Holiday or Hangover? Housing Market Responses to a Temporary Tax Cut

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Abstract

We study how the 2020-2021 UK Stamp Duty Land Tax Holiday affected housing market behavior and long-term resale outcomes. Using data from the UK's largest online housing platform, we combine propensity score matching (PSM) with a difference-indifferences (DiD) design to compare properties exposed to the tax cut with those already exempt. The holiday caused a sharp short-run tightening of market conditions: prices rose, transactions accelerated, and the probability of sale increased. Price effects were strongest in more deprived areas, where market pressure intensified most. Yet the boom did not translate into lasting gains. Properties bought during the holiday experienced lower RoI at resale than comparable exempt properties, indicating that treated buyers paid a temporary premium that reduced long-run returns. Overall, temporary transaction tax relief can stimulate activity and amplify short-run pressures, but delivers limited long-run benefits to buyers.

Track: Methods, Modelling & Marketing Analytics