

Agenda Item	<b>6</b>
Report No	<b>HC/40/25</b>

# The Highland Council

**Committee:** The Highland Council

**Date:** 11 December 2025

**Report Title:** Response to Scottish Government Consultation: The Future of Council Tax in Scotland

**Report By:** Assistant Chief Executive – Corporate Cluster

## 1. Purpose/Executive Summary

- 1.1 This report provides information about the Scottish Government's consultation which seeks views on 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 with an interest in how local services are funded and how council tax affects them.
- 1.2 The public consultation presents illustrative models and seeks views on how to make council tax fairer, simpler, and better aligned with property values, while ensuring continued support for essential local services.
- 1.3 The Future of Council Tax in Scotland consultation opened on 27 October 2025 and will close at the end of January 2026.

## 2. Recommendations

- 2.1 Members are invited to:

- i. Consider and Agree the draft response to the consultation as detailed in **Appendix 1** to this report.

## 3. Implications

- 3.1 **Resource:** There are no resource implications arising directly from this report.
- 3.2 **Legal:** The purpose of the Scottish Government's consultation is to obtain feedback to help inform proposed reforms to the Council Tax system. Any such reforms which are enacted in law will be binding on local authorities and where appropriate, council tax payers.
- 3.3 **Risk:** There are no risk implications arising directly from this report.
- 3.4 **Health and Safety** There are no Health and Safety risk implications arising directly from this report.

3.5 **Gaelic:** there are no Gaelic implications arising from this report.

#### **4. Impacts**

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This report and Appendix 1 details the Highland Council's draft response to the Scottish Government's consultation on Council Tax Reform and therefore an impact assessment is not required.

#### **5. Background**

5.1 The Commission on Local Tax Reform was established by the Scottish Government and CoSLA, with input from others including experts in finance, law, housing, welfare, and equalities.

5.2 The Commission concluded that council tax should be reformed into a fairer, more progressive, and locally empowering system, supported by regular property revaluations. While it did not propose a specific model, it recommended retaining a domestic property tax as part of local taxation, but in a more progressive form.

5.3 The Scottish Government and CoSLA have launched the Programme of Engagement to advance long-term council tax reform. Central to the programme is a robust evidence base, including independent analysis by the Institute for Fiscal Studies on the impacts of potential reforms.

#### **6. Scope of engagement**

6.1 The Scottish Government's consultation, which closes at the end of January 2026, 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.

- Introducing 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.

6.2 The Scottish Government state “*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.*”

6.3 Questions 6 and 7 in the consultation refers to council tax Band systems. In the supporting Guidance, the Scottish Government set out the following definitions.

#### **Differentiated system – 12 Bands**

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.

*This option reduces the tax rate for the lower value properties and increases the rate for higher value properties, compared to the current 8-band system.*

#### **Progressive system – 12 Bands**

The Progressive 12-band System uses the same 12-band structure 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.

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

#### **Progressive system – 14 Bands**

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.

*This option 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.*

### **7. Council Tax Reform Public Engagement Workshops**

7.1 In addition to the consultation, Scottish Government, via Deciding Matters, is inviting approximately 150 members of the public to participate in workshops across Scotland to discuss options for council tax reform.

7.2 The Scottish Government advise that these workshops will take place over a full day on the following days:

- **Online:** Thursday 15<sup>th</sup> January, Zoom
- **Aberdeen:** Friday 16<sup>th</sup> January, Aberdeen Town House
- **Glasgow:** Monday 19<sup>th</sup> January, City Chambers
- **Inverness:** Saturday 24<sup>th</sup> January, Eden Court
- **Edinburgh:** Monday 26<sup>th</sup> January, Verity House

7.3 Deciding Matters is looking to engage with people from a range of backgrounds and perspectives as set out in their marketing materials as detailed below:

- people aged 18+
- do not need prior knowledge of council tax
- all abilities and backgrounds are welcome

7.4 The Scottish Government have asked local authorities to help promote their workshops. Led by Chief Officer – HR & Communications, the Highland Council will promote the event being held in Inverness across social media platforms and other established networks.

Designation: Assistant Chief Executive - Corporate

Date: 28 November 2025

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Background Papers:

<https://www.gov.scot/publications/consultation-future-council-tax-scotland/>

### Draft Response to the Scottish Government's Consultation: Council Tax Reform in Scotland

## Consultation: The Future of Council Tax in Scotland

### 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  
 Don't Know

**A longer revaluation period may be feasible should new legislation immediately effect Band changes due to material property improvements/extension, otherwise every 10 years seems reasonable.**
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

**A TR scheme is avoidable and will result in additional administration costs and revenue foregone. A 14-Band system 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.**

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

**Councils have existing legal powers to recover council tax, including inhibition. Deferral would delay payment of the increased council tax due until property disposal and introduce new collection costs.**

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

**Highland supports the proposal to broaden eligibility criteria for CTRS and to withdraw CTRS more gradually as households move out of eligibility. CTRS, determined by SGovernment needs to be fully funded by SGovernment.**

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]

**The Highland Council believes that a full revaluation of council tax is essential to restore fairness and align charges with today's housing market. Highland communities have particularly fragile economies, depopulation pressures, and limited housing supply. Seasonal demand, second-home ownership, and affordability issues further distort local housing markets, leaving households disproportionately burdened by outdated valuations. A fairer system must recognise these differences to avoid deepening the strain on communities already struggling with economic sustainability.**

**Council Tax reform will impact resources including local authorities, Assessors and third sector/welfare advice providers.**

**As the policy aim is that the impact of the Band changes are overall revenue neutral, it is important that the costs incurred to manage these changes are fully funded by the Scottish Government.**

**Expanding the number of bands at both the top and bottom would further enhance progressivity across households as proposed under the 14-band system avoiding the need for a TR system.**

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]

**Council Tax reform should respect the principles of fairness, consistency, clarity, ease of use, and efficiency.**

**Currently, revaluations can only occur where there is a material change, including liable party. This means for example, a large extension to a property is not reflected in the Council Tax Band until such time as there is a change in the legal title to the property. CT reform provides the Scottish Government with the opportunity to enable Band changes to take effect from on completion of the upgraded/extended property.**

**Consideration should also be given to delegate new discretionary powers to local authorities to decide the exemptions/discounts and the percentages to be applied. For example, in Highland reducing the 25% single occupancy discount to 20% could provide additional revenue of around £3m per annum.**