions of the property value.

First-time buyers are exempt from rSDLT on properties up to £300,000, with reduced rates for properties between £300,001 and £500,000 (GOV.UK, n.d.).

Additional charges apply to those purchasing second homes, or for overseas buyers present in the UK for fewer than 183 days per year.

As at 2025, the rates for a primary residential property are:

Property value	rSDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

The value and volatility

The rSDLT in the 2023-24 tax year brought £8.57bn to the UK government, representing roughly 0.8% of total tax receipts (£1.1 trillion). This is in fact a 27% decrease from the 2022-23 tax year, a decrease due to a combination of falling transaction numbers and policy changes over the period. (House of Commons, 2025) (HMRC, 2024)

This alone demonstrates the volatility of the UK housing market and how the state of economy and policy affect the mobility of the UK population.

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The need for reform

Issues with current system

Limited mobility

- Homeowners are discouraged from moving by the wish to avoid paying significant rSDLT, leading to a 'locked-in' effect. As homeowners must pay stamp duty in full each time they move, they are less likely to make smaller steps up the housing ladder, and instead hold on to their property, making a larger move later in life. This greatly reduces the availability of starter homes and often leaves families in properties that no longer suit their needs.
- Homeowners are also less likely to leave their current town or city for new opportunities due to the costs incurred by stamp duty. This hinders moral, social, and economic programmes such as 'Levelling Up the United Kingdom'. (GOV.UK, 2022)
- Many homeowners choose to renovate or extend their existing houses rather than move, increasing the value of their property but exacerbating the issue of inadequate housing supply and limiting opportunities for first-time buyers.

High costs

- rSDLT can represent a substantial financial burden, particularly for those purchasing more expensive properties or seeking to move up the property ladder. This reduces the incentive for people to move out of starter homes that may no longer suit their needs.
- As people are not moving out of starter homes, supply is reduced and prices rise, creating an additional barrier for younger people and low-income households trying to get onto the housing ladder.
- During periods of economic hardship, homeowners are unable to downsize and release equity from their property without a significant and (arguably) unfair outlay of capital.

Unfairness

- The current stepped nature of stamp duty means those living in areas where property prices are high must pay a higher portion of stamp duty on already expensive properties. This is particularly pronounced for first-time buyers in London.
- Frequent movers face continuous financial penalties every time they move house.
- Those who are older lose a proportion of their life savings to stamp duty when downsizing to a property that is more suitable for their needs.

Volatility

- The fluidity of the housing market is closely tied to the economy, with the potential for a compounding effect: during poor economic conditions, the housing market becomes less fluid, further worsening the economy.

  Allowing people to move to properties of similar or lower value to release capital, without the burden of high stamp duty, would help stabilise both the housing market and the wider economy.

As homeowners must pay stamp duty in full each time they move, they are less likely to make smaller steps up the housing ladder.

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Proposed reform

Proposal

We propose restructuring stamp duty to allow homeowners to apply previously paid stamp duty towards all future rSDLT liabilities. The total amount paid over an individual's lifetime would be recorded in a centralised system, tracking payments eligible to offset future transactions.

For example:

Through actuarial modelling and a restructured rSDLT system, it is possible for the government to maintain overall tax revenue, while individuals pay less stamp duty over their lifetimes.

	Current System	Proposed System (before rate restructure)
A first-time buyer purchases a house in London for **£350,000**	Stamp duty paid would equal: **£2,500**	Stamp duty paid would equal: **£2,500**
The buyer later decides to move to a larger home for **£500,000**	Stamp duty paid would equal: **£15,000**	Stamp duty paid would equal: £15,000 - £2,500 = **£12,500**
The buyer then decides to move out of London to a house for **£400,000**	Stamp duty paid would equal: **£10,000**	Stamp duty paid would equal: **£0**

Under this new system, we envisage that people would be free to move homes more frequently, generating additional tax revenue through VAT and corporation tax from associated services, such as legal costs, surveyor fees, estate agent fees, and bank lending services.

Increased population mobility would further boost the economy, generating more revenue for the government. People would need to save less when moving house, freeing up capital for other spending.

Potential further enhancements

Married couples

We propose that the system outlined above can be further enhanced to allow married couples to share their accumulated stamp duty contributions and transfer them upon death.

Additional properties

Purchases of second properties would be treated separately; the total paid on additional properties would not be included in the amount paid for a primary residence. We propose that additional homes attract a higher rate of stamp duty, with each further property incurring an increased rate to prevent the excessive accumulation of multiple homes.

House flipping

To mitigate issues caused by house flipping, several financial instruments could be introduced, such as:

- increased planning permission controls

- additional taxes on home extensions
- capital gains tax on homes sold within one year of purchase.

Inflation

Over time, the value of stamp duty paid will diminish due to inflation and rising house prices. If necessary, an inflation adjustment could be applied to previously paid stamp duty, linked to a house price index.

Gradient rates rather than stepped

Rather than stepped changes, the rate could increase on a gradient from a set point up to a fixed rate. Actuaries could develop suitable curves for stamp duty rates under various economic scenarios to maintain revenue without negatively impacting the public.

Location specific tax rates

To address regional disparities in property prices, it would be possible to adjust the portion of stamp duty paid based on factors such as average house price in the region, number of bedrooms, or square footage.

Each individual will have their own account, where they can view how much stamp duty they have paid to date and detail all historic transactions.

Mechanism

The below considers the practicalities of implementing this system, including how we would suggest the values are documented and how eligibility is considered:

Recording rSDLT payments

- rSDLT paid on a property is documented in a government database and attached to a national insurance number. We suggest using NI number as it is currently already a requirement as part of completing the SDLT return.
- Each individual will have their own account, where they can view how much stamp duty they have paid to date and detail all historic transactions.

Joint ownership

- Each party in a joint owned property could contribute the full amount in their account when purchasing a primary residence.

Eligibility

- The scheme would apply only to residential properties, not those purchased by corporations.
- Homeowners must have personally paid the rSDLT; it cannot be transferred or inherited except in the case of a spouse's death.
- To benefit from the system, homeowners must sell their previous primary residence within a defined timeframe after purchasing their next property, or face additional property tax.

Stakeholder impact summary

Homeowners

- Homeowners would be free to move and able to take smaller steps on the property ladder without risk of penalty. In addition they typically would face a lower stamp duty cost as part of the move.
- As people will be freed up to take more risks and move house, the supply of affordable housing will increase, which is likely to lead to a reduction in price of house prices in this range. This will benefit first time buyers.

Government

- Actuaries can produce economic scenario analysis such that the overall tax revenue does not decrease, whilst simultaneously improving the economy and helping the government achieve its levelling up goals.

Real estate industry (estate agents, surveyors, conveyancers)

- There will be an increase in market fluidity and property transactions, which will be very positive for these industries.

Banks

- Banks will have more people mortgaging. Ultimately they'll be lending more money as people purchase higher value properties, rather than focusing on renovation and extension.

Homeowners would be free to move and able to take smaller steps on the property ladder without risk of penalty.

Case study examples

Illustrative scenarios:

Young family who own a starter home

- Reducing the rSDLT burden makes it more feasible for a young family to move to a larger home as their family grows.
- They are able to relocate to an area closer to schools and child friendly amenities.

First time buyer

- As homeowners are now encouraged to move out of their starter homes, the availability of affordable housing increases.
- This increased supply may also reduce the value of the starter homes, making it even easier to get onto the housing ladder.

Downsizers

- Older homeowners whose children have moved out or those who are looking to retire can downsize without facing prohibitive rSDLT costs, freeing up larger homes for families and increasing the housing supply.
- As homeowners age and become less mobile they can move to smaller homes more suited to their needs, which will improve their well-being and reduce the concern of paying stamp duty out of their hard-earned life savings.
- During times of economic hardship, it is much easier for people to downsize and release capital.

Moving for work/opportunity

- Those looking to move for work or other opportunities are more able to do so under the proposal, as selling their house and moving becomes much more accessible and much less risky.
- Those who move frequently to similar-sized houses may face minimal or no stamp duty on their next move.

Other country case studies

Norway

78.8% of households in Norway own their home, compared to 64.5% in the UK. They have achieved this using a range of initiatives which encourage people to purchase their home. (Trading Economics, 2024)

One notable incentive which has aided Norwegian households to purchase their home is tax incentives for home ownership. Norwegian homeowners benefit from favourable tax policies, such as tax-deductible mortgage payments at a rate of 22%, and no capital gains on the sale of a home.

The Netherlands

The Netherlands have a stamp duty on the purchase of a property, however in contrast to the UK it is capped at 2%. First time buyers in The Netherlands are exempt from this tax. They also have an annual residential property tax of 0.0577% of the property's listed value. This is common in several countries around the world, including the USA and Canada.

The systems outlined above could be regarded as alternative to our own, but we believe our solution is more suited to the UK environment.

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Conclusion

The proposed restructuring of UK rSDLT presents a compelling path forward – one that balances fiscal responsibility with social and economic progress. By enabling homeowners to offset future stamp duty liabilities with amounts previously paid, this reform directly addresses the 'locked-in' effect that currently impedes both physical and social mobility across the UK.

Key benefits realised:

1. **Enhanced mobility and economic dynamism**
   This reform will fundamentally shift the culture around relocation and property ownership. By reducing the upfront financial barrier to moving, it offers the freedom to relocate, temporarily or long-term, with minimal risk. Allowing this to happen can only have a positive benefit to both the economy and society.

   Increased fluidity will invigorate the housing market, stimulate ancillary sectors such as legal, surveying, and banking services, and generate broader economic benefits through higher transaction volumes and greater consumer spending.

   It will also allow a greater sharing of industry expertise around the country. Currently, certain areas concentrate highly specialised industry knowledge. For example, in financial services, which represents seven percent of the UK's GDP, almost half of all workers are based in London.

   Greater mobility in the housing market could allow expertise to be shared more widely across the UK, directly supporting regional growth and reinforcing the UK's position as a global leader in financial services, again helping to boost the economy.

2. **Greater social mobility and housing accessibility**
   By encouraging incremental moves up the property ladder, the proposal increases the supply of affordable homes, easing access for first-time buyers and young families. It also supports downsizers, particularly older homeowners, allowing them to transition to more suitable accommodation without punitive tax costs. This in turn releases larger homes for growing families and helps rebalance housing availability.

3. **Sustainable government revenues**
   Through careful actuarial analysis and rate restructuring, the government can maintain or even enhance overall tax receipts, while supporting a more active and resilient housing market.

   The reform ensures that fiscal safeguards remain in place to prevent speculative behaviour and market distortion.

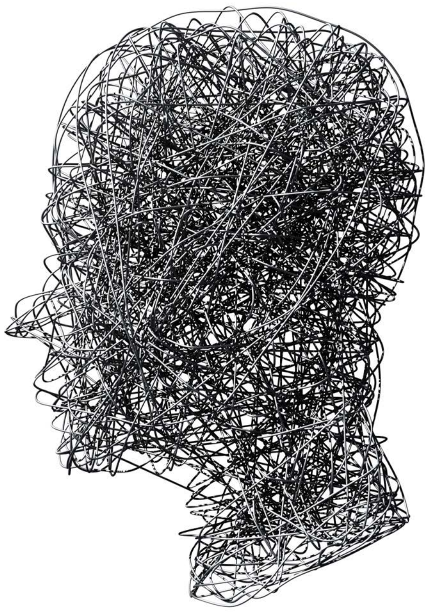
   It is worth noting that as this new system is likely to boost the economy beyond stamp duty due to increased mobility, maintaining current government rSDLT tax receipts at their current value may not be necessary.

4. **Regional equity and support for levelling up**
   The proposal's flexibility allows for location-specific adjustments, helping to address regional disparities in property values and supporting national initiatives to 'level up' opportunity across the UK.

5. **Fairness and wellbeing**
   The system recognises the contributions of homeowners over time, reducing the cumulative burden of stamp duty and allowing individuals to make housing decisions based on need rather than tax considerations. This supports greater financial wellbeing and underpins a fairer, more inclusive property market.

A vision for the future

Ultimately, this reform is designed to transform the property ladder from an aspirational concept into a practical reality for more people across the UK. By reducing barriers to movement, increasing housing supply, and safeguarding government revenues, it lays the groundwork for a more dynamic, equitable, and prosperous society.



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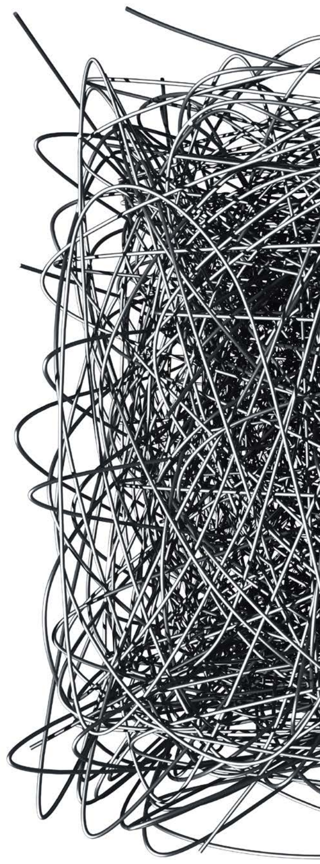

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