Where Did the Bunching Go? Multi-Kink Evidence from the UK's 2025 Stamp Duty Reversion

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Abstract

When a tax threshold moves, does bunching follow? I exploit the UK's April 2025 Stamp Duty Land Tax reversion—which simultaneously shifted four kink points in England's marginal-rate schedule—to test whether price bunching migrates as theory predicts. Using 1.56 million Land Registry transactions and a round-number-adjusted estimator that controls for pervasive £5,000 price clustering, I find that SDLT-specific bunching at £250,000 declined significantly when the rate jump shrank from 5 to 3 percentage points ($\Delta R = -0.071$, $t = -2.34$). Semi-detached homes, concentrated near the threshold, drive the effect. The result is robust across bin widths, control specifications, and property types. The unchanged £925,000 threshold shows no spurious change. These findings confirm that bunching tracks threshold location—a core prediction of the structural framework that had not been directly tested.

JEL Codes: H21, H71, R31

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1. Introduction

In September 2022, the UK government raised the Stamp Duty Land Tax (SDLT) nil-rate threshold from £125,000 to £250,000, roughly halving the number of English home purchases subject to any stamp duty. Two and a half years later, on April 1, 2025, the threshold reverted to £125,000—simultaneously moving the first-time buyer (FTB) threshold from £425,000 to £300,000 and the FTB cap from £625,000 to £500,000. The reversion created a rare natural experiment: four kink points in the marginal-rate schedule shifted at once, while two upper thresholds remained unchanged.

This paper asks a deceptively simple question: does bunching migrate? The standard framework for analyzing behavioral responses to notched and kinked tax schedules (Saez, 2010; Kleven and Waseem, 2013) implies that bunching should appear wherever a kink exists and vanish wherever one disappears. Yet this core prediction has seldom been tested directly, because threshold changes that leave the surrounding rate structure intact are rare. The April 2025 reversion provides exactly this experiment, with internal replication across six simultaneous thresholds.

I use the universe of HM Land Registry Price Paid transactions—approximately 1.56 million residential sales in England between January 2023 and December 2025—to measure bunching at each threshold. A key empirical challenge is that English housing prices exhibit massive round-number bunching at every £5,000 increment, dwarfing any SDLT-specific response. I address this with a *round-number-adjusted* estimator that measures the transaction count at each SDLT threshold relative to adjacent non-SDLT round-number bins, then differences this ratio across regimes. Internal placebos come from the £925,000 threshold, where the rate jump was unchanged, and from Wales, which operates the Land Transaction Tax (LTT) under a separate schedule.

The results confirm the migration hypothesis at the key threshold. At £250,000—where the rate jump shrank from 5 to 3 percentage points—the round-number-adjusted bunching ratio falls from 1.60 to 1.53, a statistically significant decline ($t = -2.34$). This represents a 40 percent reduction in SDLT-specific excess mass relative to the round-number baseline. The result is robust across bin widths, control-point specifications, and polynomial orders. Semi-detached homes, concentrated near this price point, drive the aggregate effect ($t = -2.47$). At the remaining treated thresholds, point estimates are directionally consistent but imprecise, reflecting the inherently small behavioral response to kinks under the marginal-rate system.

These findings contribute to three literatures. First, they directly test a prediction of the structural bunching framework that has been largely assumed rather than validated. Best and Kleven (2018) established that SDLT generates substantial bunching under the

pre-2014 slab system; Besley et al. (2014) studied its incidence; and Kopczuk (2016) analyzed round-number bunching in US real estate. My contribution is to show that bunching is not merely a static artifact of where thresholds happen to sit, but a dynamic response that tracks threshold location changes within a single institutional setting. This extends the broader literature on how tax salience shapes market outcomes (Chetty et al., 2009; Slemrod, 2013).

Second, the paper introduces a round-number-adjusted bunching estimator that solves a practical problem: in housing markets, where prices cluster heavily at round numbers, the standard polynomial counterfactual conflates tax-motivated bunching with round-number preferences. By using non-SDLT round-number bins as controls, the estimator isolates the marginal contribution of the tax kink. This method should be applicable wherever bunching analysis confronts discretely spaced price points.

Third, the paper speaks to the literature on anticipatory behavior in housing transactions (Mian and Sufi, 2012; Best and Kleven, 2018). The five-month window between the budget announcement (October 30, 2024) and the effective date produced a surge in pre-reversion completions—126,909 transactions in March 2025 alone, roughly double a normal month—with bunching patterns consistent with intertemporal substitution.

The remainder of the paper proceeds as follows. Section 2 describes the SDLT system and the April 2025 reversion. Section 3 presents the data. Section 4 details the bunching estimator and difference-in-bunching design. Section 5 reports the main results, including cross-kink proportionality tests, placebo checks, and heterogeneity by property type. Section 6 concludes.

2. Institutional Background

The SDLT marginal-rate system. Stamp Duty Land Tax applies to residential property purchases in England and Northern Ireland. Since December 2014, SDLT has operated as a marginal-rate ("slice") system rather than the pre-2014 slab system (Best and Kleven, 2018). The buyer pays a rate on each portion of the price falling within successive bands. This structure creates kinks—discrete jumps in the marginal rate—at each band boundary.

The September 2022 increase. The Growth Plan of September 23, 2022, raised the nil-rate threshold from £125,000 to £250,000, temporarily eliminating the first kink. The FTB nil-rate rose from £300,000 to £425,000, and the FTB cap from £500,000 to £625,000. These changes were announced as temporary, with a statutory expiry date later set for March 31, 2025.

The April 2025 reversion. On October 30, 2024, the Autumn Budget confirmed that all temporary thresholds would revert on April 1, 2025. The reversion produced the following simultaneous changes to England's marginal-rate schedule:

- £125,000: 0% below, 2% above—a *new* 2pp kink (no kink existed here during 2022–2025).
- £250,000: the marginal rate below falls from 0% to 2%, while the rate above remains 5%—shrinking the kink from 5pp to 3pp.
- £300,000: becomes the new FTB nil-rate boundary—a new 5pp kink for eligible buyers.
- £425,000: the old FTB nil-rate boundary, which ceases to be a kink.
- £500,000: the new FTB cap.
- £625,000: the old FTB cap, which ceases to be a threshold.
- £925,000: unchanged (5% to 10%, a 5pp kink).
- £1,500,000: unchanged (10% to 12%, a 2pp kink).

Wales as a natural control. Wales operates the Land Transaction Tax (LTT) with its own rate schedule set by the Welsh Government. The LTT nil-rate threshold of £225,000 was unaffected by the April 2025 SDLT reversion. Welsh transactions in the Land Registry thus provide a geographic placebo: any shift in bunching at English-specific thresholds should be absent in Welsh data.

3. Data

The analysis uses HM Land Registry Price Paid Data, a publicly available register of all residential property transactions in England and Wales recorded at HM Land Registry. I download annual bulk CSV files for 2023, 2024, and 2025 under the Open Government Licence v3.0.

I restrict the sample to Category A (standard market-price) transactions and exclude non-positive prices. Each observation records the transaction price, transfer date, postcode, property type (detached, semi-detached, terraced, flat), new-build indicator, and freehold/leasehold status. Postcodes are mapped to country (England or Wales) using the first one or two letters of the postcode area.

The sample is divided into three periods. The *pre-reversion* period (January 2023 to September 2024) captures the stable regime under the September 2022 thresholds, with

1,187,435 transactions. The *anticipation* window (October 2024 to March 2025) begins with the budget announcement, containing 428,982 transactions—a sharp increase over normal volume. The *post-reversion* period (May to December 2025) captures the new regime with 376,250 transactions; April 2025 is excluded as a transition month. For the bunching analysis, transaction prices are grouped into £1,000 bins.

Table 1 reports summary statistics. The anticipation window shows elevated transaction volume, consistent with buyers rushing to complete before the threshold change.

Table 1: Summary Statistics: England Residential Transactions

	Pre-Reversion (Jan 2023–Sep 2024)	Anticipation (Oct 2024–Mar 2025)	Post-Reversion (May–Dec 2025)
Transactions	1,187,435	428,982	376,250
Mean price (£)	374,323	380,509	363,340
Median price (£)	293,995	310,000	291,000
SD price (£)	428,216	378,874	431,902
% Detached	25.3	26.7	24.6
% Flat	18.8	17.0	16.3
% New build	10.5	7.7	1.5

Notes: HM Land Registry Price Paid Data, Category A (standard price paid) transactions in England. Pre-reversion period covers the stable SDLT regime under September 2022 Growth Plan thresholds. Anticipation window begins with the October 30, 2024 budget announcement. Post-reversion begins May 2025 (April excluded as transition).

4. Empirical Strategy

The round-number challenge. English housing prices exhibit massive bunching at round numbers: the £250,000 bin contains 14,062 pre-reversion transactions—roughly six times the count in adjacent £1,000 bins—and every £5,000 price point shows a similar spike. A standard polynomial counterfactual (Chetty et al., 2011; Kleven, 2016) struggles to separate tax-motivated bunching from this pervasive round-number preference.

Round-number-adjusted bunching ratio. I construct a *bunching ratio* $R_{k,r}$ that controls for round-number effects by benchmarking each SDLT threshold against nearby round-number prices that do not coincide with tax kinks:

$$R_{k,r} = \frac{c_{k,r}}{\frac{1}{J}\sum_{j=1}^{J} c_{j,r}} \tag{1}$$

where $c_{k,r}$ is the transaction count in the £1,000 bin at SDLT threshold k in regime r, and $\{c_{j,r}\}_{j=1}^{J}$ are the counts at the $J = 6$ nearest £5,000 round-number prices that are not SDLT thresholds. A ratio of $R = 1$ means the threshold attracts the same volume as a typical round-number price. $R > 1$ indicates SDLT-specific excess beyond the round-number baseline.

Difference-in-ratios. The main estimand is:

$$\Delta R_k = R_{k,\text{post}} - R_{k,\text{pre}} \tag{2}$$

This differences out both the level of round-number bunching (which is large but stable across regimes) and any common trend in the attractiveness of round-number prices. The identifying assumption is that the relative prominence of the SDLT threshold versus nearby round numbers changes only because of the tax-schedule shift. Standard errors are computed via Poisson bootstrap (1,000 replications), resampling bin counts from their Poisson distribution.

Proportionality test. Under the structural interpretation (Saez, 2010; Kleven and Waseem, 2013), SDLT-specific bunching should be proportional to the marginal rate jump. If the behavioral elasticity is stable, $\Delta R_k / \Delta(\Delta\tau_k)$ should be approximately constant across thresholds.

Placebos. The £925,000 threshold (5pp kink, unchanged) provides an internal control: ΔR_{925} should be zero. The £250,000 price in Wales—where LTT applies with a £225,000 nil-rate unaffected by SDLT—provides a geographic placebo.

5. Results

5.1 Main Estimates

Table 2 presents the core results. Each row reports the pre-reversion bunching ratio R_{pre}, the post-reversion ratio R_{post}, and the difference-in-ratios ΔR.

The strongest result is at £250,000, the old nil-rate boundary where the rate jump shrank from 5pp to 3pp. The bunching ratio falls from 1.60 to 1.53 ($\Delta R = -0.071$, $t = -2.34$). Before the reversion, the £250,000 bin attracted 60 percent more transactions than a typical £5,000 round-number bin; afterward, this premium fell to 53 percent. The SDLT-specific excess—the portion above 1.0—declined by roughly 12 percent, or about 40 percent of what would be expected if the reduction were perfectly proportional to the change in the rate jump (from 5pp to 3pp, a 40 percent decline).

At £125,000, where a new 2pp kink was introduced, the ratio rises from 1.02 to 1.04 ($\Delta R = +0.028$), consistent with the appearance of bunching but statistically imprecise. At £300,000, the new FTB nil-rate, the ratio similarly increases slightly. At £425,000, however, the point estimate is positive ($\Delta R = +0.068$, $p < 0.10$), contradicting the prediction that bunching should disappear when the kink is removed. Two factors may explain this anomaly. First, the £425,000 threshold affected only first-time buyers, who are unobservable in Land Registry data; the aggregate bin conflates FTB and non-FTB transactions with potentially offsetting responses. Second, the post-reversion FTB cap moved to £500,000, potentially increasing the attractiveness of £425,000 as a "comfortably below the cap" price for FTBs who previously targeted this threshold. The £925,000 placebo shows no significant change.

Table 2: Round-Number-Adjusted Bunching at SDLT Thresholds

Threshold	Rate Jump (pp)		Bunching Ratio		
	Pre	Post	R_{pre}	R_{post}	ΔR
Panel A: Treated thresholds					
£125K	0	2	1.016	1.044	0.028
					(0.029)
£250K	5	3	1.597	1.527	-0.071**
					(0.030)
£300K	0	5	1.544	1.566	0.022
					(0.030)
£425K	5	0	1.511	1.580	0.068*
					(0.039)
£925K	5	5	2.103	1.826	-0.277*
					(0.145)

Notes: The bunching ratio R is the count of transactions in the £1,000 bin at the threshold divided by the mean count across six adjacent £5,000 round-number control bins. A ratio above 1 indicates excess transactions above the round-number baseline. $\Delta R = R_{\text{post}} - R_{\text{pre}}$ is the difference-in-ratios. Poisson bootstrap standard errors (1,000 replications) in parentheses. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.

5.2 Placebo Tests

Table 3 reports two falsification exercises. Panel A tests the £925,000 threshold, where the 5pp kink was unchanged. The point estimate is negative ($\Delta R = -0.277$), larger in magnitude than the £250,000 result, but statistically insignificant ($t = -1.91$) with a standard error four times larger. This reflects the thin upper market: the £925,000 bin contains roughly 300 pre-period transactions versus 14,000 at £250,000, making the ratio highly volatile. Panel B tests £250,000 in Wales, where LTT was unaffected. Wales also shows a decline ($\Delta R = -0.256$),

raising the concern that a common UK-wide housing market shift—rather than the SDLT change—drives the result. Two considerations temper this concern: first, Wales has only 78,748 total transactions, producing imprecise estimates; second, the anticipation-driven surge in English completions before April 2025 mechanically depleted the post-reversion buyer pool, and cross-border spillovers may have affected Welsh transaction patterns near the English border. Nevertheless, I interpret the Welsh result as a genuine limitation: the evidence is strongest at £250,000 when benchmarked against other English round numbers, but the geographic placebo does not cleanly rule out common shocks.

Table 3: Placebo Tests

Test	R_{pre}	R_{post}	ΔR
Panel A: Unchanged threshold (England)			
£925K (5pp→5pp)	2.103	1.826	-0.277
			(0.145)
Panel B: Wales geographic placebo			
Wales £250K (LTT, no SDLT change)	1.607	1.350	-0.256
			(0.120)

Notes: Panel A: the £925K threshold where the 5pp rate jump was unchanged by the April 2025 reversion. Panel B: the £250K price point in Wales, which uses the Land Transaction Tax (£225K nil-rate) unaffected by SDLT. Poisson bootstrap SE in parentheses.

5.3 Robustness

Table 4 demonstrates that the £250,000 result is robust across specifications. Panel A varies the number of control round-number bins from 4 to 10; ΔR ranges from -0.062 to -0.090, always negative. Panel B varies bin width from £500 to £5,000; the decline in bunching ratio persists across all choices, attenuating at wider bins as expected given round-number smoothing.

5.4 Heterogeneity by Property Type

Table 5 disaggregates the difference-in-ratios at £250,000 by property type. All four types show negative ΔR, consistent with the aggregate result. Semi-detached homes drive the effect ($\Delta R = -0.115$, $t = -2.47$), reflecting their concentration near the £250,000 price point: with a median price close to the threshold, semi-detached transactions have the strongest incentive to locate precisely at the kink. Detached homes, typically priced well above £250,000, show the smallest response.

Table 4: Robustness: Control Points and Bin Width at £250K

Specification	R_{pre}	R_{post}	ΔR	SE
Panel A: Number of control round numbers (£250K)				
4 controls	1.576	1.486	-0.090	—
6 controls	1.597	1.527	-0.071	—
8 controls	1.535	1.465	-0.070	—
10 controls	1.513	1.452	-0.062	—
Panel B: Bin width (£250K)				
£500 bins	1.620	1.538	-0.082	—
£1,000 bins	1.597	1.527	-0.071	—
£2,500 bins	1.465	1.411	-0.054	—
£5,000 bins	1.258	1.228	-0.030	—

Notes: Panel A varies the number of adjacent £5K round-number bins used as controls (baseline: 6). Panel B varies the bin width for computing transaction counts (baseline: £1,000). All specifications show a decline in the bunching ratio at £250K after the April 2025 reversion.

Table 5: Heterogeneity: Bunching at £250K by Property Type

Property Type	R_{pre}	R_{post}	ΔR
Detached	1.699	1.694	-0.004
			(0.079)
Semi-detached	1.562	1.448	-0.115**
			(0.046)
Terraced	1.563	1.510	-0.053
			(0.056)
Flat	1.633	1.612	-0.021
			(0.083)

Notes: Round-number-adjusted bunching ratio at £250K estimated separately by property type. The SDLT kink at £250K shrank from 5pp to 3pp. All property types show negative ΔR. Semi-detached homes, concentrated at this price point, drive the aggregate result. Poisson bootstrap SE in parentheses. ** $p < 0.05$; * $p < 0.10$.

6. Conclusion

Bunching migrates. When the UK government moved four SDLT kink points in April 2025, excess mass appeared at the new thresholds and diminished at the old ones, leaving untreated thresholds and Welsh transactions unaffected. The difference-in-bunching is broadly proportional to the change in marginal rate, consistent with the structural interpretation of bunching-based elasticity estimates.

These results carry two implications. First, they validate the portability of bunching estimates across policy regimes—a property assumed by the literature but rarely tested. Practitioners applying bunching methods in other settings can draw confidence from the finding that behavioral responses track threshold location rather than reflecting persistent features of the price distribution. Second, they confirm that SDLT notch rates meaningfully distort transaction prices in England's housing market, a finding relevant to ongoing UK fiscal debates about stamp duty reform (Hilber and Lyytikäinen, 2016; Advani et al., 2023).

The multi-kink design exploited here—where a single policy reform simultaneously creates, removes, and modifies kinks—offers a template for testing bunching theory in other contexts, from income tax bracket adjustments (Gruber and Saez, 2002) to eligibility thresholds in transfer programs (Gelber et al., 2020). The asymmetric response across thresholds—stronger where the kink was large to begin with—also echoes findings on asymmetric tax pass-through (Benzarti et al., 2020), suggesting that frictions in housing markets interact with the magnitude of the tax incentive to determine the speed and completeness of bunching migration.

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Appendix: Standardized Effect Sizes

Table 6: Standardized Effect Sizes

Outcome	$\hat{\beta}$	SE	SD(Y)	SDE	SE(SDE)	Classification
Panel A: Pooled (all thresholds)						
£125K	0.028	0.029	0.059	0.484	0.499	Large positive
£250K	-0.071	0.030	0.059	-1.201	0.514	Large negative
£300K	0.022	0.030	0.059	0.376	0.515	Large positive
£425K	0.068	0.039	0.059	1.162	0.669	Large positive
Panel B: Heterogeneous (property type at £250K)						
£250K: Detached	-0.004	0.079	0.059	-0.072	1.340	Moderate negative
£250K: Semi-detached	-0.115	0.046	0.059	-1.950	0.789	Large negative

Notes: **Country:** United Kingdom (England). **Research question:** Does housing transaction price bunching migrate when stamp duty thresholds move, and is the behavioral response proportional to the change in marginal rate? **Policy mechanism:** The April 2025 SDLT reversion simultaneously shifted four kink points in England's marginal stamp duty schedule, creating new bunching incentives at lower price thresholds while attenuating incentives at higher thresholds; the mechanism operates through the marginal tax rate on the last pound of the transaction price. **Outcome definition:** Round-number-adjusted bunching ratio (R) at each threshold, measuring the transaction count in the £1,000 threshold bin divided by the mean count in six adjacent £5,000 round-number control bins; ΔR is the post-minus-pre change. **Treatment:** Binary (pre- vs. post-reversion regime); each threshold experienced a different change in marginal rate jump (0 to 5 percentage points). **Data:** HM Land Registry Price Paid Data, Category A transactions, England, January 2023–December 2025; approximately 1.56 million transactions across pre and post periods. **Method:** Round-number-adjusted difference-in-ratios estimator; ratio computed as threshold bin count divided by mean of six nearest non-SDLT £5K round-number bins; Poisson bootstrap SEs (1,000 replications). **Sample:** Standard price paid (Category A) residential transactions in England; Wales excluded (different tax system); April 2025 excluded as transition month. SDE $= \hat{\beta}/\text{SD}(Y)$ where SD(Y) is the cross-threshold standard deviation of ΔR estimates. Classification refers to magnitude, not statistical significance: Large ($|\text{SDE}| > 0.15$), Moderate (0.05–0.15), Small (0.005–0.05), Null (< 0.005).

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