
Report to: Clackmannanshire Council

Date of Meeting: 29th January 2026

Subject: The Future of Council Tax in Scotland

Report by: Chief Finance Officer

1.0 Purpose

- 1.1. The purpose of this report is for Council to establish a response to the Scottish Government consultation on The Future of Council Tax in Scotland.

2.0 Recommendations

Council is asked to:

- 2.1. agree the officer recommended response (appendix 2) to the Scottish Government Consultation: The Future of Council Tax in Scotland (appendix 3) and add any additional comments for inclusion.

3.0 Considerations

- 3.1. Council Tax currently raises approximately £26 million per annum for Clackmannanshire Council and represents a critical source of predictable income that supports core services. Any reform or replacement must provide equivalent or greater financial certainty to protect service delivery.
- 3.2. It is generally accepted that current Council Tax model is regressive, with households on lower incomes paying a higher proportion of their income than those on higher incomes. In addition, the tax is based on 1991 property valuations, which no longer reflect current housing markets or relative property wealth.
- 3.3. Significant reform carries risks, including income volatility and public confusion. A clear, phased approach will be necessary to ensure financial stability and maintain public confidence.
- 3.4. Reform options may introduce new administrative burdens, system changes, and implementation costs for councils. The extent of this is currently unquantified in terms of both financial and technical resource. As such, it is crucial that adequate lead-in time and funding is provided, and that clear national guidance is made available ahead of implementation.

- 3.5. Appendix 1 to this report sets out the recommended response by officers to the Scottish Government Consultation: The Future of Council Tax in Scotland. If agreed the attached response will be submitted on behalf of the Council by the closing date of 30th January 2026. Elected members are asked for any additional comments to be provided at the Council meeting and these will be included in the response.

4.0 Sustainability Implications

- 4.1. none

5.0 Resource Implications

5.1. Financial Details

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

5.4. Staffing

6.0 Exempt Reports

- 6.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) Our Priorities

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ☒
- Our families; children and young people will have the best possible start in life ☐
- Women and girls will be confident and aspirational, and achieve their full potential ☐
- Our communities will be resilient and empowered so that they can thrive and flourish ☐

(2) Council Policies

- Complies with relevant Council Policies ☐

8.0 Impact Assessments

- 8.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

No ☒

- 8.2 If an impact assessment has not been undertaken you should explain why:

There are no policy changes or direct impacts resulting from the content of this report.

9.0 Legality

- 9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☐

10.0 Appendices

- 10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Clackmannanshire Council Response to SG Consultation on the Future of Council Tax in Scotland

Appendix 2 – SG Consultation: The Future of Council Tax in Scotland

11.0 Background Papers

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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APPENDIX 1**Clackmannanshire Council Response to the Consultation on The Future of Council Tax in Scotland****Question 1: Do you think the current council tax system in Scotland needs to be reformed?**☒ Yes☐ No☐ Don't Know**Comments (optional):**

The consultation shows that the current system uses outdated valuations and remains regressive, despite the 2017 increase in higher-value property multipliers. Implementing a new approach will be complex, involving major operational tasks like training, communication, system changes, and compliance. If not properly mitigated, the reforms could increase property-related hardship and worsen cost-of-living pressures.

Question 2: Do you think property values used to calculate council tax should be updated to reflect current market values, instead of using 1991 values (i.e. should there be a revaluation of every property in Scotland)?☒ Yes – property values should be updated (revaluation is needed)☐ No – keep using 1991 valuations (no revaluation)☐ Don't know**Comments (optional):**

The current system is outdated and does not reflect the current housing market and property values.

Question 3: How often do you think property values should be reviewed and updated for council tax purposes?☐ Every 3 years☒ Every 5 years☐ Every 7 years☐ Every 10 years

☐ Other, please specify:

☐ Don't know

Comments (optional):

Ideally this would be every 3 years in line with Non Domestic Rates, however, five yearly reviews are likely to be more manageable. This would need to be supported with sufficient funding and available resource for Local Assessors and ERO's to ensure adequate capacity and resources to deliver the reviews effectively alongside Non Domestic Rates 3 yearly valuations and Elections.

Question 4: Following a revaluation, do you think council tax band property value thresholds should be set at a national level or vary by council area?

☒ National Level

☐ Vary by council area – Different thresholds for different local authority areas

☐ Don't know

Comments (optional):

Thresholds should be set nationally to be the same across all council areas. This will allow standardisation across local authorities bringing benefits in administration and assist understanding for tax payers.

Question 5: Which of the following is most important to you in the design of council tax bands?

(Select one)

☒ Ensuring tax rises between bands are gradual and predictable (differentiation)

☐ Ensuring households in higher-value homes contribute more (progressivity)

☐ Don't know

☐ Other – please specify:

Comments (optional):

It is difficult to provide an opinion without seeing the impact of the proposed changes. Gradual changes would be preferred on the basis of fairness to tax payers. This would reduce the initial impact on taxpayers moving up into higher bands.

Question 6: Which of the potential council tax systems do you most support?

(Select one)

- ☐ Revaluation with 8 existing bands (current bands, updated values)
- ☒ Revalued 12-band (differentiated) system (more bands, moderate rate increases)
- ☐ Revalued 12-band (progressive) system (more bands, steeper top rates)
- ☐ Revalued 14-band system (expanded bands, most progressive)
- ☐ The current system with no revaluation (no change)
- ☐ Don't know

Comments (optional):

Our preference would be for a revalued 10 band (differentiated) system, with an additional band introduced at both the lower and upper ends of the structure, however we recognise that it was recently announced that two additional bands would be added from 2028. If a 10-band system is not an option, then we would support a revalued 12-band (differentiated) system.

While increasing the number of bands would improve fairness, the introduction of further bands would place a disproportionate burden on Local Assessors, due to the volume of challenges and appeals likely to arise and also on Local Authorities in administering. Any increase in bandings would create additional complexity of systems and additional resourcing costs.

Question 7: Which of the potential council tax systems do you least support?

- ☐ Revaluation with 8 existing bands
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☐ Revalued 14-band system
- ☒ The current system with no revaluation (status quo)
- ☐ Don't know

Comments (optional):

As noted above, the current system is outdated and far removed from the current housing market and property values.

Question 8: Do you support the establishment of a transitional relief scheme to limit how much a household's council tax bill can increase each year following reform?

(Select one)

- ☒ Yes – a transitional relief scheme is needed to phase in increases
- ☐ No – no special transitional measures are needed
- ☐ Don't know

Comments (optional):

We support transitional relief for properties facing significant Council Tax increases, particularly those moving up two or three bands. This helps soften the financial impact, allows markets to adjust, and reduces the number of appeals. We do not support downward transitional relief; properties moving to a lower band should receive the full reduction immediately. Transitional relief will come with additional cost implications which should be fully funded.

Question 9: Which transitional relief scheme would you prefer?

(Select one)

- ☐ Scheme 1: Cap annual increases at 10% or £300 (whichever is lower) per year
- ☐ Scheme 2: Cap annual increases at 25% or £600 per year
- ☒ Don't know / No preference

Comments (optional):

We consider that the most practical approach is to limit increases in banding to one band per year. For example, if a property moves from Band A to Band D following revaluation, the taxpayer would pay the Band B rate in the first year, Band C in the second year, and the full Band D rate in the third year. However, we strongly recommend revisiting this proposal once the band ratios are confirmed, to allow for a more accurate assessment of its impact.

Question 10: Do you support the establishment of a council tax deferral scheme for homeowners?

(Select one)

- ☐ Yes – support a deferral scheme for certain homeowners
- ☒ No – do not support a deferral scheme
- ☐ Don't know

Comments (optional):

We believe that increases in tax bills for council taxpayers who are ‘asset rich but cash poor’ will be mitigated to some extent in the Council Tax Reduction scheme and as such, a deferral scheme is not necessary.

Question 11: In your view, who should be eligible to receive support from a council tax deferral scheme?

(Select all that apply)

- ☐ Pensioners (homeowners over state pension age)
- ☐ Disabled people (homeowners who have a disability)
- ☐ Households with children (homeowners with dependent children)
- ☐ Households experiencing financial hardship (homeowners on low income/struggling to pay)
- ☒ Other – please specify: If a deferral scheme is introduced, then it should be limited, as Council Tax Reduction should protect most low-income households. Eligibility should be limited to households who can demonstrate they are experiencing financial hardship.
- ☐ Don't know

Comments (optional):

Any deferral scheme would add additional financial and operational resource burden on administering authorities.

Question 12: Should households who defer payment pay interest on the amount deferred?

(Select one)

- ☒ Yes – interest should be charged on deferred council tax bills
- ☐ No – no interest should be charged (make it interest-free)
- ☐ Don't know

Comments (optional):

To recover cost of administration as well as discouraging those that don't necessarily need it from applying. Deferring may increase arrears which becomes harder to collect.

Question 13: Do you think the Council Tax Reduction scheme should be expanded to support more households following any reform?

(Select one)

- ☒ Yes – CTR should be expanded to cover more households
- ☐ No – the current CTR scheme is sufficient
- ☐ Don't know

Comments (optional):

This should be reviewed and extended to cover those who may find themselves in financial hardship as a result of the changes.

Question 14: Which changes to the Council Tax Reduction scheme would you support?

(Select all that apply)

- ☒ Broaden eligibility criteria for CTR to include more low-income households, especially if their property moves to a higher band due to reform
- ☒ Reduce the taper rate (withdraw CTR support more gradually as incomes rise, so people don't lose help too quickly)
- ☐ No changes needed to CTR
- ☐ Other – please specify:
- ☐ Don't know

Comments (optional):

Change CTR so support is withdrawn more gradually as rising incomes move individuals out of eligibility. Specifically, we believe several changes could be introduced that would protect most residents who are struggling to pay their Council tax bill. We propose:

- Reducing the taper.
- Increase the earnings disregards.
- Increase the capital threshold.

We acknowledge that the above changes would increase the overall cost of the Council Tax Reduction scheme. However, we believe that the changes are necessary and commensurate to the need of local taxpayers, as the thresholds have not been updated since 1991.

Question 15: Do you have any information you wish to share that has not already been discussed in the paper on the impact of council tax reform?

- Groups who share protected characteristics
- Island Communities
- Businesses or organisations in the public, private or third sector
- Your local area

Please provide details, making reference to the type of impact to which your comments relate. [free text, 300 words maximum]

We would like to raise concern that there is no mention of changes to the administration of Water & Sewerage in this consultation.

Question 16: Please provide any other comments or views on the consultation themes or council tax reform that you have not been able to share above.

The Council supports modernising the Council Tax system through a general revaluation as a means of increasing fairness.

Consultation: The Future of Council Tax in Scotland

Contents

1. Introduction.....	4
1.1 Background to Council Tax Reform Engagement	4
1.2 Council Tax Funding and Resources	5
1.3 Council Tax is Charged on Homes	8
1.4 Council Tax Collection	10
1.5 Occupation, Property Value, and Ability to Pay.....	10
1.5.1 Council Tax Payment (Who Pays)	10
1.5.2 Tax Incidence (Who Bears the Cost)	10
1.5.3 Examples of Market Adjustment (Capitalisation and Rents)	11
1.5.4 Trade-offs in Tax Design: Wealth vs Ability to Pay	11
1.6 Purpose of this Consultation – Fairness and Reform	12
1.7 Scope of Engagement	12
1.8 Analysis and Assumptions	13
2. Council Tax and Property Changes Over Time	14
2.1 Changes in Property Values Since 1991	14
2.2 Property Variation, Banding and Valuation Challenges.....	15
2.3 Fairness and Regressivity in the Current System	16
2.4 Updating the Market Reference Point (Revaluation)	17
3. Options for Council Tax Reform.....	18
3.1 Revaluation of Property Values	18
3.1.1 How a Revaluation Would Work	18
3.1.2 Why Consider Revaluation	18
3.1.3 Frequency and Future Cycles	19
3.2 Revaluation Models: National and Localised Approaches	20
3.2.1 Overview of Revaluation Approaches.....	20
3.2.2 Description of the National Model	20
3.2.3 Description of the Localised Model	21
3.2.4 National or Local Revaluation - Strengths and Limitations	24
3.3 National Revaluation Models	26
3.3.1 Illustrative Reform 1 - Revaluation with the Current 8-Band System.....	26
3.3.2 Illustrative Reform 2 - Differentiated 12-Band System.....	27
3.3.3 Illustrative Reform 3 - Progressive 12-Band System	28
3.3.4 Illustrative Reform 4 - 14-Band System	29
3.3.5 Impacts on Accuracy, Progressivity and Revenue	31
3.3.6 Impacts on Rents and Property Value	32
4. Transition and Mitigation	34

4.1	Why Transition Mechanisms Matter.....	34
4.2	Phasing In Changes to Bills.....	34
4.2.1	Scheme 1: Cap Increases at 10% or £300 Per Year	35
4.2.2	Scheme 2: Cap Increases at 25% or £600 Per Year	36
4.2.3	Who Benefits from Phasing?	38
4.2.4	Advantages and Disadvantages of Phasing	38
4.3	Deferral of Increases	39
4.3.1	How a Deferral Scheme Could Work.....	39
4.3.2	Supporting Asset-Rich, Income-Poor Households.....	40
4.3.3	Repayment Conditions and Triggers	41
4.4	Council Tax Reduction (CTR) Scheme	42
4.4.1	The Role of CTR in Council Tax Reform.....	42
4.4.2	Existing and Targeted CTR Support	43
4.4.3	Expanding the CTR Scheme More Broadly	43
4.4.4	Considerations for Reform.....	45
5.	Next Steps	46
	About You Questions	47
	Questions for Consultation.....	48
	Responding to this Consultation	51
	Annex A: Estimated average property values by council	53

1. Introduction

This consultation paper sets out a range of options for how the council tax system in Scotland could be updated and improved. It is aimed at individuals, households, communities, and organisations across the country who have an interest in how local services are funded and how council tax affects them.

Council tax has not been fundamentally changed or updated since its introduction over 30 years ago. As property values and local circumstances have changed, questions have grown about whether the system still works as intended.

This paper presents a series of illustrative models and possible changes to how council tax is calculated, with supporting evidence set out in a [report](#) produced by the Institute for Fiscal Studies. We are inviting views to help understand how people feel about these options, what matters most to them, and how the system might better reflect property values and household circumstances today.

This consultation forms part of a broader programme of work which is seeking to build consensus on reforms to council tax. Your response will help inform future decisions about the shape and direction of council tax reform in Scotland.

1.1 Background to Council Tax Reform Engagement

Council tax reform has been the subject of significant analysis and debate in Scotland over the past two decades. Different reviews and working groups have looked at possible changes. The most significant recent piece of work was the [Commission on Local Tax Reform](#).

The Commission on Local Tax Reform was set up in 2014, jointly by the Scottish Government and the Convention of Scottish Local Authorities (COSLA), and included representatives from the Scottish Labour Party, Scottish Green Party, Scottish Liberal Democrat Party and Scottish National Party, working alongside experts in public finance, law, housing, welfare and equalities.

The Commission looked at several possible alternatives to council tax. The Commission concluded that the existing council tax system should be reformed with a fairer, more progressive, and more locally empowering system. It also said this new system should include regular revaluations, so it stays up to date over time. While it did not recommend a specific structure for a new system, it concluded that a domestic property tax should remain part of the local tax system, but that it should be more progressive.

The Commission's work has continued to shape how people think about council tax and what a better system could look like. Many of its ideas are still central to the discussion today. However, while the Commission helped set out the landscape of local taxation and a case for change, building political agreement on the next steps has proved more difficult in practice.

In 2018, [a motion to replace council tax](#) was not carried by the Parliament, demonstrating that replacing council tax is challenging without a consensus or prevailing view on how to reform the system. Subsequently, cross-party talks were convened to identify a

replacement that could be supported by Parliament. The talks were paused at the beginning of the COVID 19 pandemic and were not resumed.

In 2021, the [Programme for Government](#) committed to establish a working group, engaging with COSLA, to oversee the development of engagement on council tax reform. In December 2022, Scottish Ministers convened the Joint Working Group on Sources of Local Government Funding and Council Tax Reform. This group forms part of a broader new partnership with local government and is co-chaired by Scottish Ministers and COSLA.

The Joint Working Group recognised that while there is agreement across the political spectrum on the need for reform, there are disparate views on the nature of reform. The group agreed that jointly, COSLA and Scottish Government should work towards building a consensus on a single approach. Subsequently, the Scottish Government published [Scotland's Tax Strategy](#), which committed to producing and publishing a shared process for building consensus on reform early in 2025.

On 11 February 2025, the Scottish Government and COSLA announced the [Programme of Engagement](#) to support their shared commitment to long-term council tax reform.

A central part of this programme has been the development of a clear and robust evidence base. [Independent analysis](#) was commissioned by the Scottish Government, and has been undertaken by the Institute for Fiscal Studies (IFS), providing detailed insight into the effects of potential reforms.¹ This analysis is intended to support open, informed discussions with the public and stakeholders across Scotland.

This consultation forms a key part of the programme. It sets out a range of illustrative models and invites views on how the council tax system in Scotland could be improved. This includes options for making it more up to date, easier to understand, and better aligned with current property values, while continuing to support the essential local services people rely on.

The findings from this consultation, and the wider public engagement during 2025, will contribute to future considerations in the Scottish Parliament on the future of council tax.

1.2 Council Tax Funding and Resources

Council tax is a local tax on domestic properties in Scotland. It is paid by most households, with over 2.5 million chargeable dwellings², and helps to fund a wide range of important local services, including schools, social care, roads, libraries, and waste collection.³ In 2025–26, council tax is expected to raise over £3 billion for councils across the country.⁴

Over recent years, council tax income has made up around 19 percent of the total general funding available to local government, approximately similar to income from non-domestic rates (NDR) – a property-based tax charged to businesses and the public and third sectors. The largest share of local government funding - around 65 percent - comes from

¹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

² [Council Tax Collection Statistics, 2024-25 - gov.scot](#)

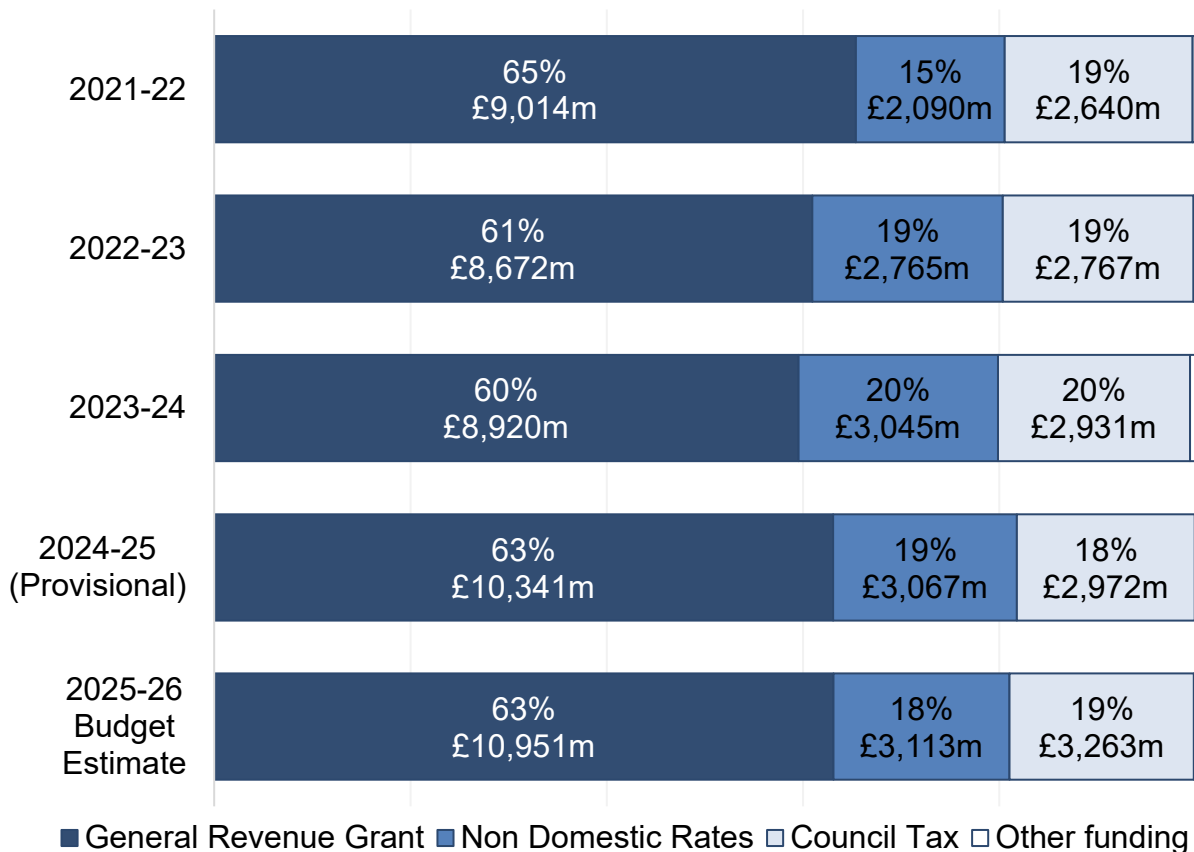
³ [The Funding of Local Government in Scotland, 2025-2026 - gov.scot](#)

⁴ [Council Tax Collection Statistics, 2024-25 - gov.scot](#)

the General Revenue Grant (GRG), which is paid by the Scottish Government. The rest comes from other local income sources such as taxes, fees and charges.⁵

Figure 1: Local Government General Funding for 2021-22 to 2025-26 in Scotland, £ millions

A horizontal bar chart showing local government funding split by source



Source: Provisional Outturn and Budget Estimates (POBE 2025), Scottish Government

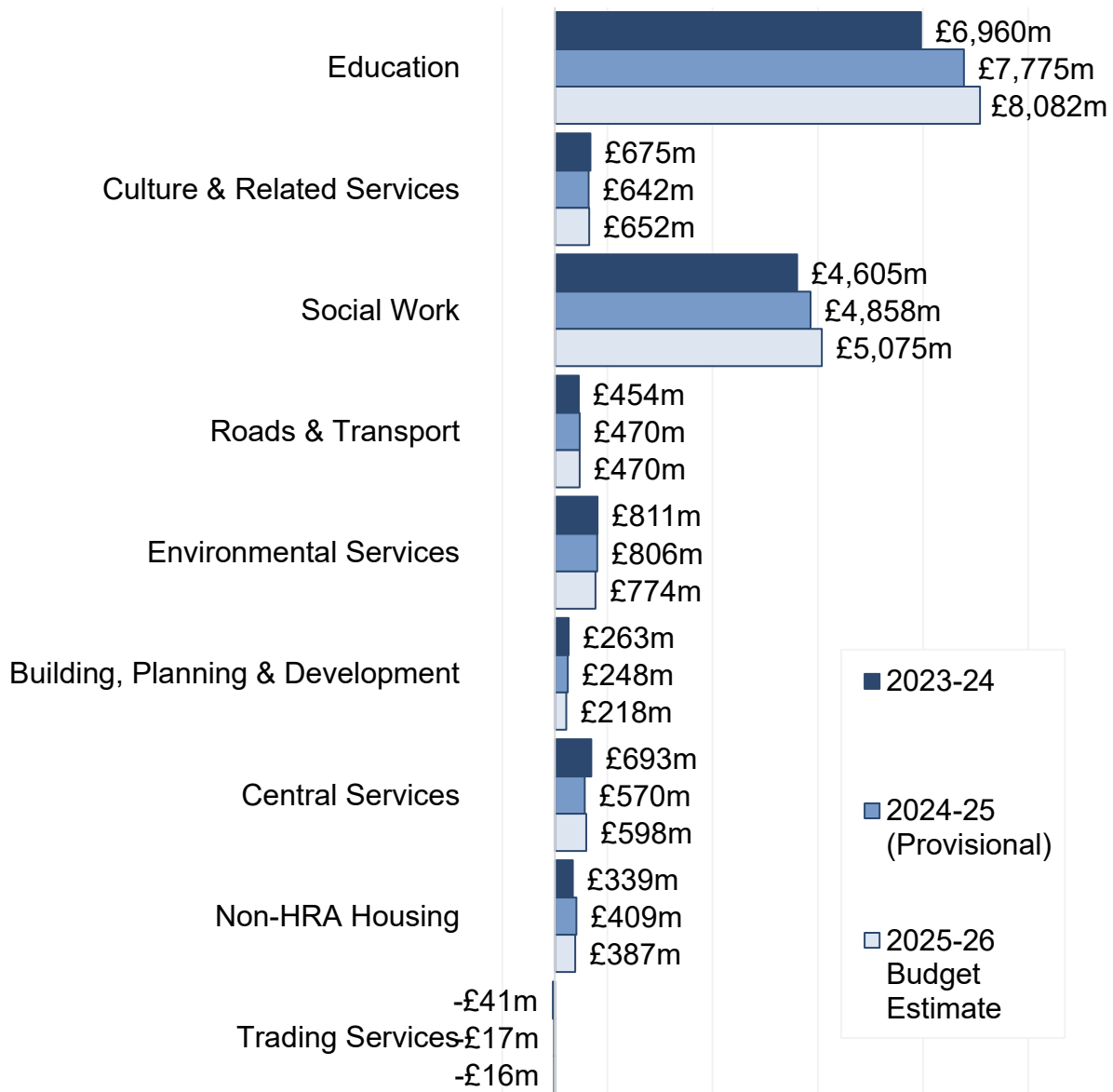
The money raised from council tax is kept in full by each council.⁶ Council tax is an important source of income for local councils. The local services, and the net expenditure for those services is set out in Figure 2 below.

⁵ [How did we calculate each council's fair share of the available funding? - The Funding of Local Government in Scotland, 2025-2026 - gov.scot](#)

⁶ [Local government revenue - Local government - gov.scot](#)

Figure 2: Local Government Net Revenue Expenditure by Service in Scotland, £ millions

A horizontal bar chart showing local government net revenue expenditure in Scotland by service



Source: Provisional Outturn and Budget Estimates (POBE 2025), Scottish Government; HRA – Housing Revenue Account, Scottish Government

Ensuring that this funding system remains fair, balanced and sustainable is an important part of any changes to how council tax works, and is therefore vital to these public services.

1.3 Council Tax is Charged on Homes

All homes are placed into one of eight council tax property valuation bands, from Band A to Band H.⁷ These bands are based on what the property would have been worth on 1 April 1991, a date known as the market reference point.⁸ The valuation of each home into the property bands, is carried out by independent local Assessors, who maintain the Valuation Lists for each council area.⁹

Each of Scotland's 32 local authorities is responsible for setting the Band D rate in their area and for managing the administration of council tax. This includes issuing bills, collecting payments, and applying any discounts, exemptions or reductions. While the system is defined by national rules, it is operated locally, which means that the amount paid by households in the same band can vary depending on where they live.¹⁰

The amount a household pays depends on several factors:¹¹

- The valuation band assigned to the property (e.g. a home in Band A will have a lower council tax charge than a similar home in Band D)
- The Band D rate set by the local council
- Any discounts, such as the 25 percent discount for single adult households
- Any exemptions, such as for student households, or reductions

Although the banding system has not changed since council tax was introduced in 1993, some adjustments were made in 2017 to increase charges for properties in Bands E to H.¹²

The bands themselves are fixed nationally, but each council decides how much to charge for Band D. The tax charged for the other bands is set using fixed ratios in relation to Band D.¹³

The table below shows the current band structure and average tax charges across Scotland for 2025–26.

⁷ [Council Tax - Local government - gov.scot](#)

⁸ [Council Tax Bands – Scottish Assessors](#)

⁹ [Council Tax Bands – Scottish Assessors](#)

¹⁰ [Council Tax - Local government - gov.scot](#)

¹¹ [Council Tax - Local government - gov.scot](#)

¹² [Things you need to know about this release - Council Tax Reduction in Scotland 2017-2018 - gov.scot](#)

¹³ [Council Tax - Local government - gov.scot](#)

Figure 3: Scottish council tax bands and bills

A data table showing the share of properties in each council tax band and gross bills

Band	1991 value (Upper Threshold)	Share of properties (2024-25)	Tax rate relative to band D	Standard gross tax bill, Scotland average (2025-26)
A	£27,000	19.1%	0.667	£1,029
B	£35,000	22.3%	0.778	£1,200
C	£45,000	16.3%	0.889	£1,372
D	£58,000	14.0%	1.000	£1,543
E	£80,000	13.9%	1.314	£2,027
F	£106,000	8.4%	1.625	£2,507
G	£212,000	5.4%	1.958	£3,022
H	∞	0.6%	2.450	£3,780

Source: Council Tax Base (CTAXBASE), Scottish Government; Council Tax Assumptions (CTAS), Scottish Government.

Share of dwellings in each band (2024-25) and average bills (2025-26) calculated using data from the [Scottish Government Council Tax Datasets](#)

Over time, the link between a property's value and the tax it is charged has weakened. As all valuations are still based on prices from 1991 (called the market reference point), many properties are now in bands that no longer reflect their current market value. This has led to concerns that the system is unfair, because two properties of the same value can find themselves charged very different council tax bills, even within the same local area.¹⁴

Furthermore, the system is often described as regressive, meaning that people in lower-value homes tend to pay a higher share of their property's value in tax than people in higher-value homes.¹⁵ In 2015, the Commission on Local Tax Reform¹⁶ highlighted how the original multipliers - set out in the 1992 Local Government Finance Act – resulted in properties in Band H paying three times as much council tax as a property in Band A despite the fact that the Band H properties were estimated to be worth, on average, fifteen times the value of properties in Band A.¹⁷ The Council Tax Reduction (CTR) scheme aims to reduce the impact of council tax for those who are least able to pay, and makes the tax less regressive.¹⁸

The CTR scheme supports households on lower incomes, and provides means-tested assistance. Almost 460,000 households (around 1 in 5 homes) currently receive help through CTR, and many of these households receive full reductions.¹⁹

¹⁴ Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

¹⁵ Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

¹⁶ Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

¹⁷ Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

¹⁸ Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

¹⁹ [Council Tax Reduction in Scotland: 2024-2025 - gov.scot](#)

1.4 Council Tax Collection

How much council tax a council collects depends on several factors. These include the tax rate set by the councils, the number of homes in the area, and how many of those homes fall into each valuation band. Across Scotland, just under three-quarters of all chargeable homes are in Bands A to D, but the mix of property types varies widely between areas. For example, in Na h-Eileanan Siar, 89% of properties are in Bands A to D, while in East Renfrewshire, the figure is only 43%.²⁰

As a result of this variation, the council tax system works alongside the General Revenue Grant to help ensure councils receive funding that reflects local needs. The grant is distributed using a formula that considers many factors, including the number and type of properties in each council area. In 2017, that formula was adjusted to reflect changes made to the charges for Bands E to H, so that no council would be disproportionately affected.²¹ If further changes are made to the way council tax is charged, similar adjustments could be made to the grant system to ensure the benefits of the policy are shared equally across all councils.

1.5 Occupation, Property Value, and Ability to Pay

1.5.1 Council Tax Payment (Who Pays)

Council tax is a tax on domestic property and is typically paid by the household living in the home, known as the occupier.²² In owner-occupation, the council taxpayer is the property owner. In rented homes, it is typically the tenant who pays the bill.

Given that the occupier is typically liable to pay the council tax bill, the tax can be seen as a charge on the person living in the home, rather than as a tax on property or housing wealth. This perception can make the connection between council tax and property value appear weaker.

1.5.2 Tax Incidence (Who Bears the Cost)

However, the way council tax is structured can influence how people make decisions about housing. If council tax levels influence how buyers or renters view the overall cost of a property, this may in turn affect decisions about how much to pay or what rent to charge.²³

Over time, markets adjust. Buyers and sellers, and renters and landlords, factor the total costs - including council tax - into their decisions. These adjustments relate to what economists call the incidence of the tax - the difference between who pays the tax in practice and who ultimately bears its economic burden.²⁴

These effects depend on how buyers, renters, and landlords respond to changes in council tax. In principle, if a property comes with a higher or lower council tax bill, buyers may

²⁰ [Council Tax Collection Statistics, 2024-25 - gov.scot](#)

²¹ [Fairer Council Tax: consultation analysis - gov.scot](#)

²² [Paying Council Tax - mygov.scot](#)

²³ Mirrlees, J. et al. (2011). *Tax by Design: The Mirrlees Review*. Institute for Fiscal Studies.

²⁴ Mirrlees, J. et al. (2011). *Tax by Design: The Mirrlees Review*. Institute for Fiscal Studies.

factor that into what they are willing to pay. In practice, the extent of this depends on local housing conditions, such as demand, supply, and property types.²⁵

Similar dynamics may occur in the rental market. If council tax rises, landlords may reduce rents slightly to keep properties affordable. If council tax falls, rents may rise over time. These adjustments are not guaranteed, but they highlight how council tax can influence market behaviour and reinforce the distinction between who pays the tax and who ultimately bears its cost.²⁶

1.5.3 Examples of Market Adjustment (Capitalisation and Rents)

For example, when someone is buying a home, the level of council tax may influence how much they are able to pay. This is because council tax becomes part of the total cost of occupying the property, alongside mortgage repayments and other household expenses.

If council tax is expected to be high, a buyer may offer slightly less for the property to stay within their overall housing budget. In this case, part of the tax burden is passed back to the seller through a lower sale price. However, if the seller is also buying another property in Scotland, the effect may be offset if lower council tax is already factored into the price of their new home. This process is known as capitalisation.²⁷

Similar dynamics can apply in the private rental sector.²⁸ Although tenants typically pay the council tax bill, landlords may take total occupancy costs into account when setting rents. If higher council tax makes a property less affordable for tenants, landlords may be unable to charge as much in rent. This would mean that a portion of the tax burden shifts from tenant to landlord, particularly in areas with competitive or price-sensitive rental markets.

These effects will vary by area, depending on the local housing market, the type of property, and the balance of supply and demand.²⁹ While not guaranteed, these adjustments show how the overall impact of council tax is shared between different people in the housing system.

1.5.4 Trade-offs in Tax Design: Wealth vs Ability to Pay

These effects highlight a deeper challenge in designing any property-based tax – ‘how to balance housing wealth and the ability to pay’. There is an important balance to strike when designing any property-based tax. A more progressive system, where higher-value properties are charged more, may better reflect differences in property value and housing wealth. However, this approach must also account for the fact that those who own a valuable property do not always have a high income.

²⁵ Mirrlees, J. et al. (2011). *Tax by Design: The Mirrlees Review*. Institute for Fiscal Studies.

²⁶ Gibb, K. (2025). *Sustainable Housing Policy in Scotland*. UK Collaborative Centre for Housing Evidence

²⁷ Adam et al. (2025), ‘[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)’, Scottish Government Research Report; Oates, W., (1969), ‘The effects of property taxes and local public spending on property values: an empirical study of tax capitalisation and the Tiebout hypothesis’, *Journal of Political Economy*, 77, 957–71,

²⁸ Adam et al. (2025), ‘[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)’, Scottish Government Research Report; Hilber (2015) – shows tax incidence and capitalisation effects not only for ownership but also in rental markets.

²⁹ Hilber, C. A. L. (2015), *The economic implications of house price capitalization: a synthesis*.

Some households, for example pensioners or long-term owners, may own high-value homes but have limited or fixed incomes.³⁰ Furthermore, ownership structures vary, and the amount of equity that individuals hold in their home can differ greatly. This makes it more difficult to design a system that is both equitable in principle, and affordable in practice.

The Council Tax Reduction (CTR) scheme helps address this issue by providing means-tested support to low-income households.³¹ While CTR helps with affordability, it does not change the structure of the tax itself and therefore does not fully resolve the tension between taxing property and supporting households based on income.

These issues have advised the approach and considerations in this consultation paper, including the illustrative models and mitigations presented. They aim to balance fairness, transparency and practicality, while recognising the range of household and market conditions across Scotland.

1.6 Purpose of this Consultation – Fairness and Reform

The Joint Working Group on Council Tax Reform, co-chaired by the Scottish Government and COSLA, is leading a programme of engagement to explore options for long-term reform of the council tax system in Scotland. This consultation forms a key part of that programme.

The purpose of this programme of engagement is to support informed public discussion and help build consensus on how the council tax system in Scotland could be improved over time.

While previous efforts to reform council tax have faced political and practical barriers, the current joint work between the Scottish Government and COSLA - supported by analytical and public engagement work - reflects a renewed commitment to building consensus for change. The views gathered through this consultation will help shape future debate and support wider policy consideration by the Scottish Parliament.

1.7 Scope of Engagement

This consultation invites views on a range of potential changes to the current council tax system in Scotland. Specifically, it explores how the system could be made fairer, more responsive to property values and more supportive of those facing affordability challenges.

The key areas under consideration include:

- Updating the market reference point (currently based on values as at 1991) to reflect current market values and modernise the tax base.
- Exploring approaches to revaluation, including localised revaluation where band thresholds could differ by council area to reflect local housing markets.

³⁰ Adam, S., Hodge, L. Phillips, D. and Xu, X. (2020a), 'Revaluation and reform: bringing council tax in England into the 21st century', Institute for Fiscal Studies Report;
S., Hodge, L., Phillips, D. and Xu, X. (2020b), 'Revaluation and reform of council tax in Wales: impacts on different councils and household types', Institute for Fiscal Studies Report

³¹ [Council Tax Reduction in Scotland: 2024-2025 - gov.scot](https://www.gov.scot/council-tax-reduction-in-scotland-2024-2025)

- Introducing new council tax bands at the top and bottom of the scale, to ensure the system is more progressive and proportionate, and to smooth the differences between tax rates of consecutive bands.
- Considering transitional protections, such as phased implementation, reductions or deferral options, to help households adjust to any changes in their bills.

The primary focus of this consultation is on reforming the council tax system, although broader reflections on principles of fairness, accountability and local taxation are also welcomed as part of this dialogue.

1.8 Analysis and Assumptions

To support this consultation, independent analysis was commissioned by the Scottish Government and carried out by the Institute for Fiscal Studies (IFS).³² Their work provides the main evidence base for the estimates of potential impacts from illustrative reforms presented throughout this paper. The IFS developed and tested several reform scenarios using up-to-date household and property data, including potential adjustments to band structures, relative tax rates, and options for transitional support. Their analysis also includes the likely effects of these changes across different income groups, age groups, and regions of Scotland.

All of the options presented in this consultation are designed to be revenue neutral. This means that, on balance, the total amount of money raised through council tax across Scotland would remain more or less the same, even if some households' bills change. In other words, reform is not about increasing or reducing how much tax is collected overall but about redistributing who pays how much, so that council tax better reflects differences in property values and household circumstances.

All estimates being made with the assumption that reforms would aim to be revenue neutral also provides a clearer picture of how different options would affect households in practice. It helps support open and transparent discussion, while reflecting that this consultation is not aiming to raise more money overall from taxpayers but to make council tax work better in the future.

The IFS household-level analysis and modelling also assumes that grant funding from the Scottish Government would be fully adjusted to reflect that councils would expect to raise different amounts of council tax locally under the new system. This implies that each council would not lose or gain financially due to council tax reform.

Redistribution of council tax through grant funding is a matter for local government and is contingent on other factors and choices that do not feature in this consultation. The analysis presented in this consultation principally focuses on the potential impact of the illustrative reforms. It is reasonable, however, to assume that a discussion between local authorities and Scottish Government about grant funding would be necessary if there is wide support for reform.

³² Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

2. Council Tax and Property Changes Over Time

2.1 Changes in Property Values Since 1991

Property values in Scotland have risen significantly since council tax was first introduced using 1991 valuations. On average, the estimated value of a home has increased by 357% across Scotland since 1993. However, this increase has not been the same everywhere.³³

In East Lothian, for example, estimates suggest that property values have grown by around 500 percent, while in Aberdeen City the rise has been 168 percent. As of late 2024, it is estimated that the average local property value ranged from around £141,000 in East Ayrshire and West Dunbartonshire to £335,000 in Edinburgh and £330,000 in East Renfrewshire. The national average was approximately £211,000.³⁴

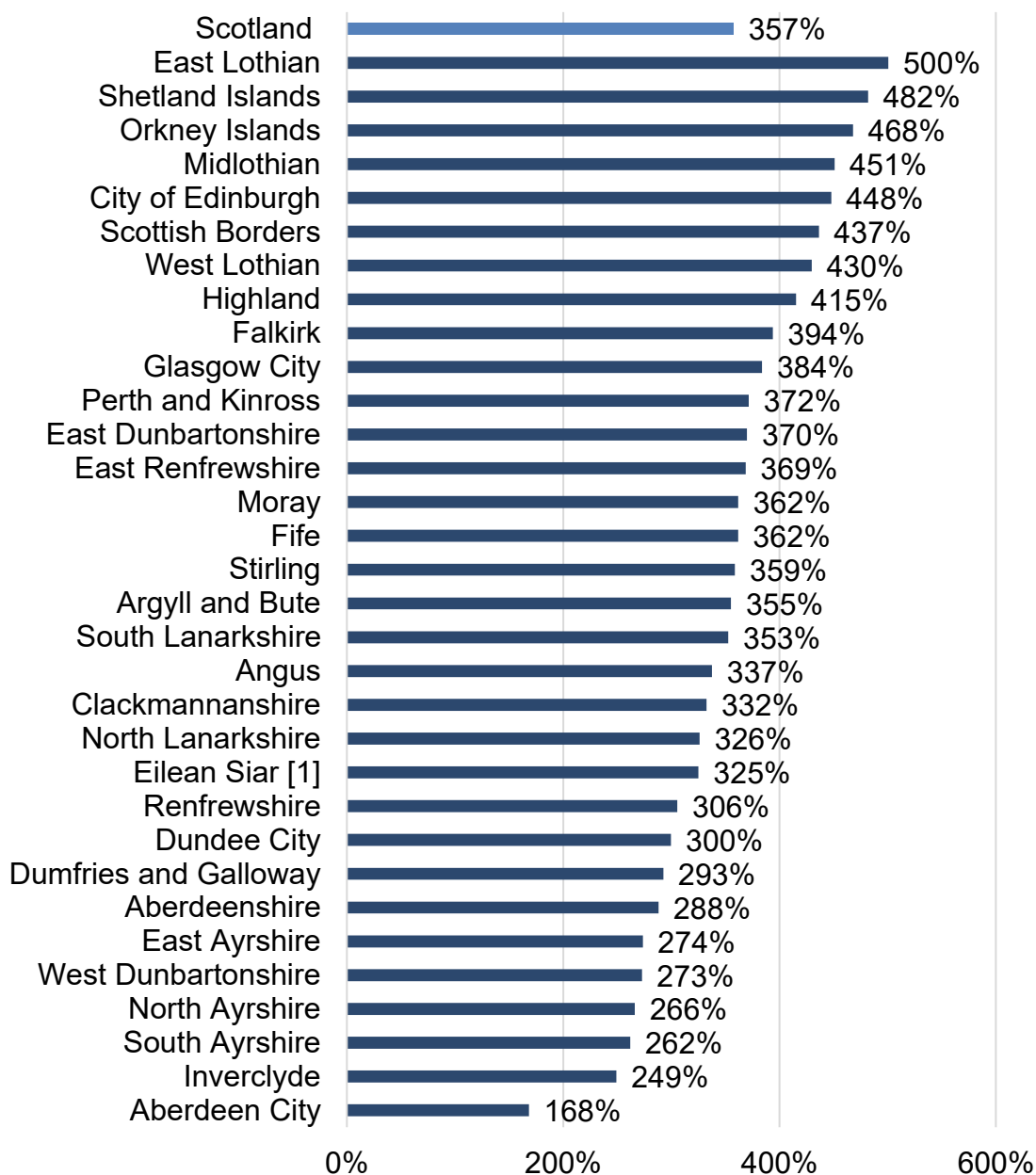
These figures show that the housing market has changed dramatically in the past 30 years, and that property prices in different areas have grown at very different rates, as shown in Figure 4.

³³ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

³⁴ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Figure 4: Estimated change in mean property value by council, 1993 to 2024

A horizontal bar chart showing estimated change in mean average property value by council between 1993 and 2024



[1] The first value for Eilean Siar is for 1997.

Source: Data from Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report, Accompanying Excel workbook, Table B.0

2.2 Property Variation, Banding and Valuation Challenges

The uneven growth in property values across the country creates difficulties for a national system that still uses property values from over 30 years ago.

Council tax is based on a banding system, where homes are placed in one of eight bands based on what their estimated value was, or would have been, in 1991. As these bands have not been updated since 1991, many properties are now in bands that no longer reflect their true market value.³⁵

The fixed nature of the banding system also causes other problems. Two homes of similar value may fall on either side of a band boundary and receive very different tax bills. For example, a property at the top of the Band D threshold, and a property at the Band E threshold could be very similar in value but face a council tax bill with an annual difference of almost £500 (see Figure 3).

These issues show that the current system does not keep up with changes in the housing market. Introducing regular revaluations and considering updates to the banding structure could help make the system more accurate and more equitable.

2.3 Fairness and Regressivity in the Current System

One of the main criticisms of the current system is that it is 'horizontally regressive', because it is based on outdated property values.³⁶ This means that homes with the same current market value can face very different bills depending on where they are located, because the system still relies on property values from 1991. In areas where property values have risen sharply since 1991, households may still be in relatively low bands and paying less than their home's current value might suggest. In contrast, in areas where prices have grown more slowly since 1991, households may be paying more than they would under a system based on current property values. As a result, the system does not treat similar households consistently across the country.

For example, two homes worth £250,000 today - one in Edinburgh and one in West Dunbartonshire - may still be in different bands because of how their relative value compared in 1991. This means the occupants could be paying different amounts of council tax, despite having homes of equal value in the present day.

Similarly, properties with very different values can fall into the same band and pay the same amount of tax. For example, all homes in Band H are charged the same, even if some are worth hundreds of thousands of pounds more than others.

The current system is also 'vertically regressive'.³⁷ Under the current banding system, households in more valuable homes generally pay more council tax; but not proportionately more. This means that people in lower-value homes often pay a higher share of their property value in tax than those in higher-value homes. This happens because the banding system does not sufficiently increase tax charges in line with property values, especially at the upper end of the scale.

In 2017, the Scottish Government made changes to further increase charges for properties in Bands E to H, which helped to reduce the gap. But the system still does not fully reflect

³⁵ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

³⁶ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report; Adam, S., Hodge, L., Phillips, D. & Xu, X. (2020a) – Revaluation and reform: bringing council tax in England into the 21st century

³⁷ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

the differences in property value, especially for the most expensive homes.³⁸ For example, a Band H property pays only 3.675 times more than a Band A property, even though in 1991 it would have been worth at least 8 times more than a Band A property.³⁹

This creates growing concerns about fairness and whether the current tax system reflects the real value of people's homes.⁴⁰

QUESTIONS:

1. Do you think the current council tax system in Scotland needs to be reformed?

☐ Yes

☐ No

☐ Don't know

2.4 Updating the Market Reference Point (Revaluation)

Updating the market reference point used for property valuation would bring council tax into line with today's property market values. This would mean assigning homes to bands based on their current market value, rather than what they were worth in 1991.

This would help ensure that council tax bills are based on up-to-date information and reflect real-world differences in property value. All of the options presented in this consultation are designed to be revenue neutral. This means that while some households would pay more and others less, the total amount of council tax raised across Scotland would remain broadly the same.

Revaluation could address horizontal regressivity and improve the vertical regressivity described above. It would also add clarity and credibility by ensuring the tax base is up to date.

³⁸ Scottish Government (2018), '[Council Tax Reduction in Scotland 2017-2018](#)'.

³⁹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁴⁰ [Fairer Council Tax: consultation analysis - gov.scot](#)

3. Options for Council Tax Reform

3.1 Revaluation of Property Values

3.1.1 How a Revaluation Would Work

A revaluation would update the council tax system and replace the 1991 valuations, thereby ensuring that council tax property bands reflect contemporary market conditions. The work would be carried out by Scottish Assessors.

Once properties are revalued, they would be assigned to council tax bands based on their new value. This could be done using the existing band structure (eight bands), or alongside changes to the number of bands and how charges are applied between them.

A revaluation on its own would not increase the total amount of council tax collected across Scotland. It would only reassign properties into new banding thresholds. Revaluation options can be designed to ensure that the total amount of revenue raised nationally stays broadly the same. This means changes can be revenue neutral.

3.1.2 Why Consider Revaluation

While revaluation alone would not resolve every concern about council tax, it is a necessary first step to making the system more accurate, proportionate and credible.

Revaluation could also create the foundation for other improvements to the council tax system, such as changes to banding, tax rates or the council tax reduction scheme. Without revaluation, these wider reforms would continue to operate on outdated property information, limiting their fairness and effectiveness.

Importantly, a national revaluation can be designed to be revenue neutral across Scotland. This means that, while some households may see their bills rise and others fall, the overall amount of money raised through council tax in Scotland would stay broadly the same.

While the revaluation and banding options presented in this consultation are designed to be revenue neutral at the national level, there are important caveats to note. The modelling assumes that grant funding from the Scottish Government would be fully adjusted to reflect changes in what each council could raise under a reformed system. Without such adjustments, some councils might gain or lose revenue depending on the structure of their local housing market. In addition, the analysis assumes that councils maintain their existing Band D rates and that household behaviour - such as payment patterns or eligibility for reductions - remains unchanged. These assumptions help isolate the underlying effects of the reform options, but actual outcomes may vary depending on how the changes are implemented.⁴¹

⁴¹ For more information see Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

QUESTIONS:

2. Do you think property values used to calculate council tax should be updated to reflect current market values, instead of using 1991 values (i.e. should there be a revaluation of every property in Scotland)?

- ☐ Yes
☐ No
☐ Don't know

3.1.3 Frequency and Future Cycles

For any property tax system to remain accurate and equitable over time, it needs to be supported by an updated tax base. This means a regular schedule for property revaluation, such as every five or ten years.

One of the main reasons the current council tax system has become so out of date is that there has never been a revaluation since it was introduced. Over time, this has allowed inconsistencies to build up in how much households pay relative to the current value of their homes, both within and between local areas.⁴²

To avoid this in future, the system could include a regular revaluation cycle, for example every five or ten years. Regular updates would keep the tax base, and the banding thresholds, aligned with housing market changes and reduce the need for large adjustments later on.

This would improve the credibility of the system, by ensuring that it remains aligned with changes in property values over time.

A full revaluation exercise may be resource-intensive at first, the scale of that task reflects the length of time since the last revaluation. Once an up-to-date valuation base is established, future revaluations could be delivered more efficiently and at lower cost, particularly if supported by improved data and digital systems. However, revaluing too frequently could bring diminishing returns and create unnecessary administrative burden. In non-domestic rates in Scotland the system now relies on a three-yearly revaluation cycle. Such frequency may not be necessary for domestic property, but keeping valuations relatively current without placing undue pressure on assessors or billing authorities would be prudent. In Wales, the Welsh Assembly has agreed to implement a five yearly revaluation from 2028.⁴³

⁴² Commission on Local Tax Reform, *Just Change: A New Approach to Local Taxation* (Scottish Government, December 2015)

⁴³ [Find out about how we are reforming Council Tax | GOV.WALES](#)

QUESTIONS:

3. How often do you think property values should be reviewed and updated for council tax purposes?

- ☐ Every 3 years
- ☐ Every 5 years
- ☐ Every 7 years
- ☐ Every 10 years
- ☐ Other, please specify [50 words maximum]
- ☐ Don't Know

3.2 Revaluation Models: National and Localised Approaches

3.2.1 Overview of Revaluation Approaches

There are different ways a revaluation of property values could be carried out as part of council tax reform, these include:

- **A national revaluation**, which applies the same valuation bands across all council areas in Scotland.
- **A localised revaluation**, where valuation bands are set separately for each council based on local property markets (i.e. 32 local property markets).

In both cases, properties would be revalued using a consistent national methodology, carried out by the independent Scottish Assessors. What differs is how the band thresholds would be set - either consistently across Scotland or tailored to local areas.

This section outlines how each approach would work and the potential impacts and trade-offs of each approach.

The modelled options presented later are all based on a national valuation approach, as this provides a consistent framework for comparing different reforms and allows clearer analysis of how changes to banding and tax rates would affect households across Scotland. It also aligns with the structure of the current system, making it a more practical basis for developing and testing illustrative reform scenarios.

3.2.2 Description of the National Model

In the national model, all properties would be valued and placed into bands based on nationally fixed thresholds. These thresholds would apply uniformly across all 32 councils, so that properties of similar value are placed in the same band no matter where in Scotland they are located.

The band structure used could remain as it is (with Bands A to H), or it could be updated as part of a wider reform programme by adding more bands. The bands themselves would continue to be fixed nationally, but each council would decide how much to raise the tax by

– which is done by increasing the middle rate (Band D currently). The tax charged for the other bands would continue to be set using fixed ratios in relation to Band D.

Under a national revaluation, the biggest changes in band placement would occur in areas where property values have risen fastest (e.g. Edinburgh, East Lothian) and slowest (e.g. Aberdeen, Inverclyde) since 1991. In contrast, areas where prices have grown at approximately the national average, such as Fife and South Lanarkshire, would see fewer changes.⁴⁴ This would help to bring bills more in line with current market conditions and reduce long-standing imbalances between areas.

This model offers a familiar structure, and a clear and consistent way to update the tax base so that council tax bills better reflect up-to-date property values and are applied evenly across the country.

3.2.3 Description of the Localised Model

Under a localised revaluation, properties would still be valued using national methods, but each council would have its own unique set of valuation thresholds to reflect the local property market. As such, properties would be assigned to bands according to their local valuation thresholds, which could be determined by the 14 Scottish Assessors for each of the 32 local authority areas. This means that the value range for Band A, Band B and so on would differ by council area, based on local house prices.

The aim of this approach is to remove the influence of national property values on banding thresholds. This means that households are taxed based on their relative position in the local housing market rather than a single national scale. This approach might reduce the number of properties moving into higher bands in more expensive areas, and reduce the number of properties moving into lower bands in less expensive areas. However, it would also mean that two homes with the same value could end up in different bands, and pay different tax, depending on where they are located in the country.

For example, a £200,000 property in the City of Edinburgh is likely to fall into a lower band than a similarly priced property in West Dunbartonshire, due to its value being lower compared to the average value of other properties in the City of Edinburgh area. The table (Figure 5) below is an illustration of potential differences between hypothetical properties with similar values in different councils.⁴⁵ This is driven by variations in both local band D charges and local band thresholds.

⁴⁴ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁴⁵ The illustrative council tax property banding and valuations shown here are based on residential property sales price statistics from the Registers of Scotland for 2024. For this comparison it is assumed that local revaluation would result in similar proportions of properties in each band in each council.

Figure 5: Examples of bands and council tax bills for hypothetical property values in different council areas

A data table showing examples of bands and council tax bills for hypothetical property values in different council areas under a localised revaluation model

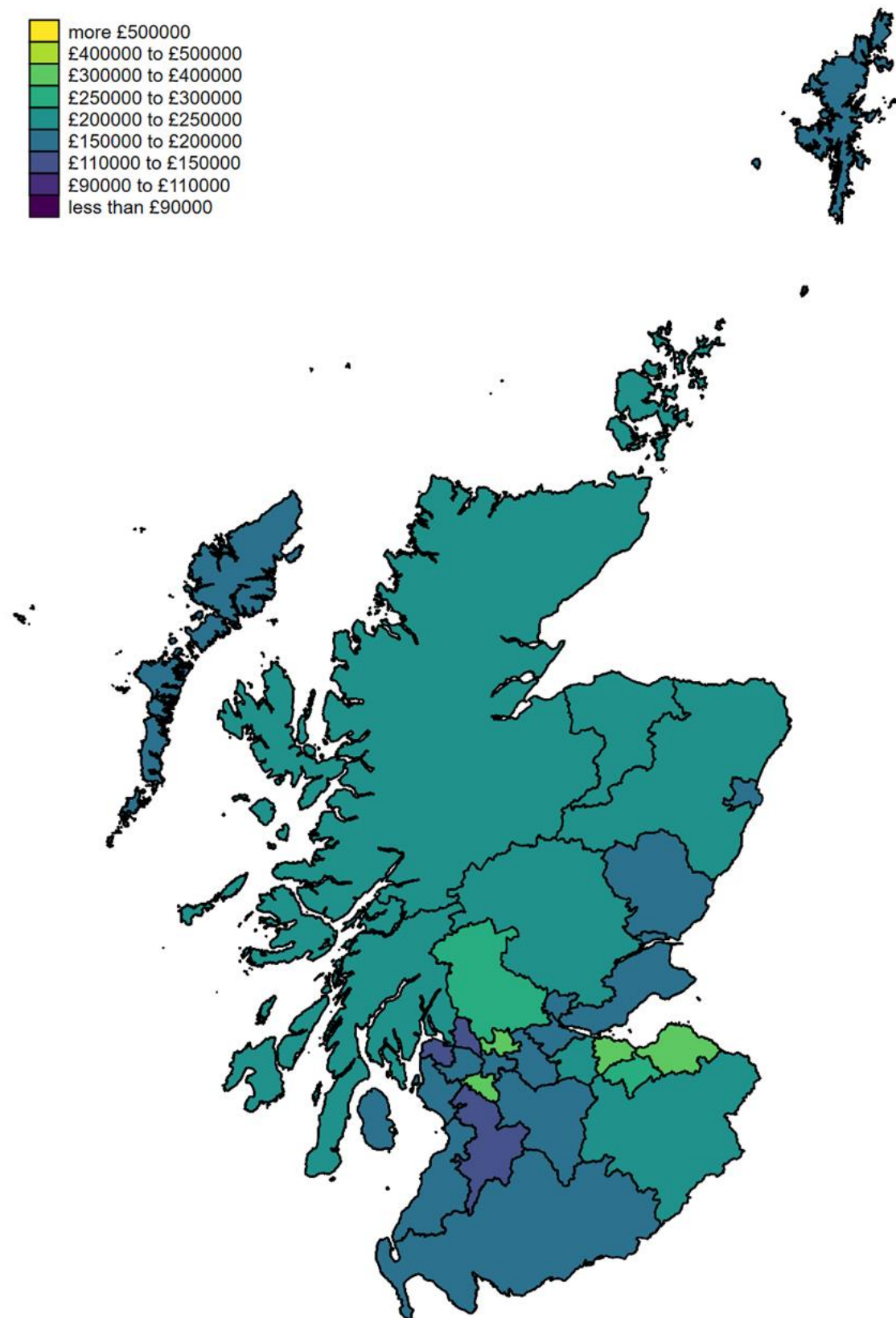
Council	Hypothetical Property Value	Band	Bill (based on average bill nationally)
City of Edinburgh	£200,000	B	£1,200
East Lothian	£200,000	C	£1,372
West Dunbartonshire	£200,000	D	£1,543

Source: Scottish Government calculations using data from [House price statistics, Registers of Scotland](#) and [Council tax datasets, gov.scot](#)

The map below (Figure 6) shows the variation in mean property value across Scotland, illustrating the stark differences in the council tax property band thresholds that would exist between local areas in a localised revaluation model. Estimated average property values for each council area in Scotland are included in Annex A of this document.

Figure 6: Estimated average (mean) property value by council area, Q3 2024

A map of Scotland showing mean property values in each council area



Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

In some cases, properties may be placed in lower bands than properties with lower values that are in other council areas. A property valued at around £200,000 in West Dunbartonshire or East Ayrshire for example, could pay less than a property valued at 25% more in Midlothian.

Figure 7: Examples of bands and Council Tax bills for hypothetical property values in different council areas

A data table showing council tax bands and bills for hypothetical property values in different council areas under a localised revaluation model

Council	Hypothetical Property Value	Band	Bill (based on average bill nationally)
Midlothian	£250,000	C	£1,372
East Ayrshire	£200,000	D	£1,543
West Dunbartonshire	£200,000	D	£1,543
Aberdeen City	£240,000	E	£2,027

Source: Scottish Government calculations using data from [House price statistics, Registers of Scotland](#) and [Council tax datasets, gov.scot](#)

3.2.4 National or Local Revaluation - Strengths and Limitations

Administrative and Policy Considerations

A national revaluation is simpler to explain and administer. Everyone is subject to the same banding thresholds, and the system is easier to communicate and understand. It supports national consistency and reduces the risk of confusion or appeals.

A localised model, by contrast, would be more complex to deliver. Each council would need its own set of band thresholds, creating challenges for assessors, billing systems, and public engagement. It could also increase appeals, particularly in areas near council boundaries where neighbours with similar properties face different tax bills. In addition, in areas with lower overall property values (or generally higher values) banding thresholds would be compressed with little variation between them. For example, the difference between the lower band and the middle bands could be a smaller difference in valuation.

Introducing localised thresholds could also complicate future reforms due to 32 variations of valuations thresholds.

Consistency Across Scotland

A national revaluation provides consistency by applying the same band thresholds across all council areas. This means that properties of the same market value are treated equally, regardless of location. For taxpayers, this strengthens the 'horizontal' equity – we know that when two properties of the same value are not in the same council tax property band

based on geography this is perceived as unfair.⁴⁶ It also makes council tax easier to understand and explain, as the rules are the same everywhere.

Tailored to Local Areas

Under a localised revaluation, properties would be placed in bands based on how their value compares to others locally. This approach may appear to be more tailored to local housing markets, particularly in places where most homes currently fall into just one or two bands under the national model. However, it could exaggerate a spread across bands based on small valuation differences (i.e. a Band C and Band E could be separated by a much smaller valuation difference) in areas where most properties are currently very similar in value.

Differences Between Similar Homes in Different Places

A key concern with localised revaluation is that households with similar-value properties in different parts of Scotland could end up in different bands and pay different amounts of council tax. This could be especially noticeable at council boundaries, where similar homes on opposite sides may face very different bills. Such differences may be seen as arbitrary and could weaken confidence in the system.

Complexity and Transparency

Varying band thresholds across 32 council areas would make the council tax system harder to explain and understand. It may be more difficult for households to work out how their bill has been calculated or to compare it with others. For councils and assessors, the shift to localised banding would also bring administrative challenges.⁴⁷ This includes more complex IT systems, additional staff training, and potentially more appeals or disputes.

Long-Term Deliverability and Reform

A national system with consistent bands may provide a more stable base for future reforms. It is easier to maintain, communicate, and update over time. By contrast, localised thresholds could introduce long-term complexity. Future reforms would need to account for 32 separate banding systems, which could make changes more time-consuming and more difficult to coordinate.

Alternatives to Localised Revaluation

While a localised system aims to make council tax more responsive to local conditions, there may be other ways to achieve this without creating added complexity. For example, increasing the number of bands nationally, and adjusting how much more is paid in higher bands, could improve how well the tax reflects differences in property values across the full range of the housing market.

⁴⁶ [Fairer Council Tax: consultation analysis - gov.scot](#)

⁴⁷ [Local government finance sources and council tax reform: joint working group - gov.scot](#)

QUESTIONS:

4. Following a revaluation, do you think council tax band property value thresholds should be set at a national level or vary by council area?

- ☐ Thresholds should be set nationally to be the same across all council areas
- ☐ Thresholds should vary by council area based on local housing markets
- ☐ Don't know

3.3 National Revaluation Models

The Institute for Fiscal Studies (IFS) has modelled several reform options that use a national revaluation as their foundation. These options aim to update property values across Scotland and explore how changes to the number of bands or the way council tax is calculated might affect households, councils, and the overall distribution and progressivity of the system.⁴⁸

Each of the models is revenue neutral, and therefore the total council tax revenue would remain broadly the same. The different models explored in this consultation vary in how they redistribute tax liability across the property market. Some focus on increasing progressivity, meaning that households in higher-value homes would contribute a larger share of the overall council tax collected. Others aim to increase differentiation, by adding more bands to provide more incremental steps in the tax rates between properties of increasing market values. For example, a system with more bands and smaller gaps between them would result in more gradual changes to bills as property values rise. While all the models are based on updated property values as their starting point, they differ in how sharply they adjust tax contributions at the upper end of the market and how finely they distinguish between properties across the full value range.

QUESTIONS:

5. Which of the following is most important to you in the design of council tax bands?

- ☐ Ensuring tax rises between bands are gradual and predictable (differentiation)
- ☐ Ensuring households in higher-value homes contribute more (progressivity)
- ☐ Don't know
- ☐ Other [Open Text Box]

3.3.1 Illustrative Reform 1 - Revaluation with the Current 8-Band System

This approach is a revaluation without any changes to the current 8-Band System. This updates the value of all properties but keeps the current eight-band structure in place. The main change is that properties are reassigned to bands based on current property values rather than 1991 values.

⁴⁸ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Band thresholds are adjusted to reflect how property prices have increased since 1991. For example, it is estimated that the threshold for Band A would rise from £27,000 to about £97,000, and Band D would increase from £58,000 to around £255,000.⁴⁹

While the tax structure would stay the same, this realignment would move many properties into different bands, correcting distortions developed over the course of over 30 years of change in the housing market. However, the system would remain regressive overall - higher-value properties would still pay less council tax as a proportion of their value than lower-value properties.

Figure 8: New band thresholds and relative tax rates under a revaluation with the current 8-Band System, (Q3 2024 property values)

A data table showing new band thresholds and relative tax rates under a revaluation

Band	Upper threshold	Relative tax rate	Tax rate (2025-26)	% of properties
A	£97,060	0.667	£1,029	20.02
B	£148,147	0.778	£1,200	22.22
C	£197,575	0.889	£1,372	16.14
D	£255,106	1	£1,543	13.9
E	£347,197	1.314	£2,027	13.75
F	£469,277	1.625	£2,507	8.2
G	£892,084	1.958	£3,022	5.22
H	∞	2.45	£3,780	0.54

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Note: there were over 2.5 million properties in Scotland as of September 2024. (2,602,545).⁵⁰

3.3.2 Illustrative Reform 2 - Differentiated 12-Band System

This **12-band Differentiated System** updates property values and adds more bands to create a more gradual increase in council tax across property types. This means it introduces smaller increases in tax between bands to reduce the large jumps in between some of the tax bands in the current system. It also reduces the tax rate for the lower value properties and increases the rate for higher value properties, compared to the current 8-band system.

Key changes include:

- Splitting existing bands E and F into smaller bands (E1 to F2)
- Adding a new lower band (A1) and a new upper band (I)

⁴⁹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁵⁰ [Council tax datasets - gov.scot](#)

Under this system, households in the lowest-value properties (Band A1) would see a reduced council tax rate equivalent to a reduction in bills of around £170 less a year, based on average 2025-26 council tax charges across Scotland. Homes in Bands A2 to C would also see smaller reductions equivalent to around £50 less a year. At the upper end, properties in the new Band I would see increased rates equivalent to around £850 more per year, based on 2025-26 charges.⁵¹

While this model makes modest improvements in making the system less regressive, its main aim is to reduce large jumps in tax at the boundaries between bands.

Figure 9: New band structures and relative tax rates under a 12-band differentiated system, (Q3 2024 property values)

A data table showing new band structures and relative tax rates under a 12-band differentiated system

Band	Upper threshold	Relative tax rate	Tax rate (2025-26)	% of properties
A1	£65,000	0.556	£857	5.45
A2	£95,000	0.639	£986	13.6
B	£135,000	0.75	£1,157	18.02
C	£185,000	0.861	£1,329	17.62
D	£250,000	1	£1,543	16.54
E1	£305,000	1.225	£1,890	9.6
E2	£375,000	1.475	£2,275	7.8
F	£460,000	1.725	£2,662	5.21
G1	£560,000	1.975	£3,047	3.04
G2	£845,000	2.25	£3,433	2.43
H	£1,265,000	2.556	£3,943	0.55
I	∞	3	£4,629	0.14

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

3.3.3 Illustrative Reform 3 - Progressive 12-Band System

The **Progressive 12-band System** uses the same 12-band structure as above and also adjusts the tax rates to make the system more progressive, decreasing tax rates more significantly for lower value properties and increasing tax rates more significantly for higher value properties.

Compared to the previous 12-band model, the tax burden would shift more clearly from lower-value to higher-value properties:

⁵¹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

- Bands A to C would face even lower rates, equivalent to an estimated reduction in bills of between around £85 and £170, based on average 2025-26 council tax charges across Scotland.⁵²
- The increased rate applied to households in Band I (the highest-value band) would have been equivalent to an estimated £1,600 more per year in 2025-26.⁵³

The aim of this model is to make council tax more equitable by ensuring that higher-value homes contribute a greater share of the total tax.

Figure 10: New band structures and relative tax rates under the Progressive 12-band System, (Q3 2024 property values)

A data table showing new band structures and relative tax rates under the Progressive 12-Band System

Band	Upper threshold	Relative tax rate	Tax rate (2025-26)	% of properties
A1	£65,000	0.556	£857	5.45
A2	£95,000	0.611	£943	13.6
B	£135,000	0.667	£1,029	18.02
C	£185,000	0.806	£1,243	17.62
D	£250,000	1	£1,543	16.54
E1	£305,000	1.25	£1,929	9.6
E2	£375,000	1.525	£2,353	7.8
F	£460,000	1.85	£2,855	5.21
G1	£560,000	2.2	£3,395	3.04
G2	£845,000	2.6	£4,012	2.43
H	£1,265,000	3	£4,629	0.55
I	∞	3.5	£5,401	0.14

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

3.3.4 Illustrative Reform 4 - 14-Band System

The **14-Band Progressive System** builds on the 12 band structures by adding further bands at the top and bottom of the property value range. Additional bands also provide smaller proportional changes in tax rates between bands.

Changes include:

- Additional lower bands provide more differentiation among lower-value properties

⁵² Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁵³ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

- New upper bands (J and K) for very high-value properties

This structure provides a smoother progression from the lowest to the highest-value homes. It allows for more precise banding and reduces sudden jumps in council tax liability between bands.

Under this design, households in the lowest-value homes (Band A1) would see a reduction in rates equivalent to an estimated £260 per year based on average 2025-26 council tax charges across Scotland. Homes in Bands A2 to C would see reduced rates equivalent to an estimated £130 to £200. Properties in the highest band (K) would face higher rates equivalent to an estimated £2,750 more per year.⁵⁴

Although the overall results are quite similar to the progressive 12-band model, the extra bands allow for greater precision in how council tax liability is distributed across property values.

Figure 11: New band structures and relative tax rates under the 14-Band Progressive System, (Q3 2024 property values)

A data table showing new band structures and relative tax rates under the 14-Band Progressive System

Band	Upper threshold	Relative tax rate	Tax rate (2025-26)	% of properties
A1	£65,000	0.500	£772	5.45
A2	£85,000	0.556	£857	8.79
B1	£110,000	0.611	£943	11.84
B2	£145,000	0.694	£1,072	14.97
C	£185,000	0.806	£1,243	13.65
D	£240,000	1	£1,543	14.39
E	£315,000	1.325	£2,045	13.12
F	£410,000	1.650	£2,546	9.02
G1	£550,000	2.000	£3,086	5.44
G2	£745,000	2.400	£3,703	2.27
H	£1,005,000	2.800	£4,320	0.72
I	£1,355,000	3.222	£4,972	0.24
J	£1,830,000	3.667	£5,658	0.08
K	∞	4.222	£6,515	0.02

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁵⁴ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

3.3.5 Impacts on Accuracy, Progressivity and Revenue

All of the national revaluation models aim to improve the accuracy of the system by ensuring that council tax is based on the current value of properties, rather than estimates of 1991 values.

Key comparisons:

- **Illustration 1** - The pure revaluation - this design improves accuracy but keeps the existing structure and its limitations.
- **Illustration 2** - The more differentiated 12-band model reduces large jumps in bills and makes modest changes to make the system more progressive – with larger increases as property values rise.
- **Illustration 3** - The progressive 12-band adjusts the tax rates further to make the system more progressive.
- **Illustration 4** – The 14-band system has the most progressive rates of the four. It also reduces large jumps between bands.

Across all models other than a pure revaluation, lower-income households tend to benefit the most, while those with higher-value homes face increased rates to varying degrees. However, total revenue remains broadly the same nationally. These models do not assume any increase in funding, but rather focus on how the tax burden is distributed in relation to property values.⁵⁵

Figure 12: Estimated average change in net council tax bill, by quintile of household income

A data table showing estimated average changes in annual net council tax bills by income quintile for each illustrative model

Income Quintile	Pure revaluation	12-band differentiated	12-band less regressive	14-band less regressive
Quintile 1 (lowest income)	£6	£2	-£9	-£12
2	£7	-£9	-£43	-£52
3	£6	£0	-£19	-£15
4	-£26	-£28	-£31	-£24
Quintile 5 (highest income)	£7	£35	£103	£104

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁵⁵ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

QUESTIONS:

6. Which of the potential council tax systems do you most support?

- ☐ Revaluation with 8 existing bands
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☐ Revalued 14-band system
- ☐ The current council tax system with no revaluation
- ☐ Don't know

7. Which of the potential council tax systems do you least support?

- ☐ Revaluation with 8 existing bands
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☐ Revalued 14-band system
- ☐ The current council tax system with no revaluation
- ☐ Don't know

3.3.6 Impacts on Rents and Property Value

Council tax influences how much people are willing or able to pay to live in certain properties.⁵⁶ If council tax goes down, living there becomes cheaper, so demand may increase, which can lead to higher rents and property prices than if there had been no change in council tax. If council tax goes up, demand may fall, and prices may reduce compared to if there had been no change in council tax. This effect, where future tax costs are reflected in current property prices and rents, is called capitalisation.⁵⁷

If council tax rises, homeowners do not lose twice. They either:

- stay in the home and pay more tax over time, or
- sell the home for a lower price and stop paying the tax.

If the changes in council tax are fully capitalised into property values, the total financial impact is similar either way for homeowners. Whoever is the owner-occupier of the property when the tax changes will feel the effect, and future homebuyers will pay a price that reflects capitalisation of the new tax level.⁵⁸

In the case of rental property, the immediate impact would be felt by tenants who have to pay council tax. Over time, rents may adjust, passing the impact onto landlords.⁵⁹

How large the effects on property values are is particularly uncertain, given it depends not just on how much the council tax bill changes but also how people value future costs and

⁵⁶ Gibb, K. (2025). Sustainable Housing Policy in Scotland. UK Collaborative Centre for Housing Evidence

⁵⁷ Gibb, K. (2025). Sustainable Housing Policy in Scotland. UK Collaborative Centre for Housing Evidence

⁵⁸ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁵⁹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

savings and we recognise that people consider a range of complex factors when deciding where they wish to live. The more those future costs or savings on council tax affect the price they are willing to pay for a property, the greater the impact on prices and rents. This is known as a “discount rate”. A lower discount rate would increase the effects and a higher discount rate would decrease them.⁶⁰

To reflect this uncertainty, the IFS estimated impacts on property values under three discount rates, 1%, 3% and 5%, with 3% as the central scenario, which effectively assumes that after adjusting for inflation, £1 in a year’s time is valued at 97p today.

It was estimated that changes in property values would be more pronounced in the illustrative council tax band designs that most increase progressivity, and particularly affect the least and most valuable properties, given they would be expected to face the largest shifts in council tax rates, on average.⁶¹

For example, (using a 3% discount rate) for properties worth £60,000, a pure revaluation would have little estimated impact on values (most properties of this value are already in Band A), the 12-band systems cause an estimated increase in value of around 6%, and the 14-band system an estimated increase of around 8%. On the other hand, a property worth £500,000 would be estimated to fall in value by around 2% under a pure revaluation and 3–5% under the 12-band and 14-band systems, as average net council tax bills increase.⁶²

For more detail on this you are encouraged to read [Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#).

⁶⁰ Adam et al. (2025), ‘[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)’, Scottish Government Research Report

⁶¹ Adam et al. (2025), ‘[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)’, Scottish Government Research Report

⁶² Adam et al. (2025), ‘[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)’, Scottish Government Research Report

4. Transition and Mitigation

4.1 Why Transition Mechanisms Matter

Major changes to council tax can result in noticeable increases in bills for some households, especially in areas where property values have risen significantly since the last valuation.⁶³ Transitional relief schemes, or "soft landing" measures help give people time to adjust and ease households into the changes.

It recognises that while reform may be equitable overall, a large one-off bill increase can be difficult for some households to absorb. Transitional relief schemes have been used in other parts of the UK to protect households during revaluations. These experiences show that well-designed transition schemes can reduce short-term disruption while still achieving long-term policy goals.⁶⁴

People may be more willing to support long-term improvements if they are reassured that any changes will be introduced gradually.

There is a trade-off between the scale of the support provided and how much it costs. More protection means more households receive help – but it also increases the overall cost of the scheme.

QUESTIONS:

8. Do you support the establishment of a transitional relief scheme to limit how much a household's council tax bill can increase each year following reform?

- ☐ Yes
- ☐ No
- ☐ Don't know

4.2 Phasing In Changes to Bills

A common approach to transition mechanisms is to limit how much a household's bill can rise each year. This means that people who face the highest increases in their bill under a new system would not need to pay the full increase straight away. The two example schemes below have been modelled by the IFS to show how this might work.⁶⁵

Both options assume that the cap on increases would apply to the gross council tax bill before any discounts (like the single person discount), premiums, exemptions, or Council Tax Reduction (CTR). For those receiving discounts, this means the cap would effectively be lower in cash terms.

⁶³ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁶⁴ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁶⁵ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

4.2.1 Scheme 1: Cap Increases at 10% or £300 Per Year

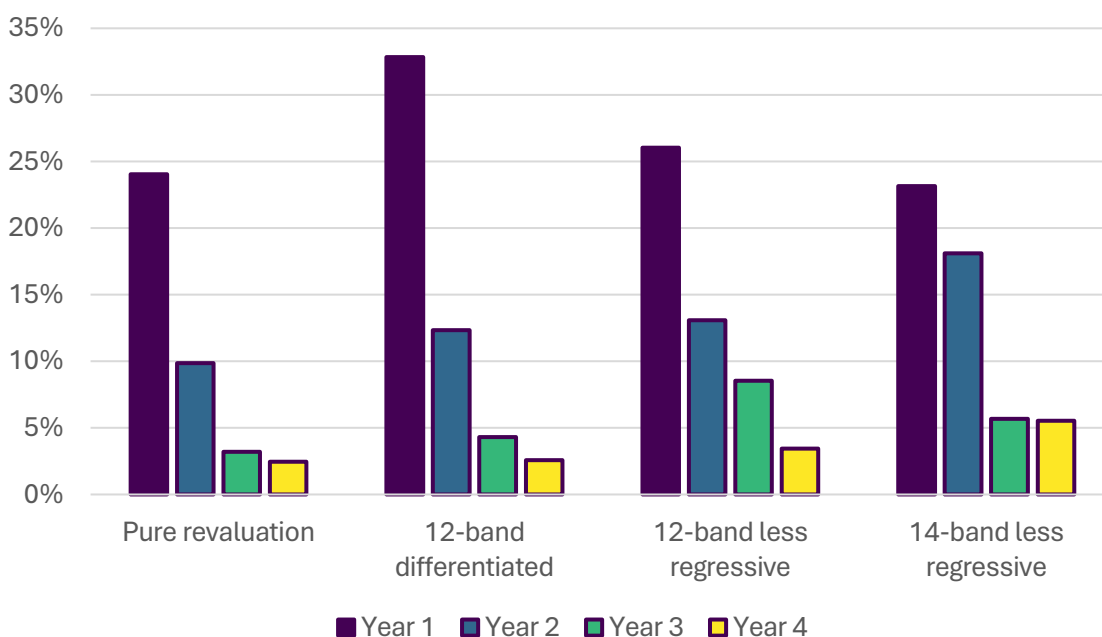
This approach would offer the most protection. Under this scheme, council tax gross bill increases due to the reforms would be limited to the lower of 10% or £300 each year, over four years.

This would protect the largest number of households. For example, under a pure revaluation, around 24% of all properties would be estimated to receive some form of transitional relief in the first year. That number could be higher under some of the other reform options. A small number of households would be estimated to continue to benefit from phased increases until the fourth year.⁶⁶

Because more people are protected and for longer, this scheme would also be more expensive. In year one, the estimated costs range from £100 million (for a simple revaluation) to £200 million for reforms that introduce more bands and make the system less regressive. Even by year four, estimated annual costs could still be around £25 million under these more extensive reforms.⁶⁷

Figure 13: Estimated percentage of properties eligible for transitional relief scheme 1, by reform system and year

A bar chart showing estimated percentage of properties eligible for transitional relief scheme 1, by reform system and year



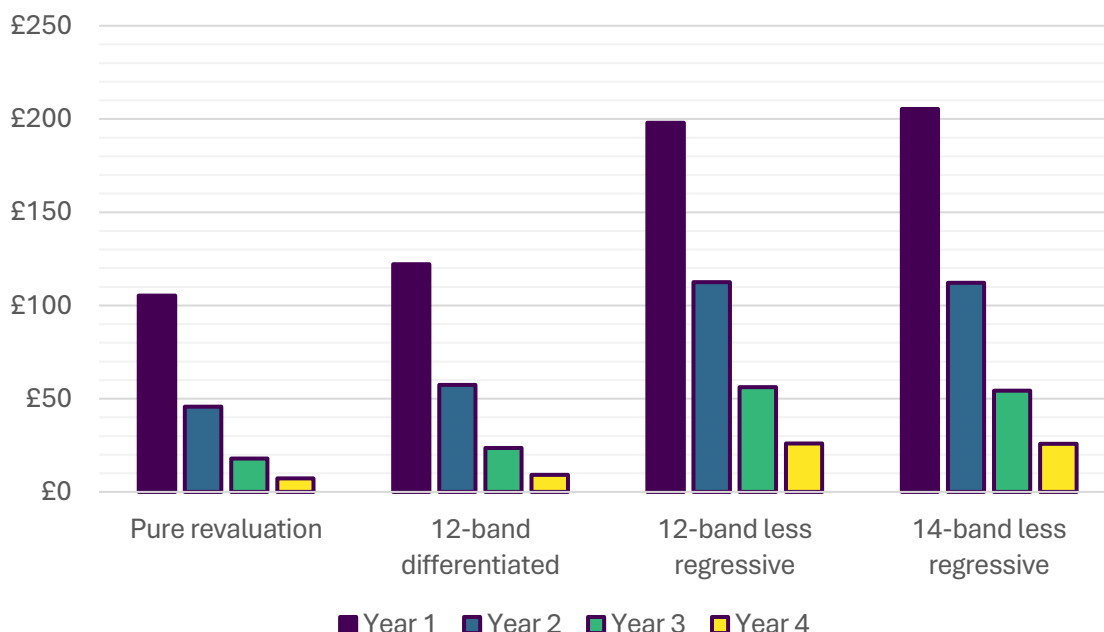
Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁶⁶ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁶⁷ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Figure 14: Estimated cost of transitional relief scheme 1 (£ million), by reform system and year

A chart showing estimated costs of transitional relief scheme 1, by reform system and year



Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

4.2.2 Scheme 2: Cap Increases at 25% or £600 Per Year

This option would offer a faster path to full implementation if a reform goes ahead, with less financial protection for households and lower costs.

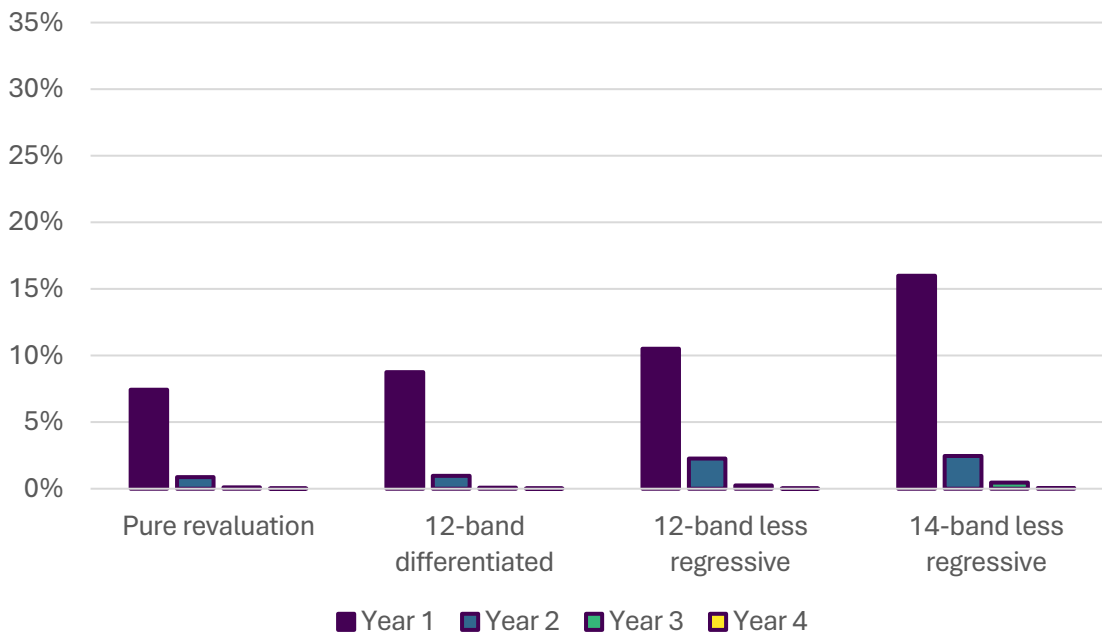
Under this scheme, bill increases would be capped at the lower of 25% or £600 per year, over four years. Fewer people would receive transitional relief, with support targeted at those facing the biggest increases.

For example, under a pure revaluation, an estimated 7% of households would be protected in the first year, and the cost would be just over £50 million. By year four, it is estimated that fewer than 0.1% of households would still need support under this scheme.⁶⁸

⁶⁸ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Figure 15: Estimated percentage of properties eligible for transitional relief Scheme 2, by reform system and year

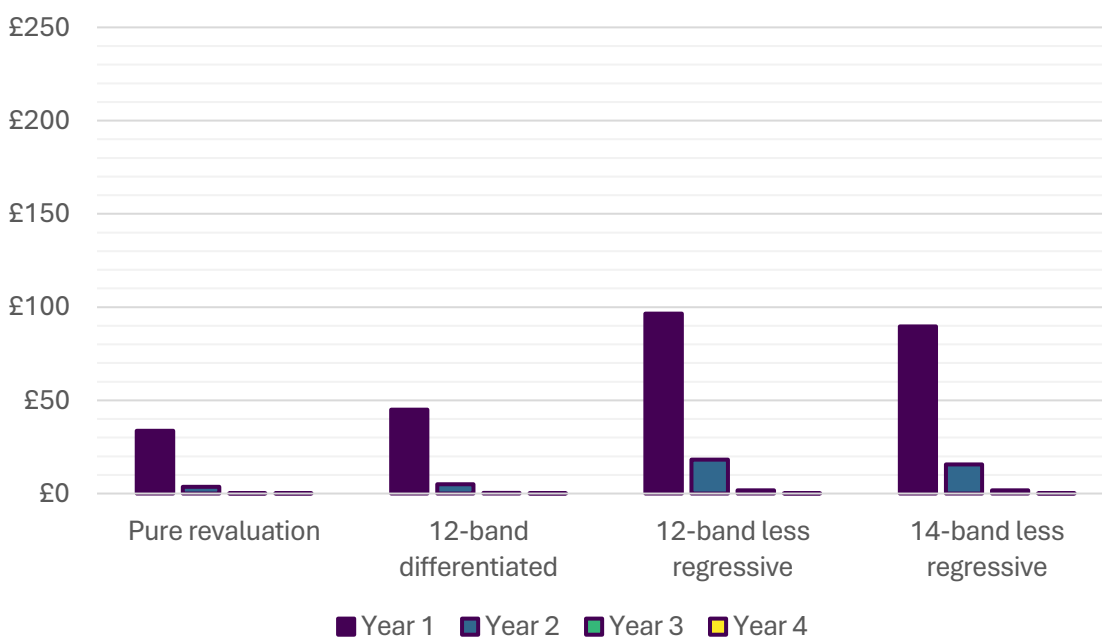
A bar chart showing estimated percentage of properties eligible for transitional relief scheme 2, by reform system and year



Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

Figure 16: Estimated cost of transitional relief Scheme 2 (£ million), by system and year

A chart showing estimated cost of transitional relief Scheme 2, by reform system and year



Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

4.2.3 Who Benefits from Phasing?

Transitional relief would benefit different types of households depending on the option chosen:

- Scheme 1 would support a broader group, including households who face smaller but still significant increases. By virtue of having a wider scope, and capturing more recipients it is likely to include more low and middle value properties than scheme 2.⁶⁹
- Scheme 2 would be more targeted, helping those facing the largest jumps in bills, such as those moving up two or more bands. It would focus support on a smaller group, who are more likely to be those in high-value homes in areas where prices have risen sharply.⁷⁰

Both schemes would likely benefit owner-occupiers more than renters, and households who are not already receiving full support through the Council Tax Reduction scheme⁷¹.

4.2.4 Advantages and Disadvantages of Phasing

Advantages:

- It helps provide a gradual introduction for reform, particularly for those with the larger bill increases.
- It offers temporary financial protection for households.
- A scheme with a lower cap can protect more households
- A scheme with a higher cap is less costly.

Disadvantages:

- It adds complexity in terms of design, administration and communication of the system.⁷²
- It requires funding – either from grants, higher bills for others, or higher tax rates.
- A scheme with a lower cap is more costly.
- A scheme with a higher cap will protect fewer households.

The choice of whether to use a transitional relief scheme, and which version to use, depends on the balance between providing support and managing cost. These models are illustrative only, but show the kinds of trade-offs involved.

⁶⁹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷⁰ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷¹ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷² Ministry of Housing, Communities & Local Government (2016), Consultation on the transitional arrangements for the 2017 business rates revaluation: summary of responses and government's response. London: MHCLG; Department for Levelling Up, Housing & Communities (2022), Business Rates Revaluation 2023: Consultation on the transitional arrangements – summary of responses and government response. London: DLUHC.

QUESTIONS:

9. Which transitional relief scheme would you prefer?

- ☐ Scheme 1: Cap increases at 10% or £300 per year
- ☐ Scheme 2: Cap increases at 25% or £600 per year
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

4.3 Deferral of Increases

A deferral scheme would allow some households to delay paying the extra council tax they owe as a result of reform. Instead of paying the full increase straight away, they could postpone part or all of it until a later date; for example, when the home is sold or after a fixed number of years.

This could help people who own their homes but have lower incomes. For example, pensioners, disabled people, or families with children may find it difficult to pay a higher bill even though they have housing wealth.

Unlike transitional relief, which reduces the amount paid in early years, deferral only delays payment. The tax is still due in full later – potentially with interest – and so the deferred council tax income and associated costs of deferring, would be expected to be recovered in future years.⁷³

4.3.1 How a Deferral Scheme Could Work

The scheme would allow households to treat the extra amount owed due to revaluation or banding changes as a loan. This loan would be recovered later — usually when the property is sold or transferred to someone else.

This kind of approach already exists in other countries, including Ireland and Canada.⁷⁴

To work well, the scheme would need to be carefully designed. Some of the key choices include:

- **Who is eligible:** The scheme would likely be limited to owner-occupiers with enough equity in their property. Some mortgage holders might not be eligible depending on their mortgage terms.⁷⁵
- **How much can be deferred:** The scheme might allow deferral of just the increase from reform, or allow full deferral of the total bill for eligible households.
- **How long it lasts:** Deferred bills could be paid when the home is sold, after a fixed number of years (like five or ten), or on the death of the owner.
- **Whether interest is charged:** To cover costs and avoid enriching those on the scheme, interest could be added to the deferred amount.

⁷³ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷⁴ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷⁵ [Lenders' Handbook - UK Finance Mortgage Lenders' Handbook](#)

- **Who manages it:** Councils would likely run the scheme, as they already do for similar arrangements for social care charges.⁷⁶

4.3.2 Supporting Asset-Rich, Income-Poor Households

There are a range of homeowners who could potentially benefit from a deferral scheme, including, for example, older people, long-term homeowners, or families who do not qualify for full Council Tax Reduction. They may live in homes that have risen in value, but their income has stayed the same or fallen.

Details of criteria that have been used for similar schemes in other countries can be found in section 6.2 of the following research report: [Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#).

Deferral would allow 'income-poor, asset-rich' households to stay in their homes without extra financial strain. The tax would still be paid eventually, often from the sale of the home.

Figure 17: Estimated number of households facing an increase of over £300 in their annual net council tax bill and satisfying various household criteria

A table showing number of households facing an increase of over £300 in their annual net council tax bill and satisfying various additional criteria

Household Criteria	Pure Revaluation	12-band Differentiated	12-band Less Regressive	14-band Less Regressive
Owner-occupier and not eligible for full CTRS	250,000	250,000	260,000	360,000
Additional criteria				
(1) At least one adult above State Pension Age	80,000	80,000	80,000	120,000
(2) Satisfies (1) or at least one individual in receipt of health-related benefits	90,000	90,000	90,000	140,000
(3) Satisfies (1) or (2) or at least one child	150,000	140,000	150,000	210,000

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷⁶ [Deferred payment | Care Information Scotland](#)

Modelling estimates that up to 360,000 households, about 14% of all households in Scotland, could be eligible under a broad scheme. The number would depend on how the scheme is designed:

- It is estimated that around 250,000 households might qualify if eligibility is based on being an owner-occupier, not receiving full CTR, and facing a net bill increase of over £300.
- If eligibility is limited to people over state pension age, it is estimated that the number of eligible households could drop to about 80,000.
- If families with children and those receiving disability benefits are also included, the number of eligible households would be expected to increase.⁷⁷

4.3.3 Repayment Conditions and Triggers

The deferred amount would be repaid later, usually from the sale of the home. Other possible repayment points could include:

- After a fixed number of years (e.g. five or ten).
- When the final resident dies.
- If the homeowner chooses to repay early.

The deferred bill may be subject to interest, to reflect the cost of borrowing. For example, Ireland charges 3% interest⁷⁸, and British Columbia charges between 3.45% and 5.45% depending on the household type.⁷⁹

Any interest rate applied to deferred council tax can be set to strike a balance between offering financial security for households and ensuring the long-term sustainability of the scheme for public finances:

For households, a clearly defined and reasonable interest rate provides certainty about the future cost of deferral, making it easier to plan and reducing the risk of unmanageable debt.

Setting the rate too low could create an incentive for households to defer unnecessarily, increasing the cost to the public purse.

Conversely, setting it too high could discourage take-up among those who genuinely need support. The rate, therefore, plays a key role in making the scheme both accessible for households and financially viable for government:

- A lower rate subsidises deferrals, increasing costs to the public purse and potentially encouraging take-up by households who do not genuinely need the support.
- A higher rate helps recover more of the costs to local authorities and discourages households who do not need the support from applying. However, it also risks

⁷⁷ Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

⁷⁸ [Deferral of Local Property Tax \(LPT\) payment](#)

⁷⁹ [Property tax deferment program - Province of British Columbia](#)

detering households who do need support or leaving them with larger debts to repay.

To keep the scheme affordable and low-risk, there could also be a limit on how much can be deferred. For example, British Columbia limits total charges against a home to 75% of its official valuation.⁸⁰

A well-designed deferral scheme could support vulnerable households during the transition to a new system, without reducing the total amount of tax collected over time.

QUESTIONS:

10. Do you support the establishment of a council tax deferral scheme for homeowners?

- ☐ Yes
- ☐ No
- ☐ Don't know

11. In your view, who should be eligible to receive support from a council tax deferral scheme?

[Select as many as you think should apply]

- ☐ Pensioners (over state pension age)
- ☐ Disabled people
- ☐ Households with children
- ☐ Households experiencing financial hardship
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

12. Should households who defer payment pay interest on the amount deferred?

- ☐ Yes
- ☐ No
- ☐ Don't know

4.4 Council Tax Reduction (CTR) Scheme

4.4.1 The Role of CTR in Council Tax Reform

The Council Tax Reduction (CTR) scheme provides means-tested financial support to low-income households to help reduce their council tax bill. For many of these households, CTR already ensures that they pay little or no council tax, meaning they would be protected from any direct impact of reform.⁸¹

⁸⁰ [Property tax deferment program - Province of British Columbia](#)

⁸¹ [Council Tax Reduction in Scotland: 2024-2025 - gov.scot](#)

However, some households, particularly those just above the CTR eligibility threshold, could see their bills increase under a reformed system. This makes CTR an important part of any reform package, both as a form of ongoing support and as a way to protect household budgets where affordability might otherwise be a concern.

4.4.2 Existing and Targeted CTR Support

When changes were made to the council tax system in 2017 – which increased the charges in Bands E to H - targeted CTR support was introduced for low-income households in Bands E to H. This allowed eligible households to continue paying lower rates.⁸² A similar approach could be applied under reformed systems, particularly where households move into higher bands due to changes in property values.

CTR could be extended to provide targeted support to those in higher-value properties who meet certain income criteria. This would help limit large increases in council tax liability for lower-income households, while allowing structural changes to the tax system to proceed.

Figure 18: Estimated number of households entitled to, and cost of, Band E–H CTR scheme under full take-up

A data table showing number of households entitled to, and cost of, Band E–H CTR scheme under full take-up

Council tax system	Number of households entitled	Annual cost under full take-up (£ millions)
Current system	13,000	2.6
Pure revaluation	17,000	3.3
12-band differentiated	12,000	4.6
12-band less regressive	18,000	6.4
14-band less regressive	19,000	4.4

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report

4.4.3 Expanding the CTR Scheme More Broadly

Reform also creates an opportunity to review the broader design of the CTR scheme itself, particularly for those who are close to the eligibility threshold but not currently supported. One option would be to reduce the taper rate. This is the rate at which support is withdrawn as income rises.

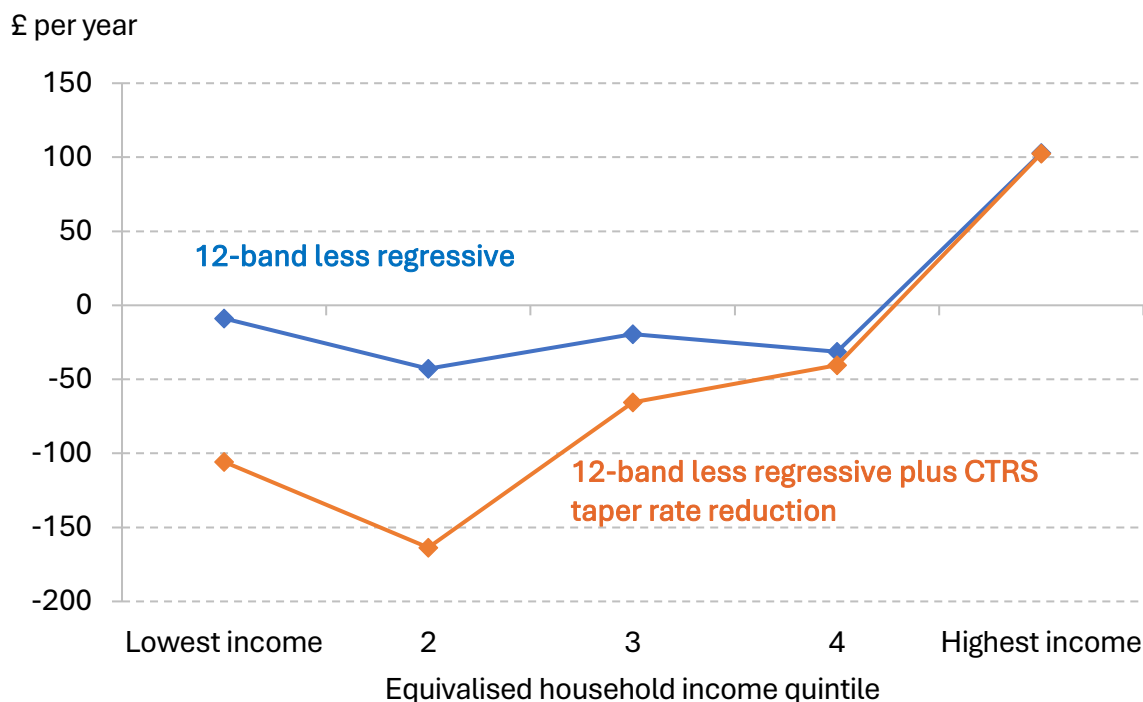
⁸² [Scottish Government \(2018\), 'Council Tax Reduction in Scotland 2017-2018'](#).

For example, it is estimated that halving the taper rate⁸³ from 20p to 10p per £1 of additional income would extend support to between 400,000 and 500,000 households, at an estimated cost of between £130 million and £150 million per year. It is estimated that around half of these households would be newly eligible under the lower taper rate, with the rest seeing increased support. According to modelled estimates, the number of households entitled to CTR could rise from around 25% to 35% of all households in Scotland.

Figure 19 below shows the illustrative impact of reducing the CTR ‘taper rate’ on progressivity of the system. With a reduced taper, bills rise with income quintile.

Figure 19: Combined estimated effect on average net bills of 12-band less regressive reform and reduction in CTRS taper rate from 20% to 10%, by quintile of household income

A line graph showing combined estimated effect on average net bills of 12-band less regressive reform and reduction in CTRS taper rate from 20% to 10%, by quintile of household income



Note: Assumes full take-up of CTRS. Households are allocated to quintiles based on income measured after taxes and benefits but before housing costs are deducted, and are adjusted for household size and composition using the modified OECD equivalence scale.

Source: Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report - Authors' calculations using Understanding Society waves 8-10 and 14 and TAXBEN, the IFS tax and benefit microsimulation model.

⁸³ The taper rate is the rate at which council tax support is withdrawn as a household's income increases above a certain threshold. In other words, once your income goes above the level at which you qualify for full help, the taper determines how quickly your entitlement reduces.

4.4.4 Considerations for Reform

Expanding CTR would help ensure that low- and modest-income households are better supported during and after reform. However, there are important design and delivery considerations:

- **Take-up rates:** Any changes would need to be supported by clear communication, streamlined application processes, and awareness campaigns.
- **Administrative complexity:** Changes that introduce more variation, such as different rules based on income level, age, or location, could increase costs and make the system harder for both councils and residents to navigate.
- **Interaction with other support mechanisms:** CTR is one part of a wider support package. Its effectiveness depends on how it works alongside other tools, such as transitional relief and deferral.

The Scottish Government and COSLA welcome views on whether the current CTR scheme should be expanded or adjusted, and which groups of households most need additional support under a reformed system.

QUESTIONS:

13. Do you think the Council Tax Reduction scheme should be expanded to support more households following any reform?

- ☐ Yes
- ☐ No
- ☐ Don't know

14. Which changes to the Council Tax Reduction scheme would you support? [Select as many as you think should apply]

- ☐ Broaden eligibility criteria for CTRS to include low-income households where the property moves into a higher band due to council tax system changes
- ☐ Change CTR so support is withdrawn more gradually as rising incomes move individuals out of eligibility
- ☐ No changes needed
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

5. Next Steps

This consultation is an important part of the wider programme of work being carried out jointly by the Scottish Government and COSLA to explore options for the future of council tax. The views gathered through this process will help shape the next stage of policy development and support an informed debate on the future direction of local taxation in Scotland.

All of the options presented in this paper are illustrative. No final decisions have been made. We are committed to listening to the views of individuals, communities, organisations, and other stakeholders across the country. Your feedback will help us to better understand the impact of the different options, and to assess how the council tax system might be improved in a way that is more sustainable, easier to understand, and better reflects changes in the housing market.

Responses to this consultation will inform public engagement and political discussion in the Scottish Parliament. Any decisions about reform would follow only once consensus is built, and would be carefully planned and delivered in a phased way.

We encourage you to take part and share your views. Your input will help shape the future of council tax in Scotland.

QUESTIONS:

15. Do you have any information you wish to share that has not already been discussed in the paper on the impact of council tax reform on any of the following:
- Groups who share protected characteristics
 - Island Communities
 - Businesses or organisations in the public, private or third sector
 - Your local area

Please provide details, making reference to the type of impact to which your comments relate. [free text, 300 words maximum]

16. Please provide any other comments or views on the consultation themes or council tax reform that you have not been able to share above. [free text, 300 words maximum]

About You Questions

1. About you Question 1

[For individual respondents] Please tell us which local authority area(s) you live in

Local Authority Area(s):

[For organisational respondents] Please tell us which local authority area(s) your organisation operates in

Local Authority Area(s):

2. About you Question 2

If you pay council tax, please indicate which council tax band(s) apply to the property (or properties) for which you pay council tax:

- ☐ Band A
- ☐ Band B
- ☐ Band C
- ☐ Band D
- ☐ Band E
- ☐ Band F
- ☐ Band G
- ☐ Band H
- ☐ I don't pay council tax
- ☐ I don't know

Questions for Consultation

1. Do you think the current council tax system in Scotland needs to be reformed?
 - ☐ Yes
 - ☐ No
 - ☐ Don't know
2. Do you think property values used to calculate council tax should be updated to reflect current market values, instead of using 1991 values (i.e. should there be a revaluation of every Property in Scotland)?
 - ☐ Yes
 - ☐ No
 - ☐ Don't know
3. How often do you think property values should be reviewed and updated for council tax purposes?
 - ☐ Every 3 years
 - ☐ Every 5 years
 - ☐ Every 7 years
 - ☐ Every 10 years
 - ☐ Other, please specify [50 words maximum]
 - ☐ Don't Know
4. Following a revaluation, do you think council tax band property value thresholds should be set at a national level or vary by council area?
 - ☐ Thresholds should be set nationally to be the same across all council areas
 - ☐ Thresholds should vary by council area based on local housing markets
 - ☐ Don't know
5. Which of the following is most important to you in the design of council tax bands?
 - ☐ Ensuring tax rises between bands are gradual and predictable (differentiation)
 - ☐ Ensuring households in higher-value homes contribute more (progressivity)
 - ☐ Don't know
 - ☐ Other, please specify [50 words maximum]
6. Which of the potential council tax systems do you most support?
 - ☐ Revaluation with 8 existing bands
 - ☐ Revalued 12-band (differentiated) system
 - ☐ Revalued 12-band (progressive) system
 - ☐ Revalued 14-band system
 - ☐ The current council tax system

☐ Don't know

7. Which of the potential council tax systems do you least support?

- ☐ Revaluation with 8 existing bands
- ☐ Revalued 12-band (differentiated) system
- ☐ Revalued 12-band (progressive) system
- ☐ Revalued 14-band system
- ☐ The current council tax system
- ☐ Don't know

8. Do you support the establishment of a transitional relief scheme to limit how much a household's council tax bill can increase each year following reform?

- ☐ Yes
- ☐ No
- ☐ Don't know

9. Which transitional relief scheme would you prefer?

- ☐ Scheme 1: Cap increases at 10% or £300 per year
- ☐ Scheme 2: Cap increases at 25% or £600 per year
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

10. Do you support the establishment of a council tax deferral scheme for homeowners?

- ☐ Yes
- ☐ No
- ☐ Don't know

11. In your view, who should be eligible to receive support from a council tax deferral scheme?

[Select as many as you think should apply]

- ☐ Pensioners (over state pension age)
- ☐ Disabled people
- ☐ Households with children
- ☐ Households experiencing financial hardship
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

12. Should households who defer payment pay interest on the amount deferred?

- ☐ Yes
- ☐ No
- ☐ Don't know

13. Do you think the Council Tax Reduction scheme should be expanded to support more households following any reform?

- ☐ Yes
- ☐ No
- ☐ Don't know

14. Which changes to the Council Tax Reduction scheme would you support? [Select as many as you think should apply]

- ☐ Broaden eligibility criteria for CTRS to include low-income households where the property moves into a higher band due to council tax system changes
- ☐ Change CTR so support is withdrawn more gradually as rising incomes move individuals out of eligibility
- ☐ No changes needed
- ☐ Other, please specify [50 words maximum]
- ☐ Don't know

15. Do you have any information you wish to share that has not already been discussed in the paper on the impact of council tax reform on any of the following:

- Groups who share protected characteristics
- Island Communities
- Businesses or organisations in the public, private or third sector
- Your local area

Please provide details, making reference to the type of impact to which your comments relate. [free text, 300 words maximum]

16. Please provide any other comments or views on the consultation themes or council tax reform that you have not been able to share above. [free text, 300 words maximum]

Responding to this Consultation



Scottish Government
Riaghaltas na h-Alba

We are inviting responses to this consultation.

Please respond to this consultation using the Scottish Government's consultation hub, [Scottish Government consultations - Citizen Space](#).

Access and respond to this consultation online at, [Consultation: The Future of Council Tax in Scotland](#). You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date of 30 January 2026.

If you are unable to respond using our consultation hub, please complete the Respondent Information Form and send your responses to:

Local Taxation Unit

Directorate of Local Government

Scottish Government

Victoria Quay

Edinburgh

EH6 6QQ

Responses may also be emailed to LocalTaxation@gov.scot.

Handling your response

If you respond using the consultation hub, you will be directed to the About You page before submitting your response. Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to be published. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document.

To find out how we handle your personal data, please see our privacy policy: [Privacy - gov.scot](#)

Next steps in the process

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at, [Scottish Government consultations - Citizen Space](#).

If you use the consultation hub to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us. Responses will be published where we have been given permission to do so. An analysis report will also be made available.

Feedback

If you have any comments about how this consultation exercise has been conducted, please send them to the contact address above or to, LocalTaxation@gov.scot

Scottish Government Consultation Process

Consultation is an essential part of the policymaking process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: [Scottish Government consultations - Citizen Space](#).

Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Responses will be analysed and used as part of the decision-making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

Annex A: Estimated average property values by council

Council	Median Average (50 th percentile)	Mean Average
Aberdeen City	£121,298	£158,892
Aberdeenshire	£196,565	£218,387
Angus	£156,949	£183,297
Argyll and Bute	£183,441	£224,914
Clackmannanshire	£136,375	£179,127
Dumfries and Galloway	£144,380	£174,760
Dundee City	£121,686	£154,126
East Ayrshire	£98,846	£140,289
East Dunbartonshire	£275,913	£321,596
East Lothian	£252,429	£312,797
East Renfrewshire	£297,474	£331,171
Edinburgh City	£269,095	£334,674
Eilean Siar	£157,328	£168,681
Falkirk	£146,827	£181,681
Fife	£150,615	£198,682
Glasgow City	£147,074	£185,806
Highland	£203,485	£229,932
Inverclyde	£101,370	£140,257
Midlothian	£221,521	£257,959
Moray	£179,199	£203,238
North Ayrshire	£107,969	£151,459
North Lanarkshire	£121,045	£157,886
Orkney Islands	£202,523	£219,919
Perth and Kinross	£208,339	£241,835
Renfrewshire	£140,469	£175,722
Scottish Borders	£184,607	£228,139
Shetland Islands	£166,407	£178,820
South Ayrshire	£156,251	£198,003
South Lanarkshire	£147,468	£189,067
Stirling	£210,963	£267,169
West Dunbartonshire	£110,675	£141,029
West Lothian	£178,195	£216,443
Scotland	£170,112	£211,159

Source: Extract from Adam et al. (2025), '[Revaluation and reform of council tax in Scotland: design considerations and potential impacts](#)', Scottish Government Research Report, Accompanying Excel workbook, Table B.1.a. Authors' calculations using data from the Scottish Assessors, Registers of Scotland, and Energy Performance Certificates



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