

BRIEFING: Warm Homes Stamp Duty Incentive

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

September 2025

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 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 to support this transition.

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 or low income, 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 £13.2bn over 5 years for Warm Homes Plan grant funding.

This solution is illustrated in our [Warm Homes Stamp Duty Incentive online calculator](#) which walks the user through how the incentive could work for a prospective homebuyer - from calculating additional Stamp Duty based on a home's energy performance, to illustrating how upgrades such as insulation, heat pumps, or double glazing could trigger a rebate.

The Benefits

- **Fair** | Homebuyers understand what they are buying, making an informed choice, and are rewarded if they buy a high performing home or subsequently make energy improvements.
- **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. For all others it is revenue neutral to Treasury.
- **Growth** | Drives economic growth (estimated £6 billion per year) and gives business confidence to invest, stimulating quality jobs and skills nationwide.

In addition, this proposal has gained parliamentary support and is well placed to support the Government's mission delivery programme:

- **Kickstart economic growth** | The incentive drives private investment into home upgrades, helping to stimulate a retrofit market valued at £17 billion annually, and creating circa 300,000 quality jobs across all regions. The mechanism provides industry confidence in sustained market growth and enables investment into skill development.
- **Make Britain a clean energy superpower** | This mechanism incentivises retrofitting homes with low-carbon, energy-saving technologies to cut energy demand, lower bills, and reduce carbon. It helps build a sustainable retrofit market crucial for scaling low-carbon solutions.
- **Take back our streets** | By incentivising private retrofit investment, this lets Government funding be better targeted at low-income households, supporting social stability while improving energy security and financial resilience in vulnerable communities.
- **Break down barriers to opportunities** | Enables more targeted public funding and subsidies towards low-income households which alleviates energy costs and improves living conditions, particularly for children, in these areas.
- **Build an NHS fit for the future** | Home upgrades cut cold-related illness risk and improve health and wellbeing - this could ease pressure on the NHS by reducing fuel poverty-driven healthcare demand and supporting long-term public health.

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 some form of a Warm Homes Stamp Duty and get the retrofit and home decarbonisation market moving at scale.



Explore our illustrative [Warm Homes Stamp Duty Calculator](#) or to find out more contact david@theeeeig.co.uk or policy@ukgbc.org.