

## BRIEFING: Warm Homes stamp duty incentive

**A market-based approach which uses the stamp duty mechanism to motivate homeowners to move to clean heat and upgrade the energy performance of their homes.**

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### The Problem

To deliver net zero, the UK must decarbonise home heating which, for most of our 29 million homes, will involve replacing heating systems as a minimum. There is a triple challenge:

- to switch all homes away from fossil fuels to clean heat.
- to do this in a manner that also tackles fuel poverty and keeps home energy bills permanently low.
- to avoid significantly increasing the necessary investment in clean energy generation, transmission and storage.

**There will never be enough public funding to subsidise everyone to upgrade their homes - a new policy mechanism is required.**

### The Solution

This market-based approach is designed to stimulate homebuyers to 'value' energy performance and decarbonisation, in the same way they value kitchens, bathrooms and the state of repair of a home. This is achieved by nudging stamp duty down, and up, based on the energy performance of the home. Where a higher Stamp Duty is calculated, homebuyers would consider energy performance when making their offer. Understanding the home's energy performance becomes a normal part of the home buying process. After purchase, where improvements are made, a warm homes rebate is paid.

For lower value homes (<£250k), often fuel poor, where the stamp duty paid is low or zero, this rebate is enhanced to cover a greater proportion of the cost of improvements using Warm Homes Plan monies. Labour has already committed grant funding (circa £1bn per year from 2028).

### How it's calculated:

#### At point of sale

- Basic Stamp Duty is calculated as now.
- The energy demand of the home is calculated using the data behind the EPC (based on kWh not EPC ratings).
- Basic Stamp Duty is adjusted (down or up) based on the calculated energy demand.
- **The lower the calculated energy demand, the lower the stamp duty paid.**

#### Two years after purchase

- The ultimate Stamp Duty paid is determined two years after the home is purchased via an automatic rebate calculation using new EPC data once energy performance measures are installed.
- Any measures that improve energy performance reduce the ultimate stamp duty paid.
- **The rebate is the difference between the original stamp duty paid and the amount that would have been paid if measures had been installed before the sale.**



- Lower value homes can receive an 'enhanced' rebate to cover a higher proportion of the costs.

## The Benefits

- Fair: Homebuyers understand what they are buying, making an informed choice, and are rewarded if they subsequently make improvements to energy performance.
- Practical: Acting at the point of purchase where equity is not 'tied up' means capital can be retained to fund improvements.
- Targeted: Subsidy is focused on improving lower value, often fuel poor, homes and is revenue neutral to Treasury.
- Green growth: Drives economic growth (estimated £6 billion per year) and gives business confidence to invest, stimulating quality jobs and skills nationwide.

## Next Steps

### Provide a statement of intent, providing certainty for business and stimulating the market.

The Government should issue a statement of intent now, with implementation in 18 months to 2 years. Homeowners considering selling would have time to act, should they choose, and businesses and government would have time to prepare. This approach would encourage immediate action whilst also smoothing roll-out and allowing companies to scale-up capacity and prepare for delivery. It ensures a quality retrofit programme, and guarantees market demand.

## Growing support

The UK Green Building Council has been working with the Energy Efficiency Infrastructure Group to develop the policy proposal and build widespread support. Over 50 major businesses and industry groups are calling on the Government to back the proposal and get the retrofit and home decarbonisation market moving at scale.



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