

Why is there no capital gains tax charge on houses?

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I posted this video on YouTube this morning:

https://youtu.be/UXboAQchWd0?si=I6wd_AJeEGy0dz2g

The transcript is:

Why is there no capital gains tax charge on private houses in the UK? It's a question that's entirely fair to ask because we've all got so used to the fact that people who own their own homes don't pay capital gains tax when they sell them. We just think it's normal, but it is in fact a tax exemption and it is an incredibly costly exemption - the second most costly exemption in the entire UK tax system. In fact, costing in excess of £30 billion a year in the estimate of HM Revenue and Customs.

So, is it a good exemption? Does it achieve a useful outcome? Could we do something different?

Is it a good exemption? Well, yes, to an extent. Why do I say yes to an extent? Because we would have difficulties if we charged capital gains tax - that is the tax on the increase in the value of a person's home between the time that they bought it and the time that they sold it - every time they wish to move during their life, particularly if those moves were required, for example, by the need to change jobs. We don't want people to be stuck in a location because they can't afford to move because they can't pay the tax on selling one property before buying one in another location where their work is available. So, there is a real problem with charging capital gains tax on people's capital gains arising on the sale of their homes during their lives.

But, should we end up with a situation where, as a result, a lot of people - people of my sort of age, with my sort of hair colour - are sitting on a lot of private wealth based upon the fact that they bought their own homes when they were relatively young - which was easy when I was knocking around in my 20s - and now appear to be very

wealthy through nothing that they ever earned but by the chance or fortune that they bought a house when they were young.

No, that is not fair. And it's not fair because it concentrates wealth in their hands and in the hands of the children who they can pass that wealth on to. So, we do need to tax this more than we are at present, which is by inheritance tax, which only falls on about 5 per cent of all estates in the UK?

We should be charging capital gains tax on every final disposal by a person or their spouse or their civil partner at the time that the last of those two ceases to use that property, whether that's either because they die, on the second death, or because they move into a nursing home or whatever else, or both of them quit the country and move abroad. Whatever the reason, on the last disposal of a property without there being a reinvestment, which if both are dead there couldn't be, then there should be capital gains tax charged on the whole of the lifetime gain that they've made.

That would be fair. It would collect serious amounts of tax. I reckon at least £10 billion a year at present, rising over time as more and more properties come within the scope of the charge.

And it would also put downward pressure on house prices - which would be good news - while also requiring that properties be sold, which would open up the market to more people who could come into it.

All in all, a win.

But we have to do such a change with care because we can't stop people moving during their lifetimes.

There is more on this [*in section 8.4*](#) of the *Taxing Wealth Report 2024*.