

## Capital gains tax on homes: the next steps

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I always thought that [yesterday's suggestion](#) that capital gains tax be charged on people's main residences would, first of all, be the most controversial suggestion that I would make in the Taxing Wealth Report 2024 series and would, simultaneously, be the least likely to be adopted.

As it turned out, although there was some support for the idea, there were also a lot of objections.

Initially, those focused upon the suggestion that people would need evidential support for expenditure claims going back over many years. I admit to having not anticipated this as a key issue. I am obviously better than average at keeping critical paperwork. Others are obviously not. In that case, alternatives that do not require that such records exist have to be considered. I suspect that would be quite straightforward, using index data. However, for the reasons I have [noted in another blog](#) this morning, I am not planning to work on this in the next week.

Other objections emerged later in the day to the idea that the tax might be universally applied. What seems likely is that there is an expectation that there should be a minimum tax-free gain that a person might enjoy, and that thereafter rates should be progressive. I am interested in suggestions as to what that tax-free amount should be. Any suggestions on the rising scale of rates would also be of interest.

Third, there were some objections on issues that I had already addressed in the note supporting this suggestion. In itself, that note is a brief summary of a complex proposal, but I think it's a little unfair to be criticised on issues that I had already addressed.

Fourth, there were suggestions of alternatives, most of which seem to focus on some form of land value taxation. However, in my opinion, that will provide no more, and most likely less, capacity to pay whilst being considerably more subjective with regard to valuations. That is precisely why I have rejected that tax.

Last, I do wonder if many of the expressed concerns, which related to the ability to

meet costs in old age, might be addressed if additional tax charges were matched by a government commitment to meet the costs of care for the elderly when access to that care is very restricted for most people at present? Is there a trade-off to be made between paying a fairly predictable tax charge on the basis of the understanding that the government will cover the unpredictability of the cost of our old-age care? I am not suggesting explicit hypothecation, but I do think there is an aspect to a social contract in this, and wonder what people think?

I have been of the opinion that a capital gains tax charge on people's homes, payable primarily on death, has been a necessary part of our tax system for some time. The proposal was, for example, included in my book, *The Joy of Tax*. This suggestion is not, as a consequence, something that I have recently stumbled across. Nor is it one that I am going to back away from: sometimes unpopular ideas have to be aired. In this case, the *Taxing Wealth Report 2024* would be incomplete if this issue was not addressed. However, throughout that series I have discussed the need for consultation, and I am more than willing to listen to those who put forward serious and well-founded objections to suggestions that I make. I will be doing so on this occasion, so answers to the above questions and suggestions for alternatives would be appreciated.