



## What The Budget Means for the Property Market

**With PM Keir Starmer warning it would be painful, the new government's first Budget has been hotly awaited for some weeks now. In this article, we'll look at what the Chancellor of the Exchequer, Rachel Reeves, announced – paying specific attention to what will affect the property market.**

The Chancellor started by giving forecasts which suggest inflation will rise slightly, to 2%+, over the next few years. And that economic growth will be modest – only 1-2% yearly.

She reminded us all about the infamous £22bn 'black hole' and explained this would be filled by tax rises of around £40bn.

On a more upbeat note, she said the Budget was about economic stability and growth, investment and 'putting more pounds in peoples' pockets.'

While there was plenty more in the Budget, here's our round-up of some of the main property-related announcements.

### Capital Gains Tax

Capital Gains Tax or CGT is payable on gains you make when selling an asset, such as property or a business. CGT rates are more favourable than Income Tax rates especially for higher rate taxpayers.

It has been forecast for months that CGT rates would be increased. And, on the day, they were. The basic rate increased from 10% to 18%, and the higher rate increased from 20% to 24%. These changes apply from today, 30 October 2024.

But there were no further increases to the rates on residential property, which were already at 18% and 24%, respectively. This might come as a relief to landlords, those with a second home, and holiday homeowners.

**IMPORTANT:** CGT isn't payable when you sell your own home.



### Inheritance Tax



Inheritance Tax or IHT is a tax your beneficiaries pay when you leave money and other assets to them when you die. It mostly concerns older homeowners thinking about how best to leave their home and money to their children.

It was strongly rumoured pre-Budget there would be changes to IHT.

It was thought by many in the 'know' that the Chancellor could raise the rate of IHT, reduce the tax-free thresholds or reduce or remove some of the allowances.

The rumours turned out to be untrue, at least around how they affect residential property. IHT will continue at 40% on sums over £325,000 (the IHT threshold) for at least two years.

There's no IHT to pay on anything left to spouses and civil partners, and a higher threshold applies to anything left to children. There are also some reliefs and exemptions for gifts given before you die, gifts to charity and some types of assets like agricultural land and property.

There were some tweaks to the arrangements for inherited pensions and agricultural land.

## Stamp Duty

Stamp Duty, or SDLT, is a tax payable when you buy property. Chancellors have loved to tinker with it in recent years. But Reeves resisted the temptation to make major changes.

However, a significant tax increase was the rise in the higher rate of Stamp Duty. This will apply immediately and affect anybody who buys a second home, holiday home or a buy-to-let. The higher rate will increase from 3% on top of the standard rates to 5% on the standard SDLT rates.

It is also worth noting that a temporary increase of £125,000 in the Stamp Duty threshold currently means it only kicks in at £250,000 or £425,000 for first-time buyers. This concession is due to end in spring 2025. There had been calls for it to be extended, but Labour seems to have dismissed them for now.

In Scotland and Wales, some tax rules, including Stamp Duty, are set by their respective governments and have different bands and rates. The Westminster Budget won't affect those.

## Other announcements that might affect the property market

Although these measures don't affect the housing market directly, whether we all feel better or worse off can and often does affect the market in the long term.

The Labour manifesto pledged that income tax, national insurance (NI), and VAT wouldn't be raised in their first Budget, at least regarding working people. That promise was kept – sort of – although employers' NI contributions were increased.

It was also announced personal income tax thresholds were to be upped in line with inflation after being frozen for some time – but not for another two years.

Other property-related measures included reducing Right to Buy discounts for council house purchases. There was also £500m more investment into the Affordable Homes Programme, which might benefit that section of the market.



## Final thoughts

It could be said that the Budget was a bit of an anti-climax. Some things had been announced or perhaps leaked in advance. Other rumours turned out to be just that – rumours.

The Chancellor also pulled off the usual political magic trick of making even the negatives look like positives.

At the end of the day, although the Budget has some major implications for the economy, it does not have as many impacts on the property market as might have been expected. So, it seems to be 'steady as it goes' for now.

If you're curious about what the Budget will mean for your property's value or potential moving plans, we strongly recommend getting advice from an experienced estate agent, like us, and/or a financial adviser.

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