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Local Government, Housing and Planning
Committee
The Scottish Parliament
Edinburgh
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23 June 2025

Dear Ariane,

Council Tax Reform – Response to Committee

Thank you for your letter following the Committee's inquiry into Council Tax. I am grateful to you and your colleagues for the depth of your inquiry, and I welcome the Committee's engagement on this important and complex issue. It was particularly interesting to hear the perspectives of academics, tax experts and the representatives from Wales.

As set out in my evidence session, the Scottish Government is working in partnership with COSLA through the Joint Working Group on Council Tax Reform, which Councillor Katie Hagmann and I co-chair.

During our evidence session, Cllr Hagmann and I set out that the Scottish Government and COSLA have announced a joint programme for engagement. This draws on the approach of the Welsh Government's recent engagement on Council Tax Reform and reflects the expert advice from members of the Group.

Engagement will include a formal public consultation, town hall events across Scotland, and focused discussions with experts and key stakeholders. Our aim is to put the voices of the public at the heart of this discussion, reaching beyond the usual channels to ensure participation from a diverse and representative cross-section of Scottish society.

Together with COLSA, we are determined that engagement is a genuine opportunity to shape the future of local taxation. Informed public dialogue will play a central role in building the broad consensus that will be required to deliver meaningful and lasting reform.

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To support this, with the agreement of the Joint Working Group, the Scottish Government have commissioned an initial stage of independent analysis from the Institute for Fiscal Studies (IFS). Their work will assess market trends, model potential reforms, and establish a robust evidence base to guide public discussion and policy development. The findings from this research, alongside the views gathered through engagement, will inform a Scottish Parliament debate in early 2026.

The Joint Working Group on Council Tax Reform met again on 19 June 2025 and agreed the strategic direction for our forthcoming public engagement programme. There was strong consensus that engagement and IFS modelling should focus on three key areas of reform:

- Options for updating the market reference point for all properties;
- Options for the redesign of Council Tax bands; and
- A suite of mitigation and safeguard measures.

This approach aligns closely with the Committee's discussions and the wider view that reform should be guided by fairness, transparency and public trust. The Joint Working Group agrees that it is important that this engagement exercise is focused on the experience of Council Taxpayers. While we are mindful of the potential impacts on the local government settlement, this would be subject to the approach of reform.

The Scottish Government shares the Committee's emphasis on fairness, which is why we continue to support those on lower incomes through the national Council Tax Reduction Scheme. However, we also recognise the importance of transitional protections for Council Taxpayers of all types. Drawing on examples from other jurisdictions, we are exploring options to ensure the models of reform within scope are based on introducing changes that are gradual and fair.

In addition, I can confirm that it is the Scottish Government's intention for any models of reform to be designed to be delivered on a revenue-neutral basis. This means that the models will not be intended to serve the purpose of raising revenue. We will continue to reinforce this message throughout our engagement. I agree with the Committee's assessment that clearly communicating this principle is essential to building trust and informed public understanding.

The Committee rightly highlights the need to improve public understanding of the Council Tax system and to challenge common misconceptions - particularly around the impact of 'updating the market reference point'. The engagement materials being produced in partnership with COSLA will focus on accessible communication to explain how Council Tax currently works, how it might change, and what safeguards would be in place. This will be a key feature of our engagement programme, helping to ensure that public dialogue is not only wide-reaching but also well-informed.

With regard to the Committee's recommendation that reform should take place in the next parliamentary term; this will be subject to the findings of our engagement activity. The delivery of any identified changes would also require working in partnership with key stakeholders, such as the Scottish Assessors. As part of the assessment of options we are engaging with Scottish Assessors to understand the resource implications of delivering potential reforms and the feasibility of different implementation scenarios.

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I acknowledge the case made by a number of witnesses for placing 'updates to the market reference point' on a statutory cycle. This is another important consideration of the engagement programme and the exploration of options for reform.

I welcome the Committee's broad support for this direction of travel and will keep the committee abreast of the IFS' analysis and our planned engagement activity.

Yours sincerely,

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