

Local Government, Housing and Planning Committee
Tuesday 18 February 2025
5th Meeting, 2025 (Session 6)

Council Tax

Introduction

1. The purpose of this paper is to provide information to help inform evidence taking as part of the Committee's [short inquiry](#) on the potential for changes to the current council tax system in Scotland. The Committee agreed to undertake a short inquiry into reform at its meeting on 14 January 2025.
2. The inquiry is expected to cover the following key themes:
 - Progress made by the [Joint Working Group on Sources of Local Government Funding and Council Tax Reform](#) since its first meeting in 2022;
 - Barriers to change in this area;
 - Ways in which barriers to change could be addressed;
 - Arguments for and against a revaluation of domestic properties being undertaken in Scotland;
 - What Scotland can learn from other countries, including for example, Wales, in terms of their approaches to revaluation and reform;
 - Potential costs of any revaluation exercise in Scotland and how it should be funded; and
 - Assuming that council tax remains one of the main local taxes in Scotland, what other reforms to the tax could be explored?
3. The Committee will take evidence from the following panels of witnesses:

Panel One

- Sara Cowan, Director, Scottish Women's Budget Group;
- Professor Ken Gibb, Director, UK Collaborative Centre for Housing Evidence, University of Glasgow;
- Professor David Heald, Emeritus Professor, Adam Smith Business School, University of Glasgow; and
- Joanne Walker, Technical Officer, Chartered Institute of Taxation (Low Incomes Tax Reform Group);

Panel Two

- Emma Congreve, Deputy Director and Principal Knowledge Exchange Fellow, Fraser of Allander Institute; and
- David Phillips, Associate Director, Institute for Fiscal Studies.

Written submissions

4. Several witnesses referred the Committee to previously published papers or provided written submissions as follows:
 - Scottish Women's Budget Group: [Tax-and-Gender-WBG-Briefing-2024](#)
 - Professor Ken Gibb: (Annexe A) also [Housing taxation - can we do better? - UK Collaborative Centre For Housing Evidence](#); and [Scottish government proposes changes to council tax but falls short on broader reform - UK Collaborative Centre For Housing Evidence](#)
 - Professor David Heald: [Royal Society of Edinburgh advice paper: "A fairer council tax" 2023](#)
 - Chartered Institute of Taxation (Low Incomes Tax Reform Group): (Annexe A)
 - Fraser of Allander Institute: (Annexe A)
 - Institute for Fiscal Studies: [Scottish council tax: ripe for reform | Institute for Fiscal Studies](#)
5. SPICe researchers have also provided a briefing paper which provides further information and considers submissions received. This is attached at Annexe B.
6. The Buchanan Institute (a student-led think tank based at the University of Edinburgh) has also recently published a report, [Redesigning Council Tax: A fairer future for Scotland](#).
7. The Committee also [wrote to the Cabinet Secretary for Finance and Local Government](#) and [COSLA](#) inviting them to provide an update on progress made by the Joint Working Group by 18 February.
8. A response from the Cabinet Secretary was received on 11 February and is attached at Annexe C. The letter notes the announcement of a joint programme of engagement, which "provides for a period to gather robust data and evidence, ensuring a strong foundation for informed discussions." The letter further confirms that engagement activities are expected to commence by late summer to "support the development of reforms that reflect the perspectives of stakeholders and the general public" and notes that "the Group remains committed to delivering meaningful outcomes through collaboration, evidence-based decision-making and transparent engagement."

Background and further information

9. In 2014 the Scottish Government and COSLA established the [Commission on Local Tax Reform](#). It [reported in December 2015](#), concluding that “the present Council Tax system must end” and recommending that local taxation needed substantial reform because “some people are paying more than they should.” It went on to note that previous attempts at reform had failed, and that “the opportunity for reform cannot be missed again”.
10. In response, the [Scottish Government proposed](#) that the overall system of council tax should remain largely unchanged and rejected the idea of a revaluation. The main area of reform was to increase the ratios of the upper bands (E-H) relative to Band D which, the Government suggested, would make council tax fairer.
11. However, as noted in the Cabinet Secretary’s letter of 11 February, changes have also been made to council tax since then as follows—
 - Following a joint consultation with COSLA in 2023, Scottish Ministers laid regulations to introduce a 100% Council Tax premium for second homes. As a result, from 1 April 2024, councils have the discretion to apply a discount of up to 50% or impose a premium of up to 100%.
 - The Scottish Government also introduced a grace-period from exposure to the Council Tax premium for long-term empty properties in circumstances when a property is purchased by a new owner and renovations or repairs are being undertaken. This aims to incentivise the occupation of previously unoccupied properties, by encouraging the purchase of long-term empty properties which may require renovation or repair.
12. The Finance and Public Administration Committee reflected on council tax reform in its [pre-budget report for 2025-26](#) which stated that—

“The Committee understands the frustration of witnesses at the lack of progress in relation to council tax reform and revaluation of residential properties. We also recognise that making changes to local taxes would inevitably result in ‘winners’ and ‘losers’ amongst homeowners and those in rented accommodation.

Nonetheless, given this work is long overdue, we ask the Scottish Government to set out, following the Cabinet Secretary’s suggestion that cross-party consensus will be required, how it will create the space for discussions and consensus-building in this parliamentary session. The Scottish Government should also build into the process any learning from the experience in Wales and other countries regarding reform and revaluation.”

13. In [its response](#), the Scottish Government stated—

“We are invested in delivering fairer, more inclusive, and fiscally sustainable forms of local taxation. Our Joint Working Group with COSLA on Council Tax reform has explored a broad range of measures with a core aim of providing fairness to the system and successfully delivered changes to the Council Tax treatment of second and long-term empty homes. This includes a 100% Council Tax premium on second homes from 1 April 2024.

We acknowledge that, in its current state, Council Tax is not as fair as we would like it to be. The Council Tax reform debate has been characterised by consensus on the need for reform, but with differing views on what that reform should look like. The Joint Working Group is looking at processes to build a consensus around meaningful changes to Council Tax. Given the competing views on the nature of reform, the Joint Working Group is in agreement that consensus is necessary to enable progress.”

Next steps

14. The Local Government, Housing and Planning Committee is expected to continue evidence taking on this topic at its next meeting on 25 February in which it will hear from a panel of witnesses including the Scottish Assessors Association, the Institute of Revenues, Rating and Valuation, and the Welsh Local Government Association.
15. The Committee is then expected to take evidence from the Cabinet Secretary for Finance and Local Government and COSLA at its meeting on 4 March.

Conclusion

16. The Committee is invited to consider the above information in its council tax evidence sessions.

Clerks to the Committee
February 2025

ANNEXE A: WRITTEN SUBMISSIONS

Evidence Note to Local Government, Housing and Planning Committee, in advance of Oral Evidence Session, Tuesday 18th February, Holyrood, Edinburgh

Prof Kenneth Gibb

ESRC UK Collaborative Centre for Housing Evidence

University of Glasgow

February 13, 2025

Current Thinking on the Reform of Council Tax

In this short note I want to move beyond well-rehearsed problems with the current council tax system and focus on current and recent proposals to replace council tax with alternative tax arrangements, often involving Land Building Transactions Tax as well. While the evidence all comes from an English context, it is highly relevant to Scotland not least because Council Tax and LBTT are the primary devolved housing taxes in Scotland (and discussed as possible areas for reform and intervention in *Housing to 2040*).

This note is largely derived from research on Council Tax in Scotland from a housing perspective carried out for the Joseph Rowntree Foundation and shortly to be published (Gibb and Leishman, forthcoming).

The studies I briefly summarise here are, in chronological order:

- Paul Cheshire and Christian Hilber (2021 [also closely related to the *Fairer Share* campaign for a proportional property tax; see also Nanda, 2021])
- John Muellbauer (2023)
- Tim Leunig (2024).

To keep things consistent, I focus on a small number of criteria by which one might assess property tax reform proposals:

1. Is the tax proposal feasible in terms of revenue generation and buoyancy, aske-up, taxpayer acceptability, general revaluation of the property tax base, as well as whether suitable plans are in place for its introduction, for resource equalisation, transition and the like.
2. Can the proposal be expected to be sufficiently fair to be acceptable in terms of its progressivity or regressivity, and as a tax on housing wealth does it address wealth inequality?
3. As the primary source of domestic local taxation does the tax contribute to local democratic accountability for local government?
4. How do we judge the wider housing market and economic consequences of the tax reforms proposed? Does the tax contribute constructively to wider reforms of the finance and service delivery of local government?

What is the wider case for adopting taxes on property as opposed to taxes on incomes, sales and other economic activities (see: OECD, 2021). The case for taxing property starts from its immovability which makes for a strong taxbase and a tax that is relatively more difficult to avoid. The failure to tax property consistent with other investments, and in particular housing, leads to a distortion that has real economic effects. It leads to an over-concentration of savings and investments on housing, a potentially volatile asset especially where the tax system encourage speculation. On the other hand, property taxation, if well designed, would improve market efficiency and potentially stabilise the market. It would also widen the tax base and lessen our reliance on income tax. A property tax can also be more progressive in relation to how wealth is taxed and encourage 'real' investment by savers in productive assets. We simply can't afford not to tax property properly.

Summary of what is wrong with the Council Tax and LBTT

The reasons why academics, think tanks and campaigns are arguing for a different approach to property taxation is because of the accumulation of increasingly widespread criticism of the status quo (Commission on Local Tax Reform, 2015). In summary, for the council tax, the lack of a general revaluation since 1991 in England and Scotland completely undermines the fiction of the tax as one on properties. Not only have properties massively increased in value, but their relative positions have shifted in the value distribution meaning that measured at current values, many properties, perhaps half of the housing stock are in the wrong council tax band. As time goes on, the council tax is less and less a property tax in any genuine sense.

The banding which concentrates properties in the lowest three or four bands (ie it is not proportional) also compresses tax payments compared to current property values and is in that sense regressive. At the same time in work going back to the Burt review (2006), the evidence suggests that across the income distribution, council tax payments are not progressive but regressive over much of the income distribution. Evidence from England also indicates that low value regions generate higher average council tax payments than high price regions (Leishman, et al, 2014).

LBTT, as with all transaction taxes, is not favoured by economists who see it as a tax on mobility and therefore a brake on the economy (Adam, et al, 2011; Hilber and Lyytikäinen, 2017). LBTT like its English version Stamp Duty Land Tax (SDLT) is also particularly prone to being intervened-in for different short term political or economic management considerations. While it is recognised that the tax raises significant tax revenue for Scotland, a case can be made for collapsing it in some way into whatever replaces Council Tax.

Proposals

Cheshire and Hilber (2021) propose several components wrapped around the idea of a proportional property tax i.e. a tax on the revalued to current prices capital value of the property. This would transition over time from both Council tax and SDLT, both of which would be phased out. There would be a national government tax rate to replace SDLT (with a surcharge on 2nd homes), councils would be free to set their own local tax rates with no claw back from central government. Properties worth less than £50,000 would be exempt. Properties would be revalued annually using statistical techniques and big data. There would be scope to defer tax payment until

sale or inheritance under certain circumstances (e.g. a large increase in value after revaluation). They also propose a revenue neutral green offset, reducing tax on more energy efficient properties and increasing it for less efficient homes. They also propose a 20% development levy to replace S106 (S75 in Scotland) and other developer contributions on all new homes.

The **Fairer Share** Manifesto suggests (p.11) eight key reforms which provide detail on the design principles of the Proportional property tax (PPT), involve:

1. The Council Tax band system should be replaced with a simple Proportional Property Tax, charged as a fixed flat percentage of property value. They estimate a (revenue-neutral) flat rate of 0.48%, with a higher rate of 0.96% for second, empty and non-resident owned homes.
2. Stamp Duty Land Tax (SDLT) should be abolished except for second home and non-resident buyers.
3. At the point of transition, any increase in property tax would be capped at £100 a month. The transitional protection would disappear at point of sale i.e. buyers would then benefit from the removal of SDLT.
4. Property tax should be collected not from tenants, but directly from owners, who are in a better position to pay. Proponents argue that this would bring England into line with international practice.
5. A deferral should be introduced for those owners unable to pay. Tax and a modest interest charge could be paid later or upon sale of the home.
6. Most current Council Tax reliefs and exemptions, including those for single occupants, second homes and empty homes – would be abolished.
7. A revaluation of all residential property must take place as soon as possible, with annual revaluations thereafter. Improvements in technology make this much more feasible than in the past.
8. Property tax should apply to undeveloped plots of land that have received planning permission. This would discourage developers who purchase land and refrain from building while they wait for the value of the plot to increase.

John Muellbauer's tax proposal is for a split rate tax, along the lines of the IFS tax review (Adam, 2011) which argues for an efficient land value tax which is good for paying for economic and social infrastructure (given that they increase local property values through land value uplift), but additionally adds a tax on the building or structure itself as a form of consumption which should be taxed in an efficient system. Presumably this would also allow non-owners of property (i.e. tenants) to contribute to funding local public services¹. The tax element on buildings would receive the green discount element for energy efficient buildings, and Muellbauer proposes a zero rate for carbon neutral buildings (p.10). He also proposes a tax allowance on the land value element).

A key argument is Muellbauer's deferral proposal. He points out that these schemes are widely used internationally. Muellbauer proposes a simple and broad-based scheme eligible for all households headed by a person who is of retirement age.

¹ Muellbauer's proposal is not clear about this question.

Muellbauer proposes a three year phase in of 2/3 old tax, 1/3 new tax; 2/3 new and 1/3 old in year two and in year three only the new tax.

Tim Leunig (2024) Leunig wants to abolish the stamp duty land tax and spreads the required tax revenue more broadly, while also replacing council tax. He proposes a two-part or 'horizontal' split tax with an annual national tax to replace STDL (levied on owner-occupied homes only) *above a minimum of £500,000* set at 0.54%, with a supplement of 0.278% for properties worth more than £1 million (thus achieving revenue neutrality with SDLT). The payment would rise annually linked to inflation. At the same time, the council tax replacement would be levied on properties valued *at under £500,000* operating with a minimum annual payment for all of £800 – rates would be set locally by councils with a 0.54% rate offering revenue neutrality. The local tax would only apply to property owners not residents.

Leunig argues for this horizontal split because it keeps the more volatile tax source (SDLT) with national government which has better capacity to handle uncertain buoyancy. Leunig is concerned with the unfairness of regional variations in tax bills. The author argues that looking at the distribution of local authorities before and after the proposed reforms, only 36 councils would have a rise or fall of more than 25% of revenue and that his might be more readily accommodated, presumably through forms of resource equalisation via central government.

Conclusions

Reflecting on the similarities across these proposals, I am struck by the consistent desire to tax property ownership, to reduce the anomalies associated with the council tax and housing transactions taxes, the preference for (annually revalued) proportionate property taxes that combine local and transactions taxes, the proposed use of deferred payment schemes, and adding in low value exemptions and discounts for energy efficient properties. All the proposals take transition seriously in moving away from the status quo. All the schemes cost up their proposals which tend to save on bills and redistribute payments to a significant extent.

There are differences between the proposals but there is much that they share and most of the differences are of a second order rather than fundamental ones.

What is missing from these proposals? They are all but silent, first, on wider reform of local government finance beyond recognising the need to increase resource equalisation in the face of a changing property tax base which will have considerable regional variations. They also don't consider whether the grant system needs to change more widely, or whether the non-domestic rates system ought to be fully returned to local government and move away from the national or uniform business rate? More broadly, almost all the proposals are equally silent on wider questions of decentralising and empowering local government and reversing decades of centralisation (the exception is Cheshire & Hilbers and Fairer Share who do indicate an element of empowering proposals for local government).

While there is support for deferred payments, the proposals are silent on a general national low-income rebate for poorer households – something lost in England by the 2012 Localism Act (though not in Scotland).

For me the biggest challenge with these proposals is the tension between their position as taxes on housing wealth aimed at owners of property and making markets work more efficiently, versus their role as a domestic tax to pay for local public services. Only Muellbauer conceivably (though not explicitly) hints that tenants could pay for local services through the tax on building structures that he proposes. In terms of our evaluative criteria, the proposals are strong on wider economic and housing market effects but for me are problematic in terms of promoting local democratic accountability – most obviously because the schemes other than (perhaps) that from Muellbauer exclude tenants from paying for local services through the tax system. Do they not still vote for local services but would now do so without personal financial consequences? I don't think that can be right or that it would ever be politically acceptable. The IFS in their work on reforming the tax system envisaged a tax on housing services (perhaps rental value), a bit like the old domestic rates, is that a way forward.

A final reflection concerns political acceptability. It is widely argued that the experience of the poll tax has made politicians and voters highly reluctant to change from the current council tax status quo. But is that really true? Slack and Bird reviewed successful and unsuccessful attempts to reform property taxes internationally (see the table in the appendix). They found that combining tax reform with demonstrable improvements to local services, phasing-in the transaction and damping changes to bills, providing more payment options like deferrals, low value housing exemptions, educate taxpayers and communicate clearly and honestly, and standardising annual revaluations – all helps to make reform possible and credible.

Finally, as part of our work with Joseph Rowntree Foundation we undertook a citizen's panel in Glasgow last summer regarding council tax reform. After spending a day neutrally walking through how the council tax system operates and explaining its features, we found in deliberative debate considerable levels of support for both minor reforms to the existing system and more thoroughgoing support for reforms along the lines of a proportionate property tax. Citizens were attracted to fairer payments, to the principle of property taxation, and for better local services.

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Annex: Slack and Bird Challenges and Proposals around Effective Property Tax Reform

Issues & Problems	Promising Approaches	Less Promising Approaches
Salience: property tax is more noticeable than other taxes	Conjoin tax reform with improvements in local services; withhold tax at source or other payment options; phase-in changes	Set revaluation limits; cap or freeze the property tax
Liquidity Constraints: imperfect association between taxpayer incomes and property taxes, especially for seniors	Offer tax deferrals for seniors; provide more payment options; phase-in changes	Set assessment limits; cap or freeze the property tax
Perceived Regressivity: taxes higher as a percent of income for low-income taxpayers	Offer property tax credits; offer tax deferrals; bundle with other tax reforms; package with expenditure changes; provide low income housing exemptions	Implement banding
Volatility: potentially large swings in taxes for some taxpayers (not an issue with Council Tax but potentially with other property taxes)	Conduct annual revaluations; index the tax base; provide taxpayer education; communicate in an understandable form; phase-in changes	Set assessment limits; cap or freeze the property tax
Presumptive Tax: tax base is inherently arbitrary	Provide taxpayer education; conduct public consultations; make revaluation appeal process accessible; phase-in changes	Allow self-assessment for revaluation; implement classified property tax rates; set progressive tax rates; set revaluation limits; cap or freeze the property tax
Inelasticity (a problem for local governments, not taxpayers): taxes do not increase with growth	Conduct annual revaluations; index the tax base; phase-in changes	

Source: derived from Slack, E and Byrd, R (2015) Table 2

**Submission from the Chartered Institute of Taxation (CIOT) and its Low
Incomes Tax Reform Group (LITRG)**

Executive Summary

- 1.1. We welcome the opportunity to participate in this council tax inquiry, by making a written submission to the Local Government, Housing and Planning Committee in advance of providing oral evidence in February 2025.
- 1.2. There can be a perception among the general public that council tax is unfair. There are a number of reasons for this – outdated valuations, the operation of the banding system, the use of property value as a measure of ability to pay council tax, the operation of discounts and exemptions and perceptions of value for money.
- 1.3. It is important to note that what is fair is subjective. The CIOT and LITRG think that, in order for a tax to be considered fair, it must tax the base that it is meant to tax and that the tax base must be accurately assessed or valued. At present, the council tax is intended to be spread in line with the value of domestic property. To some extent it fulfils that intention, however the fact that it is based on property valuations that are either more than three decades old or hypothetical, means that the intended tax base is not accurately assessed.
- 1.4. Council tax is regressive by reference to its tax base of property value. This is on two counts. Firstly, the same basic tax charge applies to all properties that fall within the same valuation band. So, a property with a value at the lower end of the band generates the same tax charge as a property with a value at the higher end of the band. So, within a valuation band, the effective tax rate actually decreases as property values increase. Secondly, the effective rate of council tax broadly decreases as property values move up the banding schedule.
- 1.5. We think that a prerequisite for future changes to council tax is a full revaluation of all properties in Scotland. This is because it is not possible to assess and address the regressive nature of council tax in a meaningful and fair way without first ensuring that the values according to which you are spreading the burden of tax are in fact correct. Once there has been a full revaluation, other reforms could be approached in the knowledge that the tax base is accurate and that reforms will affect the appropriate/intended properties.

2. Introduction

- 2.1. We welcome the opportunity to make a written submission in advance of providing oral evidence to the Local Government, Housing and Planning Committee in February 2025.
- 2.2. The CIOT and its LITRG have engaged with the Scottish Parliament, Scottish Government and the Convention of Scottish Local Authorities (COSLA) for many

years on the topic of council tax reform. This has included providing written submissions (either jointly or individually) to the Scottish Government’s consultation on a fairer local tax for Scotland (2008), the Commission on Local Tax Reform’s work on alternatives to council tax (2015),² the Scottish Parliament’s Local Government and Communities Committee call for evidence on The Council Tax (Substitution of Proportion) (Scotland) Order 2016,³ and the Scottish Government and COSLA consultation on a fairer council tax (2023).⁴

- 2.3. The CIOT carried out a survey of its members in 2015 to inform its response to the Commission on Local Tax Reform, and in early 2023, commissioned the Diffley Partnership to carry out a representative survey of the Scottish public to assess attitudes to council tax reform in Scotland.⁵
- 2.4. The survey found that 48 per cent of respondents strongly agreed or tended to agree that the present system should end (compared to 8 per cent who disagreed, 27 per cent who neither agreed nor disagreed and 17 per cent who did not know). When asked about specified possible options for local tax, respondents showed strong support or support as follows:
- Replace council tax with a local income tax – 26 per cent
 - Reform council tax to better reflect property values within existing council tax bands – 44 per cent
 - Replace council tax with a property tax based on a percentage of home value – 22 per cent
 - Replace council tax with a land value tax based on the value of the land on which a property is built 23 per cent
- 2.5. The CIOT and its LITRG have continued to raise the discussion of council tax reform as part of the future of the devolved taxes landscape in Scotland, particularly so in the last ten years. LITRG wrote a blog post in 2024 called, Council tax – where do we go from here?⁶ The blog explored some of the reasons for the perceived unfairness of council tax, and some suggestions as to how to resolve this.
- 2.6. During the course of our combined work on council tax in Scotland, we have considered possible changes that might make it align better with the Adam Smith principles, to which the Scottish Government has committed: certainty; the burden proportionate to the ability to pay (the canon of equality); convenience; efficiency of collection.⁷ We also bear in mind the CIOT’s stated objectives for the tax system⁸

² <https://www.litrg.org.uk/submissions/whats-future-local-taxation-scotland>

³ <https://www.litrg.org.uk/submissions/call-evidence-council-tax-substitution-proportion-scotland-order-2016>

⁴ <https://www.litrg.org.uk/submissions/consultation-fairer-council-tax>

⁵ <https://www.tax.org.uk/ciot-publishes-poll-data-on-attitudes-to-council-tax-reform-in-scotland>

⁶ <https://www.litrg.org.uk/blog-post/council-tax-where-do-we-go-here>

⁷ <https://www.gov.scot/policies/taxes/>

and LITRG's seven principles for the tax system, as set out in its paper 'A better deal for the low-income taxpayer'.⁹

3. Background

- 3.1. Council tax is a local tax, the revenue of which helps to fund local authorities. It was introduced in 1993, and the rate of tax payable is based on values of residential property as at 1 April 1991 in Scotland. Council tax is chargeable on the occupier or owner of a property. In 2022/23, council tax across Scotland raised £2.8 billion, which equated to roughly 19 per cent of councils' general funding.¹⁰
- 3.2. As can be seen from the number of reviews and consultations that have been undertaken over the course of the past twenty years, there is recognition that the present system of council tax may need reform. However, as demonstrated by the results of the CIOT commissioned survey in 2023, although there is support for change, there is no consensus as to what form the change should take. Similarly, while there has been broad support for reform across the parties represented in the Scottish Parliament, it has not been possible to find a consensus position.
- 3.3. Of all the taxes that the Scottish Parliament has power over, council tax perhaps provides MSPs with the greatest scope for reform. Most other taxes are more difficult to reform, either because they raise relatively smaller amounts of revenue, or because the ability to make changes is impacted by decisions taken by the UK Parliament.
- 3.4. In our submission we set out our thoughts on current perceptions of council tax, revaluation of domestic properties, other possible reforms and considerations if reforming council tax.

4. Perceptions of council tax

- 4.1. There can be a perception among the general public that council tax is unfair.¹¹ There are a number of reasons for this – outdated valuations, the operation of the banding system, the use of property value as a measure of ability to pay council tax, the operation of discounts and exemptions and perceptions of value for money. We explore these further below.
- 4.2. Firstly, it is important to note that what is fair is subjective – the definition of fairness differs from person to person. The CIOT and LITRG think that, in order for a tax to be considered fair, it must tax the base that it is meant to tax and that the tax base must

⁸ <https://www.tax.org.uk/improving-tax-policy>

⁹ <https://www.litrg.org.uk/reports/better-deal-low-income-taxpayer>

¹⁰ <https://www.gov.scot/publications/funding-local-government-scotland-2024-25/pages/2/>

¹¹ The Welsh Government has commissioned surveys of public attitudes to council tax. These demonstrate that a significant proportion of the population in Wales views council tax as unfair: <https://www.gov.wales/public-attitudes-council-tax-0>

be accurately assessed or valued. At present, the council tax burden is intended to be spread in line with the value of domestic property. To some extent it fulfils that intention, however the fact that it is based on property valuations that are either more than three decades old or hypothetical, means that the intended tax base is not accurately assessed.

4.3. *Outdated property valuations*

4.3.1. The fact that property valuations are outdated contributes to the perception that council tax is unfair. Although some changes can affect the council tax band in which a property is placed,¹² by and large, the banding of a property is still dictated by a valuation that is now over 30 years old. This creates a number of issues, including the following.

- Different properties have increased in value at different rates since 1991, meaning that if all properties were revalued, many properties would be in different bands. In fact, analysis carried out by the Commission on Local Tax Reform suggested that over half of all properties in Scotland would have changed band if there had been a revaluation in 2014.¹³
- There are many domestic properties that were built after the 1 April 1991 valuation date. These have all been placed in a valuation band based on a hypothetical value. This means it is impossible to tell whether the band allocation is reasonable. This creates distortions between such newer properties and those that were actually valued in 1991.
- Inevitably, some properties that are now of similar value have very different council tax liabilities from each other. Likewise, there are undoubtedly households in lower value properties paying more council tax than households in higher value properties. This means there is a reduction in both horizontal and vertical equity.
- As main residences are not subject to capital gains tax, some increases in property value since 1991 are entirely untaxed.

We discuss revaluation further below – see paragraph 4.

4.4. *The operation of the banding system*

4.4.1. The way in which the banding system operates also leads to perceptions of unfairness. There are eight council tax bands. The same basic tax charge (before taking into account any discounts) applies to all properties that fall within the same valuation band. So, a property with a value at the lower end of the band generates the same tax charge as a property with a value at the higher end of the band. So, within a valuation band, the effective tax rate actually decreases as property values

¹² <https://www.gov.uk/council-tax>

¹³ <https://fraserofallander.org/tweaking-around-the-edges-of-council-tax-does-not-fix-its-fundamental-flaws/>

increase. By reference to its tax base of property value, therefore, council tax is regressive in nature.

4.4.2. Moreover, as we can see by looking at the schema for 2024/25 from Argyll & Bute council (Appendix 1), the effective rate of council tax broadly decreases as property values increase. That is, broadly the effective rate of council tax gets lower as you move up the banding schedule.

4.5. ***Property value as a measure of ability to pay***

4.5.1. One view of fairness is that a tax should be proportionate to the taxpayer's ability to pay. There can be a perception of unfairness because council tax is based on property value. It does not take account of other measures of ability to pay, such as level of income or other forms of wealth.¹⁴ This can raise concerns about the ability of some households to pay, for example, where someone on a low income lives in a property that has a high value. However, there are other taxes and charges, such as income tax, National Insurance contributions and student loan deductions, that take into account someone's level of income. Other taxes, such as VAT, tax consumption of goods and services. When considering whether a tax is fair or not and how to reform council tax, consideration needs to be given as to whether it is fairer to repeatedly assess the same tax base, such as income, with different taxes, or whether it is fairer to assess a different tax base, such as wealth or property value, as council tax does.

4.6. ***Discounts and exemptions***

4.6.1. In order to try to address the regressive nature of council tax, there are a number of discounts, reductions and exemptions that are available.¹⁵ However, there is a problem with uptake of some of these, like council tax reduction. This may be caused by the wide range of discounts and exemptions, the complex conditions for some, and the need for taxpayers to proactively apply for some of them. There is sometimes little publicity about discounts and exemptions, so people need to seek out the information on their local council's website. Application forms can be long and complex. Additional information requirements can also put some people off applying.

4.7. ***Use of council tax revenues – value for money***

¹⁴ However, there are various council tax reliefs and exemptions that mean council tax tries to take account of income levels and other household circumstances. In order for these reliefs and exemptions to meet their objectives, it is essential that take-up is high.

¹⁵ Another view might be that council tax is not fit for purpose, because so many households are eligible for discounts and exemptions. Analysis carried out for the Welsh Government suggests that nearly half of households in Wales currently receive some sort of discount or reduction.

<https://www.gov.wales/council-tax-reform>

- 4.7.1. Another key issue related to perceptions of council tax concerns how the revenues generated are used. As noted above (paragraph 2.1), although council tax contributes to the funding of local councils, it only provides around a fifth of a local council's overall annual funding. The rest of their funds come from non-domestic (business) rates and central government grants (which are in turn funded by national taxes like income tax). Each local council uses the funding they receive to pay for local services. It is not unusual to hear a complaint about poor local services when council tax increases are mooted, or indeed to hear people protest that they don't use certain local services. This is because there is sometimes a misconception that council tax is a service charge. More awareness of what council tax pays for and the proportion of a council's budget that council tax forms might help reduce some of the dissatisfaction.
- 4.7.2. It is notable that the Welsh Government publicise what council tax is used for through a simple pie chart.¹⁶ It has not been possible to find anything similar on the Scottish Government's website, but this kind of information would improve transparency and might also serve to assist with the public perception of council tax.
- 4.7.3. Taxpayer understanding of the importance of council tax revenues and what they are spent on will further increase in importance during any period of council tax reform. Communication and education will be essential to break through negative perceptions of reform. The Welsh Government have tried to improve council tax education as they carry out work to reform council tax in Wales.¹⁷

5. Revaluation

- 5.1. As previously noted, council tax is based on property valuations from 1 April 1991. This means that council tax does not reflect actual property values and arguably cannot be fair. In our submissions to the Commission on Local Tax Reform and in our 2023 submission to the Scottish Government, we have recommended a full revaluation of all properties, plus a commitment to keep valuations regularly updated thereafter, for example, every three to five years. Otherwise, as we have stated previously, the council tax system will remain detached from reality.¹⁸
- 5.2. Following the work of the Commission on Local Tax Reform, the Scottish Government published proposals to reform council tax in March 2016.¹⁹ The main area of reform was to increase the ratios of the upper bands (E-H) relative to Band D. This meant that bills for Band E increased by 7.5%, Band F by 12.5%, Band G by 17.5% and Band H by 22.5%. No additional bands were added and the ratios for

¹⁶ <https://www.gov.wales/council-tax-reform>

¹⁷ This included the creation of a short YouTube video: <https://www.gov.wales/council-tax-reform>

¹⁸ <https://www.litrg.org.uk/press-release/failure-deal-revaluation-means-council-tax-will-remain-detached-reality>

¹⁹ <https://www.litrg.org.uk/submissions/call-evidence-council-tax-substitution-proportion-scotland-order-2016> and <https://www.legislation.gov.uk/ssi/2016/368/contents/made>

Bands A-D remained unchanged. A similar proposal was put forward in 2023.²⁰ In both 2016 and 2023 the proposals were badged as changes designed to make the system fairer.

- 5.3. However, there was no suggestion of carrying out a full revaluation of properties. A council tax system that does not reflect current property values and treats (or appears to treat) taxpayers unequally risks eroding trust. We therefore think that a prerequisite for future changes to council tax is a full revaluation of all properties in Scotland. This is because it is not possible to assess and address the regressive nature of council tax in a meaningful and fair way without first ensuring that the values according to which you are spreading the burden of tax are in fact correct. As it is, there is evidence that shows that properties are in the wrong bands and therefore amendments to the multipliers for the higher bands are likely to affect some of the wrong properties while failing to apply to some properties to which they should.
- 5.4. Once there has been a full revaluation, other measures could be approached in the knowledge that the tax base is accurate and that they will affect the appropriate/intended properties.
- 5.5. The Scottish Government has committed itself to an approach to tax policy making that aims to adhere to Adam Smith's four principles for tax, including that taxes should be proportionate to the ability to pay of the taxpayer. Failing to revalue properties for council tax potentially leaves Scottish Government open to criticism that significant numbers of taxpayers are paying the wrong amount of council tax in Scotland, because their properties are in the wrong council tax band, or because the value of their property has been simply made-up on a hypothetical basis.
- 5.6. It is notable that the Welsh Government previously carried out a revaluation, meaning that their council tax is currently based on property values from 2003. They have consulted on a further revaluation, which may now occur in 2028. The legislation also contains a commitment to regular revaluations every five years.²¹

6. Barriers to change and considerations before making changes

- 6.1. Council tax is considered a difficult tax to deal with. It is a very visible tax and can account for a high proportion of household expenditure. However, in our view, significant changes to council tax have been postponed for far too long. The longer that the failure to update property values persists, the more difficult it becomes to act, and any action taken without revaluation may not achieve its objectives.
- 6.2. At the 2021 Scottish Parliament elections, each of the parties now represented at Holyrood indicated, to varying degrees, an appetite for reforming council tax,

²⁰ <https://www.litrg.org.uk/submissions/consultation-fairer-council-tax>

²¹ <https://www.gov.wales/council-tax-reform> and <https://www.legislation.gov.uk/asc/2024/6/contents>

suggesting broad support for some type of change. In a parliament of minorities, long-term, sustainable reform, will only be possible if political consensus can be achieved.²²

- 6.3. Inevitably reform of council tax would cause some uncertainty, disruption and extra work for, among others, taxpayers, intermediaries and local government. A full revaluation will require significant administrative and financial investment. Reform is likely to generate significant comment. There will be winners and losers. People are likely to compare a new system with the existing system. It is important that all parties work together to overcome challenges. A key remedy will be communications. It will be important to have guidance that explains the changes and the reasons for them clearly. There will also need to be contingency plans to deal with unintended losers, for example through transitional rules.
- 6.4. It will be essential to consider interactions of council tax (and reliefs and exemptions) with other local and national taxes, universal credit and other welfare benefits, and also with other sources of local government funding, such as grants from the Scottish Government. Consideration may need to be given to distribution of funding across Scottish council areas, given some councils will benefit from much higher council tax revenues than others.

7. Other reforms

- 7.1. Council tax is currently a slab system. That means there is a single tax charge depending on which council tax band a property falls into. This creates a cliff edge at the boundaries of each council tax band, which can be observed in Appendix 1.
- 7.2. In addition to revaluation, there are other possible reforms that might make council tax more progressive, some of which we have previously suggested. These include:
 - The creation of additional bands at the higher end of property values.
 - The use of percentage rates of tax within bands, to make council tax more progressive within each band and also across the bands.
 - The review of property valuation bands.
 - A move away from a slab system. In addition to using percentage rates of tax rather than fixed charges for each band, apply each rate to the portion of the property value that falls within the relevant band.
- 7.3. Whatever reforms are made, it is likely that a system of reliefs and exemptions will continue to be necessary. Perhaps one of the most important, practical changes that could be made is to improve the take-up of discounts, reliefs and exemptions. This could be done by encouraging and assisting people to find out if they are eligible and helping them to apply.

²² <https://www.tax.org.uk/scottish-election-special-a-look-at-the-parties-tax-proposals>

8. About Us

CIOT

- 8.1. The Chartered Institute of Taxation (CIOT) is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 8.2. The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 8.3. The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 8.4. Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

LITRG

- 8.5. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litr.org.uk, to help make a difference to people’s understanding of the tax system.
- 8.6. LITRG works extensively with key stakeholders such as HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.

CIOT
LITRG
7 February 2025

Argyll & Bute Council – council tax 2024/25²³

The table below shows the Council Tax bands for Argyll & Bute Council for 2024/25. The column rate of tax/£1,000 (lower) is based on the lower level of each band. The column rate of tax/£1,000 (upper) is based on the upper level of each band. The rates between these points of value will vary.

It can be seen that, the rate of tax paid per £1,000 decreases within each band. It can also be seen that, in general, the rate of tax paid per £1,000 decreases from band to band.

Band	Property values	Council tax (£)	Rate of tax/£1,000 (lower)	Rate of tax/£1,000 (upper)
A	Below £27,000	986.13		36.52
B	£27,001 - £35,000	1,150.49	42.61	32.87
C	£35,001 - £45,000	1,313.84	37.54	29.20
D	£45,001 - £58,000	1,479.20	32.87	25.50
E	£58,001 - £80,000	1,943.50	33.51	24.29
F	£80,001 – 106,000	2,403.70	30.05	22.68
G	£106,001 – 212,000	2,896.77	27.33	13.66
H	Above £212,001	3,624.04	17.09	

²³ <https://www.argyll-bute.gov.uk/council-tax-and-benefits/council-tax>

Briefing for the Local Government, Housing and Planning Committee on Council Tax Reform

Fraser of Allander Institute, February 2025

Introduction

This briefing paper provides an overview of the areas of particular interest to the committee that were covered by the Commission on Local Tax Reform in 2015/16.

The Commission on Local Tax Reform was established by the Scottish Government in 2015 to examine alternatives to the current Council Tax system and explore options for a fairer and more sustainable approach to local taxation. The cross-party Commission²⁴ was co-chaired by Marco Biagi MSP (Minister for Local Government and Community Empowerment) and Councillor David O'Neill (President of COSLA).

Key Activities of the Commission:

The Commission reviewed research, engaged a range of tax experts, and considered international approaches to local taxation. It conducted extensive public engagement, including surveys and stakeholder meetings, to understand concerns about the current system and potential reforms.

The Commission analysed various local tax systems, including:

- A reformed property tax based on up-to-date property values.
- A land value tax that taxes the value of land rather than buildings.
- A local income tax that links tax directly to ability to pay.

A key part of its work was identifying practical, political, and economic barriers to reform.

The Fraser of Allander felt it was important to provide this evidence to Committee in part due to the difficulties with accessing the Commission's reports online in the years since the Commission concluded (at the time of writing, no online versions of volume 3 of the Commissions report were available¹).

More importantly, the issues covered by the Commission remain relevant to the questions asked by the Committee due to the lack of reform in the intervening years. Whilst other reports and consultations have been produced since, the information gathered from a wide range of experts and the public during the life of the Commission provides a through and broad evidence base to inform reform of Council Tax in Scotland.

This briefing note provides an overview of the evidence contained in the Commission's published reports covering the following areas:

²⁴ All Scottish political parties were represented in the Commission membership with the exception of the Scottish Conservative and Unionist party.

1. Barriers to change in this area and ways in which barriers to change could be addressed.
2. Arguments for and against a revaluation of domestic properties being undertaken in Scotland.
3. What Scotland can learn from other countries – for example Wales - in terms of their approaches to revaluation and reform.
4. Likely costs of any revaluation exercise in Scotland and how they should be funded.
5. Assuming that council tax remains one of the main local taxes in Scotland, what other reforms to the tax could be explored?

1. Barriers to reform and ways in which barriers to change could be addressed

The Commission on Local Tax Reform found several barriers to reforming the Council Tax system, based on evidence from public consultations, evidence from experts, and reviews of the literature. These barriers broadly fall into political, practical, economic, and public perception challenges.

Political Barriers

Lack of Consensus: The Commission found that achieving political agreement on reform was a key barrier to reform. Evidence from experts from other parts of the reported that there was consensus across political parties, but this has not been the case in Scotland.

Political Risk: The Commission recognised that major tax changes were politically sensitive, with concerns over public backlash. Previous attempts in Scotland, such as the Burt Report around a decade earlier, demonstrated how the absence of political buy-in had prevented progress. It concluded that any reforms needed political buy-in to succeed.

Practical and Logistical Barriers

Outdated Property Valuations: The Commission highlighted that Council Tax was still based on 1991 property values, meaning values used for banding do not relate to the current relative values of property. Although it found that revaluation was necessary for fairness, it also acknowledged that the process would be complex, costly, and politically challenging (explored in more detail in next section).

Transition Challenges: The Commission identified that moving to a new system would create "winners and losers," requiring a structured approach to help taxpayers adjust. It reviewed transitional relief frameworks as a potential solution.

Water and Sewerage Charges: The Commission considered whether to integrate or separate these charges from Council Tax, identifying it as an additional administrative challenge.

Economic and Social Barriers

Impact on Vulnerable Groups: The Commission recognised that any reforms needed to protect vulnerable groups, including disabled people, carers, and low-income families. The Commission recommended introducing a more extensive

income-based relief system, improving upon the existing Council Tax Reduction scheme.

Additionally, it explored the idea of a hybrid system that incorporates property value while also considering an individual's ability to pay for all taxpayers.

The Commission stressed the importance of a robust transitional framework to prevent undue hardship.

Asset-Rich, Cash-Poor Households: The Commission noted concerns about households with high-value properties but low incomes. It found that deferral schemes (on sale or on inheritance) could provide a solution.

Public Perception and Engagement Barriers

Disconnect from Local Priorities: The Commission identified that many people felt there was little connection between local taxation and the services they received. The Commission emphasised the need for greater transparency in tax collection and expenditure and pointed out the benefit of a system where local taxes are clearly linked to local service provision and democratic accountability. Recommendations include:

- Improving transparency in how local tax decisions are made and how funds are allocated.
- Enhancing public engagement to strengthen trust in local government spending.
- Ensuring local tax is billed and collected locally to reinforce the connection between taxation and local services.

Lack of Public Understanding: The Commission found that there was a lack of widespread understanding of how the current Council Tax system works, which affects public perceptions of fairness and makes reform more challenging.

The Commission stresses that any transition to a new system must be accompanied by a comprehensive public information campaign. It recommended:

- Clear communication on who is liable for tax and what they will pay.
- Education initiatives to improve understanding
- Transparent explanations of how tax revenues support local services.

The benefits of better understanding of tax reform evidenced by the series of events held by the Commission across Scotland to gather perspectives. Participants often came to the sessions with a basic understanding of taxation but developed more nuanced opinions as they learned more about the complexities of each tax model.

2. Arguments for and against a revaluation of Council Tax in Scotland

The 2016 Commission looked into revaluation of the current Council Tax in detail and reported the following findings.

Arguments for Revaluation

Fairness and Accuracy: The Commission heard consistently that property valuations for Council Tax remained based on 1991 figures, leading to significant distortions. Properties that had risen in value over time were often under-taxed, while others that had seen less appreciation continued to be over-taxed. The Commission concluded that revaluation was necessary to ensure that Council Tax reflected up-to-date property values and operated more fairly in line with current market conditions.

Public Perception and Transparency: Evidence presented to the Commission highlighted widespread public dissatisfaction with the fairness of the current system. Many people viewed the outdated valuations as confusing and unfair. The Commission determined that revaluation could improve public trust by increasing transparency and making the tax system easier to understand. A more progressive approach was also seen as a way to enhance public confidence in local taxation.

Introduction of New Bands: The Commission identified revaluation as an opportunity to revise the existing banding structure. Evidence suggested that the current system failed to capture the full range of property values, particularly at the higher end. The introduction of additional bands was considered a way to make Council Tax more progressive while maintaining the simplicity of the banding system.

Addressing Anomalies: The Commission found that newer properties were often misclassified due to the continued reliance on estimated 1991 values. As a result, some properties were placed in bands that did not accurately reflect their market worth relative to older properties. Revaluation was identified as a key mechanism to address these anomalies and ensure all properties were assessed on a fair and consistent basis.

Economic Efficiency: The Commission examined research suggesting that failing to update property values undermined the economic efficiency of the tax system. It found that property and land taxation worked best when based on accurate valuations, helping to minimise distortions in the housing market and ensuring a fairer distribution of tax burdens.

Revenue Neutrality: The Commission considered concerns about potential tax increases and noted that revaluation could be implemented in a revenue-neutral manner. While some households would see an increase in their tax bills, others would see reductions, ensuring a more balanced distribution of tax liabilities without necessarily increasing overall revenue.

International Best Practice: The Commission reviewed international approaches to property taxation and found that, whilst revaluation of property tax was often difficult, many countries nevertheless conduct regular revaluations to maintain fairness and efficiency. Scotland was identified as an outlier in having gone so long without updating its valuations, reinforcing the case for reform.

Challenges Identified by the Commission

Political Challenges: The Commission acknowledged that revaluation was politically sensitive, as some households would inevitably see tax increases. It found that public perception played a key role, with many assuming that revaluation would

automatically lead to higher bills for everyone. Political reluctance to engage with the issue was identified as a significant barrier to reform.

Cost and Administrative Complexity: The Commission examined estimates that suggested revaluation could cost several million pounds and take years to complete. It found that, while a necessary step, the financial and administrative burden of revaluation would need to be carefully managed.

Increase in Appeals: Evidence reviewed by the Commission indicated that revaluation would likely generate a surge in appeals from property owners disputing their new tax bands.

Potential Tax Increases for Some Households: The Commission recognised concerns that revaluation could result in higher Council Tax bills for some households, particularly in areas where house prices had risen sharply. It identified a need for transitional protections to support households on low and fixed incomes and ensure changes did not lead to financial hardship but that the administration of this could be complex and costly.

Geographical Shifts in Tax Burden: The Commission found that property price growth had been uneven across Scotland, meaning some areas would see significant tax increases while others would see reductions. This could alter the financial relationship between local authorities and central government, with some councils becoming more dependent on government grants.

Volatility and Stability Concerns: The Commission identified the risk that frequent revaluations could introduce volatility, particularly in areas where property values fluctuate significantly. It concluded that while regular updates were necessary, safeguards should be in place to avoid sudden, unpredictable changes in tax bills.

Disincentive to Improve Properties: The Commission considered concerns that revaluation could discourage homeowners from making improvements to their properties, fearing increased tax liabilities. It noted that this issue could be mitigated through exemptions for minor improvements that did not require planning permission.

Need for Political Independence: The Commission recognised concerns that revaluation could be influenced by short-term political pressures. It considered that making regular revaluations a statutory requirement could help ensure that valuations remained up to date without political interference.

3. Likely costs of any revaluation exercise in Scotland

The Commission heard evidence from the Scottish Assessors Association (SAA) on the costs of revaluations. Given close to a decade has passed since these estimates were provided, they are unlikely to now be accurate given inflation and changes in technology.

We note in the minutes of the Joint Working Group on Sources of Local Government and Council Tax Reform: August 2023 that the SAA presented a paper with an

outline of the resource costs and work necessary to undertake a revaluation, although we are unsure if this is publicly available.

At the time of providing evidence to the Commission, the SAA also indicated that the timescale for implementation may be shortened and the costs decreased should suitable computer aided mass appraisal (CAMA) methodologies be made available to Assessors. Such methods, they reported, are likely to be of assistance as a check on values thereby minimising errors in valuation. At the time however methodologies had not been fully evaluated by Assessors for their accuracy and they indicated that further work would be required to establish applicability and to quantify their effect on implementation times and costs.

4. Learning from revaluation and reform in Wales, Northern Ireland and Ireland

Wales had revalued Council Tax based on 2003 values, Northern Ireland revalued domestic rates based on 2005 values and Ireland introduced a local property tax based on 2013 values. The Commission heard from the following witnesses, who held their respective positions at the time:

- Eugene Creighton, Head of Large Cases Division, Irish Revenue
- Micheál Collins, NEVIN Institute, Dublin
- Peadar Davis, Ulster University
- Brian McClure, Department of Finance and Personnel (Northern Ireland) (DFPNI);
- Jon Rae, Welsh Local Government Association;
- Nick Jones, Rhondda Cynon Taf Council

All emphasised the importance of clear and accessible information for the public, explaining the reasons for the changes, the process of valuation, and the potential impact on individual households.

The importance of reliable data in tax reform and public communication was highlighted. Welsh witnesses cited an early sample suggesting 25% of properties would move up a band and 25% down, but in reality, 33% moved up and only 8% moved down. They noted this was the only major controversy, but overall, they felt the revaluation was generally accepted, evidenced by the fact that it was not an election issue in 2005. Some protests occurred, particularly from fixed-income groups in areas like Cardiff and Wrexham where house prices had risen above average. High growth in some areas were a key reason for the introduction of a transition scheme.

In Northern Ireland, the Department of Finance and Personnel (DFPNI) published forecast analyses well in advance of the reforms and updated them throughout the process. Some media outlets highlighted significant predicted increases in bills, which may have ultimately been beneficial, as the actual bills turned out to be much lower. The valuation date was set in 2005, while billing began in 2007. During this period, rapid house price inflation may have contributed to greater public acceptance of the tax because it was based on below current market prices. In Ireland, the Irish tax rate and average bills were relatively small, which may have helped make the system more acceptable for the public.

Overall, the experiences shared by Northern Ireland, Ireland, and Wales highlighted the critical role of clear, transparent, and data-driven communication in the successful implementation of local tax reforms. Other common factors for success included being able to provide the public with accurate information about the changes, ensuring they are engaged in the process, and being prepared to address any concerns that may arise.

5. Assuming that council tax remains one of the main local taxes in Scotland, what other reforms to the tax could be explored?

The commission explored a number of alternatives to council tax (reformed council tax, full property tax, local income tax, land value tax) and the insights from public engagement here is relevant to this question because while many participants initially favoured one tax model over others, their perspectives shifted as discussions progressed. Recognising the strengths and weaknesses of each approach, many moved towards supporting a mixed system that combined elements of different models. This was seen as a way to balance fairness, stability, and practicality.

In their recommendations, the Commission broadly supported moves towards a hybrid tax system which combines factors such as property value, land value, wealth, and income.

With respect to reform of the Council Tax as is, the following issues were raised:

Revising Banding Categories:

More Bands and Thresholds: The Commission heard that revising the banding categories could make the system more progressive. This could have involved creating more bands with new thresholds, especially for higher-value properties, to ensure that those in more expensive homes paid a greater proportion of their property's value in tax.

Progressive Ratios: The Commission heard proposals to introduce more progressive ratios between the bands. Some suggested that the bands should have been smaller with more graduation to provide a fairer and more progressive system.

Removing Bands: The Commission heard that some respondents suggested removing bands entirely and basing calculations on a percentage of property value, with no upper limit.

Reforms to the Council Tax Reduction Scheme and discounts:

More Robust System: The Commission heard that the Council Tax Reduction (CTR) scheme was seen as complex and insufficient to support households struggling financially.

Streamlined System: The Commission heard calls for a streamlined system of reductions. Some suggested that the system of reductions, discounts, and exemptions should have been reviewed and extended for certain households. The Commission heard that some believed existing discounts, such as those for single people or second homes, should have been reviewed.

Local Flexibility and Control:

Local Discretion: The Commission heard calls for local authorities to have greater discretion over the system, allowing them to vary tax rates and apply different exemptions, discounts, and reliefs. Some suggested that local authorities should have had the power to raise additional taxes to meet local circumstances.

Local Accountability: The Commission heard evidence that increasing local financial accountability could have strengthened local democracy, with councils being able to vary the rate of local taxation.

Local Priorities: The Commission heard arguments that local tax systems should have been fully devolved to local authority level. Some suggested that local authorities should have been able to design a basket of taxes to meet local circumstances, building a broad and diverse tax base.

Addressing Water and Sewerage Charges:

Separate Billing: The Commission heard that there were calls to disconnect council tax payments from Scottish Water payments and to provide more clarity on what services people were paying for. There was discussion about the possibility of a separate billing system.

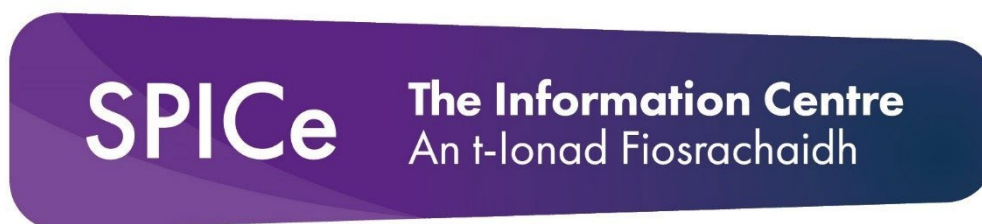
Inclusion in Income Tax: The Commission heard suggestions that payments for water and sewerage could have been made through a local income tax.

Conclusions

The wide breadth of evidence collected during the lifetime of the Commission on Local Tax reform provides an extremely useful evidence bank for those looking at reform and it should be drawn upon in this current inquiry to avoid duplication of effort.

The view of the Fraser of Allander Institute is that, despite the wealth of evidence collected, the scale of reforms that the Commission set out as being necessary did not occur - most regrettably the lack of revaluation. It is the view of the Fraser of Allander Institute that the lack of political will remains the most significant block to reform and more work is needed to understand how to overcome this barrier.

EndNote: The Commission's website is still online at <https://localtaxcommission.scot/download-our-final-report/>, and the main report is available as a HTML version. The PDF links to download versions of the report (volume 1), the technical annex (volume 2) and the compendium of evidence (volume 3) were not working at the time of writing. PDF copies of volumes 2 and 3 have been released as part of a Scottish Government FOI (<https://www.gov.scot/publications/foi-202300377072/>)



Local Government, Housing and Planning Committee

5th Meeting 2025, Tuesday 18th February
Council Tax – potential changes

Today's witnesses

Panel 1:

- Sara Cowan, Director Scottish Women's Budget Group
- Professor Ken Gibb, Professor in Housing Economics (Urban Studies & Social Policy), University of Glasgow
- Professor David Heald, Emeritus Professor, Adam Smith Business School, University of Glasgow.
- Joanne Walker, Technical Officer, Low Income Tax Reform Group (an initiative of the Chartered Institute of Taxation).

Panel 2:

- David Phillips, Associate Director and Head of Devolved and Local Government Finance, Institute for Fiscal Studies.
- Emma Congreve, Deputy Director, Fraser of Allander Institute.

Background

1. The Committee is holding a short inquiry on the potential for changes to the current council tax system in Scotland. The inquiry is interested in exploring the following key themes:
 - Progress made by the [Joint Working Group on Sources of Local Government Funding and Council Tax Reform](#) since its first meeting in 2022.
 - Barriers to change in this area.
 - Ways in which barriers to change could be addressed.

- Arguments for and against a revaluation of domestic properties being undertaken in Scotland.
- What Scotland can learn from other countries, including for example, Wales, in terms of their approaches to revaluation and reform.
- Potential costs of any revaluation exercise in Scotland and how it should be funded.
- Assuming that council tax remains one of the main local taxes in Scotland, what other reforms to the tax could be explored?

Why is the Committee looking at this now?

2. It is now ten years since the [Commission on Local Taxation](#) – set-up by the Scottish Government and COSLA - called for the end of the current council tax system. It was a very thorough piece of work, but it didn't lead to any big changes. According to Professor Ken Gibb, [writing in November](#), the Commission “proposed abolition [of council tax] but led only to anaemic reforms”.
3. Wales has just passed legislation committing to a council tax revaluation in 2028 and every five years afterwards. They also did a revaluation in 2003 – and it would be good to hear about lessons learned from the Welsh experience.
4. The Joint Working Group on Sources of Local Government Funding and Council Tax Reform (JWG), co-chaired by Scottish Ministers and COSLA has existed for more than two years. We haven't heard much about this since 2023. It would be useful to get an update on its work.
5. This Committee hasn't looked at council tax this session, and the fact that the current system is based on 1991 house values has not gone unnoticed by stakeholders.

What is council tax?

6. Council tax is a local tax on domestic properties which helps pay for local authority services. All households pay council tax unless exempt (see below). The owner or occupier of the property pays the tax.
7. It was introduced on 1 April 1993, placing every “[dwelling](#)” in Scotland into one of eight valuation bands (A to H). Each [Council Tax Band](#) represents a range of capital values at 1 April 1991. The average band D council tax for 2024-25 is £1,421, somewhat lower than the [averages in England and Wales](#).
8. Although a local tax, it is the Scottish Government that determines the tax base to which the tax rates apply. The multipliers that exist between bands are also set by national government.

9. The Scottish Government is responsible for making decisions about the overall council tax system and funding the [Council Tax Reduction scheme](#). The Scotland-wide, means-tested, Council Tax Reduction Scheme supports around 450,000 lower income households in Scotland.

Exemptions and other reductions

10. There are certain classes of dwellings which are exempt from council tax, as originally set-out in the [Council Tax \(Exempt Dwellings\) \(Scotland\) Order 1997](#) (subsequently amended in 2012 and 2018). Exempt dwellings include various types of unoccupied dwellings (e.g. a dwelling owned by someone who has recently passed away) and various occupied dwellings (such as halls of residences, dwellings occupied by young care leavers and armed forces accommodation). A list of exempt properties is available on [the Citizens Advice Scotland website](#).
11. Council tax is payable on all other dwellings which are not considered exempt. However, there are various reductions and discounts available to certain types of premises and households. Citizens Advice Scotland includes a list of people who are disregarded for Council Tax purposes, for example, full time students and care leavers aged between 18 and 26: [Council Tax - Citizens Advice Scotland](#)
12. The Local Government Finance Act 1992 sets out that in dwellings where there is only one person resident, a 25% discount applies. Where there is more than one adult, other discounts may be available, for example if the second adult is a student or is “severely mentally impaired”. These are nationally set discounts. Local authorities should take “reasonable steps” to establish whether any discount should be granted before calculating council tax liability.

A local tax?

13. Council tax is the only locally set tax in Scotland, and even then, there are limits to what councils can and cannot do with it. For example, ratios between Council Tax bands are defined in national legislation and often the Scottish Government will aim to ensure a cap or freeze on any potential increases. Nevertheless, Council Tax Band D rates are set annually by councils, the tax is collected by local authorities, retained by them, and spent entirely on local services.
14. As a proportion of total local government income, council tax income is relatively low, comprising £2.8 billion in 2022-23, or 11% of total local government income (see [recent SPICe briefing](#)).

Previous commissions, inquiries and reports

15. Information on previous commissions, inquiries and reports is available in the [commissioned research report published by SPICe](#) two years ago. However, the main report worth considering is [that of the Commission on Local Tax Reform](#).

16. In 2015, following a recommendation by the Parliament's Local Government and Regeneration Committee, the Scottish Government and COSLA established the Commission on Local Tax Reform. The Commission reported in December 2015, concluding that "the present Council Tax system must end" and recommended local tax needs substantial reform because "some people are paying more than they should." It went on to note that previous attempts at reform had failed, and that "the opportunity for reform cannot be missed again".
17. Despite the efforts of the Commission, not too many changes were made as a result. However, in April 2017, the relative rates of tax applied to different council tax bands (the "multipliers") were changed. At that point, the Scottish Government increased the relative tax rates for higher bands: E, F, G and H. The aim of this was to raise revenue in a more progressive manner.

Joint Working Group on Sources of Local Government Funding and Council Tax Reform

18. The [Joint Working Group on Sources of Local Government Funding and Council Tax Reform](#) (JWG) was set up in 2022 and is co-chaired by Scottish Ministers and COSLA. Its remit is to:
- consider proposals for meaningful changes to council tax, including on second and empty homes.
 - consider options and approaches to longer term reform.
 - consider options for the forms of engagement to use
 - decide on the form that any outputs of these engagements should take, and responses to any recommendations.
19. In 2023, the JWG launched a "[consultation on a fairer council tax system](#)", focussing on further changes to the multipliers used for properties in valuation Bands E to H. The SG and COSLA acknowledged the criticisms of the present Council Tax system, "which is perceived by some stakeholders as unfair and regressive because it levies a higher tax rate on lower value properties, and a lower rate for higher value properties". However, after consulting on the proposals, the Scottish Government decided not to proceed (at the time of the council tax freeze being announced at the SNP conference).
20. More recently, the [Scottish Government wrote to the Committee last week](#) with an update on the JWG's work so far. This was accompanied by [news](#) that "the public will be invited to submit their views on how to make the Council Tax system fairer, as part of wider efforts to explore options and build a consensus for potential reform". As part of this process, "expert and independent analysis will be commissioned, including to provide high level analysis and modelling on alternative scenarios and reforms of the system". It is unclear what extent this will look at similar (or the same) issues covered by the Commission on Local Taxation ten years ago.
21. The IFS welcomed the announcement:

“This is a promising development... But it will fall to whoever is in office after the 2026 Scottish election to decide whether to go ahead with any reform... it will fall to whoever is in office after the 2026 Scottish election to decide whether to go ahead with any reform.”

22. There has been some degree of cynicism from certain parts of the Scottish press about this development: [A short history of SNP promises to reform council tax | The Herald](#). Others have been more optimistic: [The SNP needs to revamp council tax system to deliver one which works for all - Record View - Daily Record](#) and [SNP to take action on council tax to make it 'better and fairer' | The National](#).

The situation in Wales

23. Unlike Scotland and England, Wales *has* conducted a revaluation of domestic properties this century. Council tax bands in Wales are currently based on property values in April 2003 with the Welsh Assembly Government implementing changes in April 2005. It was estimated at the time that 58% of dwellings would stay in the same band, 8% would move down and around 33% of dwellings would move up by one or more bands. Anticipating this, the Welsh Assembly Government introduced a transitional relief scheme to ensure that no household's council tax liability would rise by more than one band above the band that they were in immediately before revaluation took place with £11 million provided in 2005-06.
24. The Welsh Assembly recently passed the [Local Government Finance \(Wales\) Act 2024](#) which establishes a five-yearly cycle of revaluations for council tax purposes from April 2028 onwards. The Explanatory Notes that accompanied this legislation estimated a revaluation for 2030 could cost in the region of between £12.8 and £15.2 million (Wales has around 1.5 million domestic properties, Scotland has 2.7 million).

Summary of submissions from today's witnesses

Submission from the Chartered Institute of Taxation (CIOT) and its Low Incomes Tax Reform Group (LITRG)

- There can be a perception among the general public that council tax is unfair.
- It is important to note that what is fair is subjective.
- Research conducted by the Welsh Government shows that a significant proportion of the population feel CT is unfair.
- For a tax to be considered fair, it must have a tax base that is accurately assessed or valued.
- Council tax is based on property valuations that are either more than three decades old or hypothetical.
- This means that the intended tax base is not accurately assessed.
- The fact that property valuations are outdated contributes to the perception that council tax is unfair.
- The council tax is regressive for two reasons.

- Firstly, the same charge applies to all properties within a band.
- A property with a value at the lower end of the band will pay the same tax as a property with a value at the higher end of the band.
- Secondly, the *effective rate* of council tax decreases as property values move up the banding schedule.
- [Tax paid by those in the highest value properties is three times the tax on the very lowest value homes. Whilst the highest value properties are worth around eight times, or more, than the lowest.]
- One view of fairness is that a tax should be proportionate to the taxpayer's ability to pay.
- There can be a perception of unfairness because council tax is based on property value. It does not take account of other measures of ability to pay, such as level of income or other forms of wealth.
- A prerequisite for future changes to council tax is a full revaluation of all properties in Scotland.
- It is not possible to address the regressive nature of council tax without ensuring that the values according to which the tax is based are correct.
- Once there has been a full revaluation, other reforms could be approached in the knowledge that the tax base is accurate.

Previous engagement and barriers to change

- The CIOT and its LITRG have engaged with the Scottish Parliament, Scottish Government and COSLA for many years on the topic of council tax reform.
- Of all the taxes that the Scottish Parliament has power over, council tax provides MSPs with the greatest scope for reform.
- A council tax system that does not reflect current property values and treats (or appears to treat) taxpayers unequally risks eroding trust.
- Council tax is considered a difficult tax to deal with. It is a very visible tax and can account for a high proportion of household expenditure.
- Inevitably reform of council tax would cause some uncertainty, disruption and extra work for, among others, taxpayers, intermediaries and local government.
- A full revaluation will mean significant administrative and financial investment.
- Reform will generate significant comment, and there will be winners and losers.
- Communication is key to ensure the success of any reform.
- It will be important to have guidance that explains the changes and the reasons for them clearly.
- There will also need to be contingency plans to deal with unintended losers, for example through transitional rules.
- It will be essential to consider interactions of council tax with other local and national taxes, universal credit and other welfare benefits.

Submission from Fraser of Allander Institute (FAI)

- The FAI's submission focusses on the work of the Commission on Local Tax Reform in 2015-16.

- The Commission found several barriers to reforming the Council Tax system, which broadly fall into political, practical, economic, and public perception challenges.
- The Commission found that achieving political agreement on reform was a key barrier to reform - any reforms needed political buy-in to succeed.
- Although it found that revaluation was necessary for fairness, it also acknowledged that the process would be complex, costly, and politically challenging.
- The Commission saw that moving to a new system would create "winners and losers," requiring a structured approach to help taxpayers adjust.
- It explored the idea of a hybrid system that incorporates property value while also considering an individual's ability to pay for all taxpayers.
- The Commission noted concerns about households with high-value properties but low incomes.
- It also noted that many people felt there was little connection between local taxation and the services they received.
- It found that there was a lack of widespread understanding of how the current Council Tax system works.
- The Commission heard consistently that property valuations for Council Tax remained based on 1991 figures, leading to significant distortions.
- Properties that had risen in value over time were often under-taxed, while others that had seen less appreciation continued to be over-taxed.
- Many people viewed the outdated valuations as confusing and unfair.
- International examples of property taxation found that, whilst revaluation of property tax was often difficult, many countries conduct regular revaluations to maintain fairness and efficiency.
- Scotland (along with England) was identified as an outlier in having gone so long without updating its valuations.

25. The FAI believes that evidence collected by the Commission on Local Tax reform provides an extremely useful evidence bank for those looking at reform and it should be drawn upon in the Committee's inquiry to avoid duplication of effort.

26. The view of the Fraser of Allander Institute is that, despite the wealth of evidence collected, the scale of reforms that the Commission set out as being necessary did not occur – "most regrettably the lack of revaluation". It is the view of the Fraser of Allander Institute **that the lack of political will remains the most significant block to reform** and more work is needed to understand how to overcome this barrier.

Institute for Fiscal Studies recent report on council tax reform

27. The IFS has not submitted a specific response to the Committee, but they are happy for their [report on council tax in Scotland](#) (published last week) to be their submission. This is a very timely contribution to the debate. Key findings include:

28. Problems with current council tax

- The lack of a property revaluation since its introduction over 30 years ago is “the most obvious problem with the tax”.
- If the Scottish Government wants to make the overall tax system more progressive, doing so through council tax would have less-damaging effects on work incentives, tax avoidance and migration than doing so through income tax.
- Council tax is regressive with respect to property value, by design. The tax levied on a band H property is 3.675 times higher than that levied on a band A property in the same council area, despite band H properties’ being worth (in 1991) at least 7.85 times more than band A properties.
- Properties now worth similar amounts can face bills that differ by hundreds of pounds because they used to be worth different amounts in 1991.
- This is unfair and we estimate that over half of properties are now effectively in the ‘wrong band’.
- The banded structure of council tax means that two properties on either side of a band cut-off can attract very different tax liabilities.
- This means households living in very similar properties can face very different tax bills.
- All band H properties in a council area pay the same tax regardless of whether they were worth £212,000 (in 1991) or were multi-million-pound mansions.
- The current system acts to distort the housing market
- A range of discounts and exemptions distort the usage of residential property, in particular contributing to both the overcrowding and the underoccupation of property.
- the single person discount produces a “distortion” that currently makes it cheaper for single-adult households, and more expensive for multi-adult households, to live in higher-band properties.
- this contributes to both under-occupation and overcrowding.

29. Recent changes

- The Scottish Government has already made its council tax less regressive than the system it inherited from the UK Government.
- Despite the 2017 reform, council tax is still highly regressive with respect to property value.

30. Practicalities of revaluation

- The Scottish Government should follow Wales’s lead and legislate for regular future council tax revaluations.
- Revaluation could mean that low-income households would see no change to their net bill due to the means tested council tax reduction scheme.
- Advances in computing mean it is now quicker and cheaper to revalue properties than it used to be, making regular revaluations more practical.
- If properties were revalued for council tax on a revenue-neutral basis and grant funding redistributed accordingly, we estimate that around 60% of households would see little change to their net bill.

- A small group of households, either moving more than one band or in one of the higher bands, would see their bills change more significantly.
- If grant funding were not adjusted, and if councils wanted to maintain their spending following reform, they would each have to raise the same amount of council tax revenue as presently.
- This would mean charging their residents the same average council tax bill after revaluation and reform as before.
- Revaluation would still lead to a big redistribution of tax bills across individual households within a council area (e.g. within Edinburgh), but it would not redistribute tax bills across council areas (e.g. between Edinburgh and Glasgow)*.
- The grant funding the Scottish Government provides to councils currently takes account of their existing council tax bases, so it would be natural to account for changes in tax bases as a result of any reforms to council tax.
- Adding more bands would allow for a more fine-grained relationship between property value and tax liability.
- The Scottish Government should consider adding a couple more bands at the bottom and the top if it wants to make council tax less regressive.
- However, the Welsh Government claim that having a small number of wide bands makes valuation easier and reduces the number of appeals.

31. Transitional arrangements and mitigation measures

- Any reform of council tax would mean losers as well as winners.
- Transitional arrangements – phasing in large changes in bills over several years – could help provide time for households to adjust to higher bills.
- An expanded CTRS could also provide support to those with low-to-middle incomes and low financial assets.
- There is also the option to support those above standard CTRS income thresholds who own their own homes (and are therefore ‘asset-rich’) by deferring their council tax for a period of time.

*An [advice paper written for the Royal Society of Edinburgh](#) in 2023 states:

“In the 32-year period since 1991, there has been a big shift of economic prosperity from the west of Scotland to the east of Scotland. This means that there is a geographical problem with 1991 valuations as well as an inter-household problem. Put bluntly, Council Taxpayers in the west are generally overpaying Council Tax, and those in the east are generally underpaying.”

Greig Liddell, SPICe Research
13 February 2025

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ANNEXE C: CORRESPONDENCE FROM CABINET SECRETARY FOR FINANCE AND LOCAL GOVERNMENT

11 February 2025

Dear Ariane,

Thank you for the Committee's continued interest in the work of the Joint Working Group on Sources of Local Government Funding and Council Tax Reform (the Group). I welcome the opportunity to give evidence, and also to provide an update on the Group's progress and outline the steps being taken to deliver on its remit.

The Group remains focused on achieving meaningful reform to make the Council Tax system fairer and more equitable. Working in partnership with local government is key to progress, in recognition that Council Tax is, first and foremost, a local tax which supports local services.

Below is a summary of our progress to date and the timescales associated with the key areas of activity.

Second and Long-Term Empty Homes

Our aim is for everyone in Scotland to live in a safe, warm and secure home that meets their needs. Nationally, we want to encourage more residential accommodation to be used as homes for living in and for these to be occupied for more of the time.

The Scottish Government and COSLA jointly consulted on changes to the Council Tax treatment of second and long-term empty homes. The consultation, which closed on 11 July 2023, focused primarily on proposals to increase Council Tax rates for these types of properties. Following an [independent analysis](#) of the responses, published on 24 October 2023, the Group carefully considered the views expressed. In December 2023, Scottish Ministers laid regulations to introduce a 100% Council Tax premium for second homes. As a result, from 1 April 2024, councils have the discretion to apply a discount of up to 50% or impose a premium of up to 100%.

In addition, we also introduced a grace-period from exposure to the Council Tax premium for long-term empty properties, in circumstances when a property is purchased by a new owner, and renovations or repairs are being undertaken. This aims to incentivise the occupation of previously unoccupied properties, by encouraging the purchase of long-term empty properties which may require renovation or repair.

These changes will allow councils to make decisions locally to support them better manage the supply of housing in their areas and where needed prioritise homes for people living in a local area.

The Group continues to consider the analysis pertaining to the other aspects of the consultation, and whether there could be further increases to the Council Tax

premium, which would require primary legislation. I will keep the committee updated on those considerations.

Options for Long-Term Reform

The Group has actively engaged in exploring sustainable approaches to Council Tax reform. On 12 July 2023, the Scottish Government and COSLA launched a consultation on a proposal to change the Council Tax multipliers. The basis of the consultation was the perception that the present Council Tax system is unfair and regressive. The consultation outlined a proposal to increase the Multiplier percentages for those properties in Bands E, F, G, and H. The consultation closed on 20 September 2023 with over 15,000 responses, and the majority (95%) of respondents rejected the proposal, which included 15 Councils which responded individually. In the light of the consultation responses, a decision was made not to progress the proposals.

A proportion of those responses also highlighted broader reform of the Council Tax system within their responses. However, what is clear from the consultation and from the range of stakeholders, is that there are differing and competing views on the nature of reform. The Group is an agreement that together we need to work towards building a consensus on a single option for reform. The Group is committed to building on this foundation to ensure future reforms are evidence-based and widely supported.

The Scottish Government's published Tax Strategy reaffirms our continued work to build a consensus on Council Tax reform, in partnership with COLSA. The Group committed to producing and publishing our shared process for building consensus on reform early in 2025 and has now done so.

Approaches to Engagement

The Scottish Government and COSLA have announced a programme for engagement, which will play a central role in the Group's efforts to deliver on its commitment to long-term Council Tax reform. I have provided an outline of that programme in an **Annex** to this letter.

This draws on the approach of the Welsh Government's recent engagement on Council Tax reform, and reflects the expert advice from members of the Group. We have carefully developed a tailored engagement that balances meaningful public involvement with practical considerations around time and resources.

While the value and importance of a full Citizens' Assembly are recognised, the Group was conscious that it did not want to risk restating the work of the Commission on Local Tax Reform 2015, which explored the landscape of local taxation more broadly. Instead, the aim is to seek views on tangible changes that could be debated by Parliament and, if agreed, implemented to improve the fairness and effectiveness of the current system.

The joint programme of engagement, which we have announced, provides for a period to gather robust data and evidence, ensuring a strong foundation for informed

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discussions. Preparatory work is already underway, with plans to commence engagement activities by late summer. This structured and considered approach will support the development of reforms that reflect the perspectives of stakeholders and the general public.

The Group remains committed to delivering meaningful outcomes through collaboration, evidence-based decision-making and transparent engagement. We greatly value the Committee's interest and ongoing support for this important work. I look forward to speaking with the committee at the evidence session planned for 4 March 2025.

Yours sincerely,

SHONA ROBISON