

Local Government, Housing and Planning Committee
Tuesday 4 March 2025
7th 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 council tax reform at its meeting on 14 January 2025.
2. The inquiry is considering 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 at this meeting from—
 - Shona Robison MSP, Cabinet Secretary for Finance and Local Government, Ellen Leaver, Acting Director for Local Government, and David Storrie, Head of Local Taxation Policy, Scottish Government; and
 - Cllr Katie Hagmann, Resources Spokesperson and Mirren Kelly, Chief Officer, Local Government Finance, COSLA.

Correspondence

4. The Committee [wrote to the Cabinet Secretary for Finance and Local Government](#) and [COSLA](#) on 28 January inviting them to provide an update on progress made by the Joint Working Group.

5. A [response from the Cabinet Secretary was received on 11 February](#). 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.”
6. However, the letter also confirms that Group “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.”
7. 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.” A programme of engagement is attached to the letter as an annexe.
8. The letter also notes that the Scottish Government consulted on a proposal to change the Council Tax multipliers on the basis of “the perception that the present Council Tax system is unfair and regressive.” Whilst the proposal was overwhelmingly rejected by respondents, the letter notes that—

“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.”
9. The [President of COSLA responded on 18 February](#) and confirmed that “as we have very much undertaken progress jointly with the Ministers through the Joint Working Group, I am more than happy to concur with the Cabinet Secretary’s update.”
10. Both letters are attached at Annexe A.

Briefing and previous evidence

11. SPICe have provided a briefing paper which is attached at Annexe B.
12. The Committee took evidence from two panels of witnesses, consisting of academics, economists, tax specialists and an equalities organisation on 18 February. The [meeting papers \(including written submissions\) and official report](#) are available online.
13. The Committee then took evidence from the Scottish Assessors’ Association, the Institute for Revenues, Rating and Valuation (IRRV), and the Welsh Local Government Association on 25 February. Again, the [meeting papers \(including written submissions\) and official report](#) are available online.

Background and further information

14. 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 “the opportunity for reform cannot be missed again”.
15. In response, the [Scottish Government proposed](#) that the overall system of council tax should remain largely unchanged and rejected 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.
16. 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.
17. 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.”
18. 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.”

Conclusion

19. The Committee is invited to consider the above information in taking evidence from the Cabinet Secretary for Finance and Local Government and COSLA.

Clerks to the Committee
February 2025

ANNEXE A: CORRESPONDENCE

Response 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.

LGHP/S6/25/7/1

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 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,

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Annex - Programme of Engagement:

Outline of Activity:

1. Commissioning of expert and independent analysis

This stage provides for the commissioning and development of an evidence base. This will be an evidence producing exercise, including provide high level analysis and modelling on alternative scenarios and reforms of the system. Expert analysis is required to provide an evidence base for the engagement activity. Engagement activity will commence after this analysis has been procured, undertaken and completed.

2. Public Engagement

This stage will focus on comprehensive public engagement, consisting of three key elements:

- **Public consultation:** A formal consultation process, launching in August, potentially accompanied by a summary discussion paper highlighting previous work in this area, including findings from earlier commissions.
- **Public events and town halls:** A small series of public events or town hall meetings held over the autumn months, ensuring a reasonable geographical spread and diversity.
- **Targeted stakeholder roundtables:** A set of focused discussions with key stakeholders and experts, planned for the autumn.

The public engagement aims to capture a wide spectrum of opinions and considered responses, ensuring a diverse range of perspectives, including representation from different Council Tax bands.

3. Analysis and presentation of results

Once the consultation phase is complete, detailed analysis of the feedback and outcomes from the public events and roundtables will be undertaken. This will lead to the development of outputs for the Joint Working Group to consider, and the findings will be published.

This process will conclude with a Scottish Parliament debate on the consultation results would create an opportunity to seek cross-party engagement and consensus on next steps based on the outcome of the broader engagement.

Subject to parliamentary time and the conclusion of the above stages of work, this could take place in late 2025 or early 2026.

Response from COSLA President, 18 February 2025

Dear Ariane,

Thank you for your letter of 28 January 2025 inviting COSLA to give oral evidence on the Committee's Inquiry into potential changes to the current Council Tax system. We very much look forward to this opportunity to set out our ambitions for Council Tax reform.

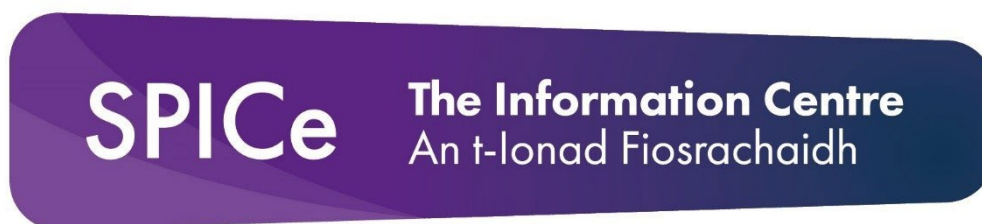
In your letter you asked us to provide a progress update from the Joint Working Group on Sources of Local Government Funding and Council Tax Reform. I am aware that you also asked for a similar update from the Cabinet Secretary for Finance. As we have very much undertaken progress jointly with the Ministers through the Joint Working Group, I am more than happy to concur with the Cabinet Secretary's update.

You also asked about COSLA's Resources Spokesperson's intentions to create cross party agreement on principles and create a safe landing space for reforms. All COSLA Leaders understand the importance of cross party support and it is COSLA's intention to work with Scottish Government jointly to achieve this. The programme of engagement provides the space for building cross party relationships, using our already well established relationships with MSPs and local elected Members. Indeed we look forward to building this engagement over the coming months and welcome that the opportunity to give our evidence to the Committee is a start to this.

We look forward to speaking with the Committee at the evidence session on 4 March.

Yours sincerely,

Councillor Shona Morrison
COSLA President



Local Government, Housing and Planning Committee 7th Meeting 2025, Tuesday 4th March Council Tax – potential changes

Today's witnesses

- Cabinet Secretary for Finance and Local Government, Shona Robison MSP
- Councillor Katie Hagmann, COSLA Resources Spokesperson

This is the third and final session looking at potential changes to council tax. This will build on evidence heard during previous sessions and from written submissions.

Letters to the Committee from Scottish Government and COSLA

Members are reminded that the [Scottish Government wrote to the Committee last month](#) announcing “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”. This “draws on the approach of the Welsh Government’s recent engagement on Council Tax reform” which the Committee heard about last week.

The letter also provides an update of the [Joint Working Group’s](#) work to this point. The Group appears to have prioritised changes to the council tax’s treatment of second and long-term empty homes.

The letter also states that “the Joint Working Group is an agreement that together we need to work towards building a consensus on a single option for reform”.

[COSLA also responded to the Committee](#) informing Members:

“All COSLA Leaders understand the importance of cross party support and it is COSLA’s intention to work with Scottish Government jointly to achieve this. The programme of engagement provides the space for building cross party relationships, using our already well established relationships with MSPs and local elected Members”.

Council tax debt and low income households

The [Verity House Agreement](#), signed by COSLA and the Scottish Government in June 2023, includes a commitment to tackle three national priorities. The first one listed is a commitment to “tackle poverty”.

In 2022 [the Robertson Trust published a report](#) showing that:

- Over one in ten (12%) of the lowest-income households are behind on council tax bills, compared to one in a hundred for the highest income.
- More than half of households (51%) who are behind on council tax are having to cut back on food to save money.

In December, the Scottish Government published [a review of emerging evidence](#) on the effects of the cost-of-living crisis on debt in Scotland. There is a section on council tax debt:

“Analysis of the latest Joseph Rowntree Foundation (JRF) cost of living survey of low income households (2024), shows that 17% of these low income households (197,729) are in arrears with council tax in Scotland.”

The SG report also quotes figures compiled by StepChange Scotland showing:

“The average council tax arrears per client in Scotland rose 11% over the last year and the average amount of council tax debt owed during the second quarter of 2024 was £2,075, an increase of £204 from £1,871 in the second quarter of 2023.”

StepChange go on to say:

“We know that council tax in particular is a bill that our clients have struggled with for a number of years, and council tax collection practices are a particular issue – often plunging people into more hardship, rather than helping them to repay.”

Summary of last week’s session

The main points discussed last week include:

Revaluation experiences in Wales and the lack of one in Scotland

- The reason why the Commission on Local Tax Reform in 2015 did not lead to any significant changes was “purely political”.
- In Wales, reform has been a priority because council tax is seen to be unfair.
- It seems highly regressive at the bottom of the scale and not deemed to be a progressive tax.
- In Wales there has been a lot of engagement, research, public engagement and fact finding.

- Wales added a further band at the top for higher band properties in 2005.
- There's been significant change in the Scottish housing market since 1991.
- In Scotland, because of the multiplier changes in 2017, higher band households in Scotland already pay more than their Welsh counterparts.
- 1991 values are not a good basis for a tax in 2025. Revaluation is necessary and should be enshrined in law so it is repeated on an appropriate cycle.
- Some council tax payers were not even born when valuation was done.
- This leads to a lot of confusion and a lack of transparency.

How valuation is currently done

- Relating houses back to 1991 prices can be “challenging” – assessors need to compare as best they can.
- This makes it difficult for people to relate to 1991 prices.
- More frequent valuations would pick up more changes to properties which could alter the banding of a property.

Practicalities of a revaluation

- A CT revaluation should not take place at the same time as NDR revaluations.
- A CT revaluation would need a 3-year lead-in time to be able get all the survey work up to date and for a revaluation to take place.
- Increased workload for assessors would require more resource.
- Valuation is not an exact science.
- Appeals are likely to increase as a result of revaluation and this takes up time and resource too.
- More resource would be required to deal with increased appeals – an estimate was given of potentially 135,000 appeals across the country.
- The Assessors were not able to give a cost of revaluation – they would be happy to provide a cost if given a specification.
- Banding provides stability for councils and “works for our customers”.
- More bands could make CT fairer and improve transparency.
- Agreement that one more band at the bottom and two more at the top could work in Scotland.

Impact on specific areas and households

- Movement has been very similar to the situation in Wales. Areas in the east of Scotland would see the highest increases.
- There has been a huge shift across the property market in Wales since 2005.
- The revaluation in Wales in 2005 it was said to be “revenue neutral”, so if tax base increases then general resource grant is readjusted.
- This received mixed views from the “local government community”, as it meant some local authorities became more dependent on revenue support grant.
- Council tax income may be seen as more “certain” than central government grant.
- More is needed to bring local government on-board.

Asset rich and income poor

- In Wales the council tax reduction scheme is a “fully funded support scheme”.
- There is still a cliff-edge for eligibility.
- Similar to evidence we heard the previous week, the Welsh IRRV believes that the CTRS helps deal with the asset-rich/income poor cases.
- CTRS could be expanded in Scotland and it already supports many of those on the lowest incomes.
- Scotland is unique in water bills being charged alongside council tax. People who pay no council tax should pay no water charge (not the case just now).

Collaboration, consultation and communication

- Engagement with the public is vital, but the message needs to be clear on what is being offered to the public.
- There is a lot of misunderstanding about what council tax is for and how it fits into the wider local government finance system.
- People have an “incredibly negative perception” of council tax.
- The message from government needs to be that many households will pay less after a revaluation.
- There is a real concern that efforts to revaluation will be “ambushed by those who will be disadvantaged”.
- Government needs to “control the narrative” and make clear that changes are being made to protect the 20 to 40% of the lower income thresholds.
- Collaboration and communication is key to successful implement.

Greig Liddell, SPICe Research
26th February 2025

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.
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