



The Scottish Parliament
Pàrlamaid na h-Alba

Local Government, Housing and Planning Committee

Shona Robison MSP
Cabinet Secretary for Finance and Local Government

29 April 2025

Dear Shona,

Council Tax

Thank you for giving evidence to the Committee as part of our short inquiry on council tax alongside COSLA's Resources Spokesperson, Councillor Katie Hagmann, at our meeting on 4 March. As you know, this followed three separate evidence sessions on 18 and 25 February in which we took evidence from academics, economists, valuers, assessors, tax specialists and an equalities organisation along with representatives of Welsh local government and the Welsh Institute for Revenue, Ratings and Valuation (IRRV). This letter sets out the Committee's conclusions and recommendations on several key themes. I am copying this letter to COSLA and would also like to thank Councillor Hagmann and all other witnesses who contributed to our scrutiny.

Background

Council tax was introduced in Scotland in 1993 and placed every dwelling in Scotland into one of eight valuation bands (A to H) with each band representing a range of capital values as of 1 April 1991.

The Scottish Government is responsible for making decisions on the overall council tax system and funding the Council Tax Reduction Scheme which supports around 450,000 lower income households. As a proportion of total local government income, council tax income is relatively low, comprising £2.8 billion in 2022-23, or 11 per cent of total local government income¹.

The Joint Working Group on Sources of Local Government Funding and Council Tax Reform (JWG), co-chaired by Scottish Ministers and COSLA held its first meeting in December 2022. The Committee thanks you for your [letter of 11 February](#) providing an update on the JWG's work to date. The letter confirmed that "the public will be invited to submit their views on how to make the council tax system fairer, as part of wider efforts to explore options and build a consensus for potential reform". It further stated that this would involve the commissioning of "...expert and independent

¹ [Local government finance: Budget 2025-26 and provisional allocations to local authorities | Scottish Parliament](#)

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analysis ... to provide high level analysis and modelling on alternative scenarios and reforms of the system.” Whilst the Programme for Government 2021-22² included a commitment to work with partners to “oversee the development of effective deliberative engagement on sources of local government funding, including Council Tax, that culminate in a Citizens’ Assembly”, the Committee notes that the JWG “did not want to risk restating the work of the Commission on Local Tax Reform 2015, which explored the landscape of local taxation more broadly.”

The JWG follows on from the Commission on Local Tax Reform (“the 2015 Commission”) which was established by the Scottish Government and COSLA following a recommendation by our predecessor Committee. It reported in December 2015,³ concluding that “the present council tax system must end” and recommending substantial reform because “some people are paying more than they should.” It further noted that previous attempts at reform had failed, and “the opportunity for reform cannot be missed again.”

In respect of revaluation, the 2015 Commission noted that this “becomes more politically and administratively challenging as the time since the last valuation increases” and suggested that “there is a strong case for distancing any revaluation process from short-term political pressures. This could be achieved by making regular revaluations, for example every five years, a legislative requirement.”

In response, the [Scottish Government proposed](#) that the overall system of council tax should remain largely unchanged and rejected a revaluation. The main area of reform was to increase the ratios of the upper bands (E-H) relative to Band D which, the Government suggested, would make council tax fairer.

Unlike Scotland and England, Wales has conducted a revaluation of domestic properties this century. Council tax bands in Wales are currently based on property values in April 2003 with the Welsh Assembly Government (as it was then known) implementing changes in April 2005. The Senedd also passed the Local Government Finance (Wales) Bill in 2024 which provides for a council tax revaluation to take place in 2028 and every five years thereafter.

The Fraser of Allander Institute (FAI) noted the importance of the themes being explored by this inquiry but pointed out that “...everything that we have covered was covered quite thoroughly by the commission on local tax reform in 2015.”⁴ Similarly, we heard from Councillor Hagmann that “we are not starting from a blank slate” and that she was “keen to build on the evidence that we already have.”⁵ However, the Committee notes that the Commission’s website⁶ no longer exists, making it very difficult to access its reports. The FAI explained that “...two of the three volumes are available now because of a freedom of information request, but they are quite hard to find” and suggested that “...one very helpful step forward would be to ensure that the reports are available.”⁷

² [A Fairer, Greener Scotland: Programme for Government 2021-22](#)

³ [FOI+202300377074+-+Information+Released+-+Annex+A.pdf](#)

⁴ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 39

⁵ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 12

⁶ [localtaxcommission.scot](#)

⁷ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 39

The Committee agrees with you that “a lot of good work was carried out” by the 2015 Commission and would not wish to see this work being unnecessarily repeated. As suggested by the Fraser of Allander Institute we invite the Scottish Government to host the Commission’s reports and other key documents on its own website or to explore ways of making them more readily accessible through alternative means.

The Committee welcomes confirmation that the public will be invited to “...submit their views on how to make the council tax system fairer, as part of wider efforts to explore options and build a consensus for potential reform.” We further welcome confirmation that expert analysis and modelling will be commissioned to ensure a clear understanding of what reform might mean for taxpayers and other relevant stakeholders and invite the Scottish Government to confirm expected timescales for this work.

The case for reform: revaluation

Turning to the substance of our inquiry, firstly the Committee notes your statement that—

“...everybody will agree that 1991 property values are out of date and that something needs to be done about that and everybody will agree that the current council tax system is not as progressive as it should be and that it needs to be improved, but the difficulty will be to agree on what should come next to make improvements.”⁸

The Scottish Assessors’ Association (SAA) pointed out that many council taxpayers were not even born in 1991 and therefore struggle to comprehend valuations based on house prices from that time. In its view, the public are more likely to understand and therefore accept a valuation based on current prices. IRRV Scotland spoke of the importance of enshrining revaluation in law, “...so that it is repeated on an appropriate cycle in order to prevent the issue from arising again.”⁹

The Committee discussed the case for reforming council tax with witnesses but also explored the reasons for a lack of significant change since devolution. We heard that there are benefits to taxing property and that advantages of the current council tax system include that it is easy to administer and collect and provides a stable form of income for local authorities. However, in the view of Professor Heald, “...the problems are not technical but political. The political problems have got worse because a system that is based on 1991 values is so out of date.”¹⁰

Professor Gibb described the issue as “...a kind of Rubik’s cube problem” where trying to fix one issue “...tends to mess up some of the other things.” In his view this has resulted in inertia which over time “leads to entropy and the system slowly getting worse and worse.”¹¹ The FAI and others agreed that the lack of political will remains the most significant barrier to reform.

⁸ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 2

⁹ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 5

¹⁰ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 3

¹¹ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Cols 3-4

There was a broad consensus among witnesses on the urgent need for revaluation with Professor Heald explaining that “taxing people through a local tax on the basis of valuations that are 30-odd years old is totally ridiculous and destroys the credibility of the system.”¹² In his view, this risks bringing the Parliament and the devolved system “into disrepute.”¹³ Councillor Hagmann confirmed that in the view of council leaders and finance leads, even if no other changes took place, revaluation would “absolutely” be worth pursuing in and of itself and “appears to be at the top of the list”¹⁴ of council leaders’ priorities. Councillor Hagmann also highlighted the importance of providing clarity on the tax base. In her view, “the real prize from revaluation is in getting an honest understanding, based on evidence, of where we are today.”¹⁵

You spoke of the risk that, without consensus on the case for revaluation, we could face “...yet another parliamentary session with property values another five years out of date, no change to the bands and no movement on the issue.”¹⁶ You further stated that “doing nothing and having a position of no change is not sustainable.”¹⁷

You also highlighted the importance of any reform “stand[ing] the test of time”¹⁸ and the “...need to make sensible incremental changes that create a fairer system.” Whilst you acknowledged that any reformed system “might not be perfect,”¹⁹ you spoke of your desire to “explore the art of the possible”²⁰ and your intention that “people should feel that it is much better than the one that we have at the moment.”²¹ Professor Heald made a very similar point when he spoke of the importance of not letting “the perfect be the enemy of the good.”²²

The Committee recognises that consensus is unlikely to be achieved in the short-term on a wholesale replacement of the council tax system but agrees with your suggestion that “if we could do something about 1991 property values in a way that is pragmatic and practical and has consensus, that would be better—it would be progress rather than nothing.”²³

We heard there is widespread agreement on the need for action in the form of revaluation.

The Committee agrees that it is indefensible for council tax bills to continue to be based on values from 1991 and recommends that revaluation takes place early in the next parliamentary session. The Committee further recommends that a requirement for revaluation to take place at regular intervals should be placed on a statutory footing to mitigate the risk of a similar scenario arising

¹² Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 14

¹³ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 22

¹⁴ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 18

¹⁵ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 20

¹⁶ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 5

¹⁷ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 6

¹⁸ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 25

¹⁹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 25

²⁰ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 5

²¹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 25

²² Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 7

²³ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 10

again in the future. We intend to highlight this recommendation to our successor committee.

Fairness

In addition to the practical challenges that basing council tax on 1991 house prices brings, another key driver for reform highlighted by our witnesses was the need for greater fairness. Councillor Hagmann described this as “the nub of the matter.”²⁴ The Chartered Institute of Taxation (CIOT) noted that whilst the concept of fairness is subjective, “...for a tax to be considered fair, it must tax the base that it is meant to tax and that tax base must be accurately assessed or valued.” In its view, a full revaluation of all residential properties in Scotland is a prerequisite to any future reforms as “it is not possible to assess and address the regressive nature of council tax in a meaningful and fair way without first ensuring that the values according to which you are spreading the burden of tax are in fact correct.”²⁵

The Committee notes that the Scottish Government’s 2021 [Framework for Tax](#) document highlighted the principle that “...taxes should be levied in proportion to taxpayers’ ability to pay.” Councillor Hagmann emphasised the importance of this principle to local government and confirmed that it was a recurring theme that arose during discussions of the Scottish Government’s Tax Advisory Forum. She also spoke of the importance of ensuring that the various discount schemes remain fit for purpose to ensure that this principle continues to be adhered to, particularly in the event of any future changes to the system.

There was consensus among witnesses that the current council tax system is not progressive with the Institute for Fiscal Studies (IFS) stating that it “...is highly regressive with respect to property value”²⁶ and Professor Gibb describing it as a “...system that greatly advantages people in higher-value properties.”²⁷ To illustrate this point, the IFS pointed out that “...the tax levied on a band H property is 3.675 times higher than that levied on a band A property in the same council area, despite band H properties’ being worth (in 1991) at least 7.85 times more than band A properties.”²⁸

Analysis of Joseph Rowntree Foundation data shows that 17 per cent of low-income households are in council tax arrears and the Scottish Government has previously noted that council tax debt has increased during the cost of living crisis²⁹. When asked whether council tax’s regressive nature contributes to rising debt, COSLA confirmed “it probably does” where council tax accounts for a higher proportion of an individual’s income.³⁰

In the view of the IFS, “...fundamentally, revaluation is a fairness issue” as “...households that live in properties that have the same value can now face bills that

²⁴ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 22

²⁵ Local Government, Housing and Planning Committee, [Meeting Papers](#), 18 February 2025, CIOT submission

²⁶ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 41

²⁷ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 12

²⁸ [Institute for Fiscal Studies: Scottish Council Tax: Ripe for Reform](#)

²⁹ [Cost of living - effects on debt: review of emerging evidence - gov.scot](#)

³⁰ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 17

differ by many hundreds of pounds a year, because the properties used to be worth different amounts a third of a century ago.”³¹ The FAI noted that revaluations for non-domestic rates take place every three years and suggested that businesses “...would not tolerate a 30-year-old valuation system being used for their business premises.”³²

The IFS also told us that the lack of political will to modernise the system was partly due to the need to tackle “fundamental misconceptions” about what revaluation would mean. It explained that “...many people think that, because property values have gone up so much since 1991, if we revalue, their bill will go up fourfold or fivefold, like their property value.” However, the reality is not about “...the absolute increase in value since 1991 but about how values have changed relative to each other.” The IFS further explained that revaluation would mean increasing thresholds in line with average growth, “...therefore, you would go up bands if your property value had gone up by more than average, or down bands if your property value had gone up by less than average.” Whilst it may be natural to assume all bills would go up in line with property values, in the IFS’ view “...there has been a lack of attention to tackling that misconception, but we are getting to the stage at which it is becoming patently more absurd to use relative values from 1991.”³³

The question of fairness is therefore also a key message to be communicated to taxpayers in any future engagement, consultation and related communications. IRRV Wales told us that there is “...very negative automatic perception of a revaluation is that it is being done to raise more Council Tax”³⁴ despite the fact that in Wales, the political intention had been for the exercise to be revenue neutral³⁵. We heard from Welsh stakeholders about lessons that could be learned from their experience including on the importance of establishing from the outset that the process would be revenue neutral and communicating this message effectively. Whilst any revisions to tax systems can be expected to lead to “winners and losers” this appears to the Committee to be a key concept which could help gain public support.

When invited to comment by the Committee you told us—

“I am very sympathetic to that position, because, if we say to the public that this is about making the system fair and that, in doing so, we recognise that some people will require transitional support—rather than it being a revenue-raising opportunity—that lands it in a different space. These things need to be discussed, but it is important that the purpose is set out clearly from the beginning.”³⁶

Before the 2005 revaluation in Wales took place, it was estimated that 58 per cent of dwellings would stay in the same band, 8 per cent would move down and around 33

³¹ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 25

³² Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 40

³³ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 25

³⁴ Local Government, Housing and Planning Committee, [Meeting Papers](#), 25 February 2025, IRRV Wales Association Submission

³⁵ Revenue neutrality has been defined by the Routledge Dictionary of Economics as “a tax reform which does not alter total tax revenue.” In other words, it means that some may pay more, and others may pay less, but the overall amount of council tax raised across Scotland will stay the same.

³⁶ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 19

per cent of dwellings would move up by one or more bands. In anticipation of this, the Welsh Assembly Government introduced a transitional relief scheme to ensure that no household's council tax liability would rise by more than one band above the band that they were in immediately before revaluation took place and provided £11 million in 2005-06 to cover the costs of this commitment.

Similarly, analysis from the IFS³⁷ suggests that a revaluation on a revenue-neutral basis would result in 60 per cent of Scottish households keeping the same bill, 20 per cent of households being better off and 20 per cent of households being less well off. The IFS stated that its analysis "...shows that, of those currently in band E, well over a third would be in band D or below in a revalued system."³⁸ In its view, moving to a more proportional system would mean that "...bills, on average, would fall for low-to-middle-income households and rise for high-income households."³⁹

The Committee also heard from Professor Heald that on average, households in the East of Scotland could be expected to "lose out" in a revaluation and those in the West will generally gain due to the "...very significant geographical factors and issues involved."⁴⁰

The Committee considered the issue of regional "winners and losers" in Wales and heard from the Welsh Local Government Association (WLGA) that there "...has been a huge shift right across the property market in Wales, which I am sure would be reflected in Scotland."⁴¹ IRRV Wales explained that the average value of a property in Wales in 2005 was £82,000 whereas it is now £215,000 and noted that certain areas such as Monmouthshire and the Vale of Glamorgan have experienced significant increases in property values. We heard that these areas are seen as being more affluent and already had relatively high levels of properties in bands A and B with values continuing to rise. Whilst noting that the examples given above are "outliers" they provide helpful illustrations of areas where significantly greater demand has resulted in values increasing at a faster rate than in other parts of Wales.

The Committee notes that the average house price in Scotland in January 2005 was around £113,800, increasing to around £221,500 by January 2025.⁴² However, we are mindful that, as in Wales, this increase will not be uniform across all parts of the country and note Professor Heald's suggestion that properties in the East of the country are likely to have increased at a higher rate than those in the West.

Whilst you suggested that the real number of people who could be disadvantaged by revaluation could be significantly smaller than the 20 per cent estimated by the IFS, this can only be confirmed through the analysis of accurate data. The Committee therefore welcomes the Scottish Government's commitment to commissioning independent analysis and modelling to create its own data set in order to test it against the IFS figures.

³⁷ [Institute for Fiscal Studies: Scottish Council Tax: Ripe for Reform](#)

³⁸ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 30

³⁹ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 35

⁴⁰ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 10

⁴¹ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 6

⁴² [House price statistics - Registers of Scotland](#)

The Committee welcomes the principle of “fairness” and of tax being proportionate to the ability to pay. The Committee also agrees with witnesses on the importance of clearly communicating this intention to taxpayers to help foster support for revaluation. It appears to the Committee that whether any reform is intended to be revenue neutral is a key concept that would reassure taxpayers that the purpose of reform is not necessarily to generate additional revenues.

Given the current relatively late stage in the electoral cycle, we accept your position that “realistically speaking, I think that any actual practical changes would be made in the next session of Parliament.” Whilst recognising that no government can bind its successors, the Committee invites the Scottish Government to confirm its intentions on the issue of revenue neutrality.

In such a scenario, the Committee recognises the importance of effectively communicating the intended purpose of reform to taxpayers and invites the Scottish Government to continue to work closely with local government partners to this end.

The Committee also notes Professor Heald’s comments about the likelihood of regional disparities emerging and is mindful of similar outcomes in Wales. We therefore urge the Scottish Government to work closely with its partners in local government to identify where any such trends might emerge and how best to mitigate their impacts, both for taxpayers and for councils themselves in terms of the local government settlement.

Transitional measures and support schemes

A key issue in respect of “winners and losers” will be the need for transitional measures to mitigate any immediate negative impacts on taxpayers. You explained that “there are ways of giving such changes a very soft landing that would bring the public with us”,⁴³ a message that also came through clearly from Welsh witnesses. You further stated that “I am clear that, if we are to land in a positive space, we will have to provide substantial transition schemes ... that smooth out the position over, potentially, a number of years.”⁴⁴

You noted that British Columbia had provided “a very soft landing” when reforms to local taxation took place there which could be deferred by up to 10 years. You suggested there were numerous ways in which such transitional support could be achieved and spoke of your desire to be “...up front in providing maximum reassurance that there would be no cliff edges for people in that situation.”⁴⁵

The Committee has heard concerns about the potential impact on specific types of households, particularly those involving pensioners, which may be asset-rich but income-poor. However, the CIOT pointed out that the 2015 Commission found that “...the so-called issue of asset-rich and income-poor households was probably a lot less frequent than was imagined.”⁴⁶ The WLGA highlighted that households facing

⁴³ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 5

⁴⁴ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 9

⁴⁵ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 9

⁴⁶ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 4

such circumstances in Wales could apply to the council tax reduction scheme which would see bills reduced on a sliding scale to zero depending on circumstance. The Welsh IRRV pointed out that "...operationally there are only a few isolated examples of inability to pay"⁴⁷ but support schemes exist and tend to address the majority of cases.

When asked about measures the Scottish Government might consider if revaluation leads to an increase in council tax bills for some lower-income households, you described this as "one of the issues at the heart of this discussion, and we have to address people's concerns in that regard." You spoke of the importance of strong transitional arrangements that could be available to everyone, such as ensuring there would be "no cliff edges for anyone". You went on to set out options including implementation taking place "over a number of years, so that changes were incremental," the possibility of referral schemes, and recognition of the fact that some people are asset rich but income poor.⁴⁸

The Committee welcomes your recognition of these issues and your confirmation that "whatever changes are made will have transitional support and relief at their heart, which might help to reduce people's concerns."⁴⁹ We agree on the importance of building a consensus to avoid "cliff edges" for taxpayers in order to facilitate public buy-in.

However, the Committee also recognises that transitional schemes would bring additional costs and that detailed work would need to take place in partnership with local government to assess them. The Committee is also agreed that clarity would be needed on how these costs would be met and by whom and invites you to confirm your intentions in this regard.

The need for consensus, engagement and communications

You highlighted what you described as the "fact"⁵⁰ that the Scottish Government would be unable to make significant progress on next steps in the absence of a political consensus on what this should involve. However, you also expressed optimism "...that we can genuinely build some consensus around the principles that we agree on"⁵¹ whilst recognising that agreement is unlikely to be reached on everything.

The Committee explored the reasons behind the need for consensus before reforms could take place and queried why this has not been the case for other changes to taxation including on income tax and Land and Building Transaction Tax. We understand the points made by yourself and Councillor Hagmann around the "visibility" of council tax, something that has been made very apparent by the reaction to recently announced council tax increases. We heard that that this also relates to a general lack of understanding among the public about council tax, the facilities and services it helps pay for, and the proportion of funding for local authorities it represents. As Councillor Hagmann pointed out, there is "...sometimes

⁴⁷ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 9

⁴⁸ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 18

⁴⁹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 18

⁵⁰ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 6

⁵¹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 2

a misconnection on how much revenue council tax brings in⁵² when in reality, it accounts for less than 20 percent of councils' revenues. In her view, "...engagement would allow us to explain a lot more of the work that we are doing, because we need to educate our communities, too."⁵³

We recognise and welcome the work that local government has done to help improve public awareness of the purpose of council tax but clearly, more could be done. We therefore welcome your statement that it is not simply a question of building political consensus "in order *to do something* to the public"⁵⁴ but of effectively engaging in order to help build public support for reform.

The Committee notes your position that whilst it may be unlikely that a consensus will be reached on "a big-bang, massive replacement for council tax"⁵⁵, you are committed to exploring what can be done within the current areas of consensus. It may be more realistic to look for incremental changes that can be agreed to address some of the widely acknowledged issues with the current council tax system in Scotland. We also welcome the work that COSLA is currently undertaking to help foster political consensus on this issue among councillors.

You noted that future engagement activity could include questions on—

"How, specifically, do we make the system more progressive? What do people think about additional bands? What do people think about transitional arrangements? We could begin to get into questions of what the system might be, rather than just saying, "Council tax: discuss."⁵⁶

IRRV Scotland told us that there are risks in the efforts to reform being "...ambushed by those who will be disadvantaged."⁵⁷ Councillor Hagmann agreed, stating "there will be groups of people who will make their points very forcefully, but we need to ensure that we listen to everybody's voices on the issue, and not just the voices of those who shout the loudest."⁵⁸ With the JWG currently working through the detail of what the consultation will look like, Councillor Hagmann spoke of the importance of targeting the consultation towards those who might not otherwise engage, for example, through local networks and third sector organisations.

You strongly agreed with this position stating that—

"...the last thing that we want is to end up with something that is viewed as doing something to the public, with us saying, "We have done this thing behind closed doors, and there it is—take it or leave it"."

⁵² Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 15

⁵³ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 16

⁵⁴ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 5

⁵⁵ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 2

⁵⁶ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 15

⁵⁷ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 23

⁵⁸ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 21

Highlighting the importance of consultation extending beyond “...self-selecting folk who regularly respond to consultations such as this” you spoke of your desire to have—

“...a greater reach than that and to spark genuine conversations. We do not want to lead people up the garden path and into thinking that this will make changes that it cannot ... We have to be clear and honest about the parameters, but we need to look for feedback and take that on board ... It is not about doing to people; it is about genuinely trying to make a system fairer and being really clear and up front about that.”⁵⁹

The Committee supports this view and welcomes the joint work being undertaken with COSLA in designing the consultation and exploring ways to ensure that all voices can be heard.

The Committee considered the risk of consultation and engagement taking place without resulting concrete actions and shares your concern “...about where we could end up if the process is too broad.”⁶⁰ The Committee therefore agrees on the need for future consultation to invite views on specific proposals rather than simply inviting views on council tax in general, which may be less than constructive for the reasons you set out.

Resources and costs

Clearly, any revaluation exercise will come with attendant costs and the Committee explored the potential scale of them with witnesses including the SAA which would be responsible for undertaking any such exercise.

The Senedd recently passed the Local Government Finance (Wales) Act 2024 which establishes a five-yearly cycle of revaluations for council tax purposes from April 2028 onwards. The accompanying Explanatory Notes estimated a revaluation for 2030 could cost in the region of between £12.8 and £15.2 million.

Professor Heald suggested that the costs of revaluation in Wales could be used as a starting point for estimating the costs of revaluation in Scotland. Given that Wales has around 1.5 million domestic properties whilst Scotland has around 2.7 million this suggests a potential cost of around £25 million which you described as “...not a bad starting point.”

The Committee also considered practicalities around a revaluation and Professor Gibb noted that this “would be greatly aided by recent technological and data improvements”⁶¹, a point that was also raised by the IFS. The SAA agreed that “...in the past 32 years, there has been a positive move to being able to use technology in a much bigger way than we did in 1993.”⁶² The IFS suggested that computer-based valuation arguably has the potential to be fairer than manual valuation and could also be far more cost-effective than physically sending assessors to complete manual valuations around the country. However, the IFS did note that it is “not an infallible

⁵⁹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 21

⁶⁰ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 13

⁶¹ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 5

⁶² Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 14

technology” and may require “an element of sense checking”⁶³ whilst manual valuations might still be needed for some very specific types of properties.

The SAA also explained that Scotland has fourteen assessor organisations and any new piece of work for them would involve increased workload so would require additional resource. It further noted that following the 2017 the Barclay review, it now undertakes revaluations of non-domestic rates every three years. If there were also to be a council tax revaluation the SAA stated that the timetable would need to be considered “...because we would clearly not want the two revaluations to happen at once, so that resources could be balanced.”⁶⁴ Your supporting Scottish Government official confirmed that “...given the duration of a council tax exercise and the time that has passed since 1991, any revaluation exercise would, almost certainly, coincide at some point with the three-yearly NDR revaluation” and this “...would be factored into considerations of the amount of additional capacity that the SAA will need.”⁶⁵

When asked how much revaluation might cost, the SAA explained that it would be happy to engage if provided with a specification for such an exercise. However, it highlighted the importance of getting the specification right “...so we can give you an accurate figure; otherwise, we could be looking and thinking about very different things.”⁶⁶

The Committee emphasises the importance of getting revaluation right if public support is to be maintained and is clear that assessors must be sufficiently resourced to do so. The Committee therefore invites the Scottish Government to provide a specification to the Scottish Assessors Association to enable it to assess the likely costs of revaluation as a first step and to share this document with the Committee.

The Committee also recommends that this work should fully consider efficiencies that could potentially be realised through the use of newer technology and that consideration must be given to the potential for residential and non-residential revaluation to coincide and how resource implications for the Scottish Assessors Association could best be addressed in such a scenario.

Impact on appeals

Another factor that could impact on the cost of revaluation and the level of public support is the potential for increased numbers of appeals. We heard from Professor Gibb that “...if there were a transition to a new system, it is quite hard to imagine almost any circumstances in which there would not be a large number of appeals.”⁶⁷ IRRV Scotland agreed that “...the volume of appeals could be considerable and again would require adequate resource.”⁶⁸

⁶³ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 36

⁶⁴ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 14

⁶⁵ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 23

⁶⁶ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 15

⁶⁷ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 11

⁶⁸ [IRRV Scotland, written submission](#)

The SAA confirmed that the appeal percentage in 1993 was 4.88 per cent. Extrapolating from this figure, IRRV Scotland suggested that we could see around 135,000 appeals across the country which would clearly have resource implications, not just for assessors and valuers but also for the Scottish Courts and Tribunals Service and the First-tier Tribunal for Scotland local taxation chamber. Your supporting official told the Committee "...we will take our view from the Scottish Courts and Tribunals Service on what resources the local tax chamber would require in order to support an appeals process effectively, alongside the capacity of assessors."⁶⁹ The WLGA confirmed that following the 2005 revaluation in Wales, "...as expected, there was an increase in the number of appeals against the new banding."⁷⁰

The Committee recognises that an increase in appeals appears likely following any revaluation and is clear that organisations dealing with appeals must be adequately resourced in order to effectively fulfil their roles within reasonable timescales. We therefore welcome confirmation that you will work with the Scottish Courts and Tribunals Service on an accurate estimate of resources required.

However, the Committee further notes suggestions that additional reform of the council tax system, including for example, increases to the number of bandings could reduce the risk of large increases in appeals. This issue is considered further in the next section of this letter.

Banding system

The Welsh Assembly Government introduced new bandings which took effect from April 2005 including a new Band I applying to properties valued at over £424,000 based on the antecedent valuation date of 1 April 2003. As previously noted, the Scottish Government increased the ratios of the upper bands (E-H) relative to Band D from April 2017 after considering the JWG report in a move which was intended to make council tax fairer.

According to the WLGA, "...council tax seems to be more regressive at the bottom bands compared with what people pay as they get into the higher bands. We slightly improved that in Wales when we did the revaluation in 2005 and added a band at the top for higher-value properties, so it looks slightly fairer on the face of it."⁷¹

Comparing the banding structures in Scotland and Wales, IRRV Scotland explained that "in 2017, Scotland changed its ratios, as a result of which our band H now pays more than the Welsh band I: we pay 2.45 times our band D and the Welsh pay 2.33 times their band D. All our band E, F, G and H properties already pay more than their Welsh equivalents."⁷²

The Committee considered the potential for further changes to the banding system and heard from the CIOT that bandings entailed a "fundamental regression" as "...a property with a value at the lower end of the band generates the same tax charge as

⁶⁹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 23

⁷⁰ [Welsh Local Government Association, written submission](#)

⁷¹ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 4

⁷² Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 9

a property with a value at the higher end of the band.”⁷³ This also means that the effective rate decreases within a band in addition to effective rates decreasing as properties move up from one band to the next.

The IFS suggested that “...adding more bands would allow for a more fine-grained relationship between property value and tax liability” but noted that the Welsh Government believes that having a relatively small number of wide bands makes valuation easier and reduces the number of appeals.” Given that the current eight bands are “quite wide”, this can mean:

“...properties that differ in value by many tens of thousands of pounds, or even hundreds of thousands of pounds, might face the same tax rate. When a property moves to the next band, with the value differing by, say, £1,000, the tax bill can jump up by £500, which is close to the increase when properties move from band D to band E or from band E to band F. That is, in effect, horizontal inequity. People face very different bills just because they are either side of an arbitrary threshold.”⁷⁴

According to the IFS, more bands would mean the size of the jumps and horizontal inequities would be reduced. However, its strong preference would be a move to “...a continuous system, as operates in most countries”⁷⁵ including in Northern Ireland where tax depends on the point value of the property rather than on a banded system.

In the CIOT’s view, “...there are various ways of doing reform. You could move away from a band system altogether and apply a specific percentage. You could have a flat percentage that everyone is charged. That would be based on the value, so you would have to know an exact value for each property, rather than banding them.”⁷⁶ However, the CIOT was clear that it would not advocate any changes to bandings until a revaluation has been completed. Describing the current system as “confusing”, it explained that “...the scheme of bands bears no resemblance to current market prices. Therefore, it is very difficult for people to make a guesstimate of where their property might fall”⁷⁷ which reduces transparency and has the potential to increase appeals.

IRRV Scotland agreed that “...we need to do the revaluation to create the appropriate bands that remove regression.”⁷⁸ The SAA also agreed that “...revaluation is key to rebalancing the whole banding system in order to get properties back to a relative position.”⁷⁹

Professor Gibb explained that he had “...always struggled with bands as a way of doing this”. In his view, the issue with bands “...is their arbitrary and incoherent

⁷³ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 10

⁷⁴ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Cols 38-39

⁷⁵ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 39

⁷⁶ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 11

⁷⁷ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 12

⁷⁸ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 5

⁷⁹ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 5

nature. Why is most of our property in Scotland compressed into bands A to D? Why are the bands not proportional to the distribution of value as a whole?”⁸⁰.

For Professor Gibb, “...taxing people according to the current value of their property ... is the only way of doing this that is accurate and which is not opaque in some sense.” He went on to highlight what he saw as “a tremendous amount of obfuscation around the bands that we use” and suggested that most people do not understand the way in which value is distributed across them. Whilst his preference would be not to retain a banding system at all, were this to be the case it should be proportionate, “...in other words, if you had eight bands, an eighth of properties would be distributed in each.”⁸¹

However, Professor Heald stated that whilst he was originally sceptical of bands, one advantage of the banding system was that it reduced appeals. In his view, it would be preferable for “...the issue to be resolved by having more bands and thinking about the band structure itself. If you have a straight proportional attack on capital values, it will lead to more appeals and put more strain on the valuation system.”⁸²

The IFS agreed that greater numbers of bands could reduce the likelihood of increased volumes of appeals given that the leap in tax due between bands would be much smaller and “people might not think that an appeal would be worth the hassle if they would save only a few pounds.”⁸³

The SAA confirmed that “...assessors could certainly deliver a discrete valuation as opposed to a banding” as is the case in Northern Ireland and was the case in Scotland prior to the introduction of the Poll Tax in 1989, where payments were previously based on rateable values. The SAA also pointed out that non-domestic rates “are paid on the basis of a discrete value, so having that sort of system instead of a banding system would absolutely be achievable.”⁸⁴ IRRV Scotland stated that “...banding seems to work for our customer base [but] having more bands to make it less regressive is entirely welcome.”⁸⁵ In its view, creating one more band at the bottom and two more bands at the top could be a way of improving the system.

Returning to the point of regional disparities, Professor Heald noted the potential for relatively low-income households in more prosperous places to find that their bands shift or their implied capital values have shifted following revaluation, particularly as had been the case in Wales where prices have increased disproportionately in areas that are tourist and second-home hotspots. Given similar issues in certain parts of Scotland he was clear that this would be an issue that Scotland would also have to address to mitigate the impact in certain communities.

When invited to provide your views on potential changes to bandings you told us that:

⁸⁰ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 12

⁸¹ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 12

⁸² Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 11

⁸³ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 39

⁸⁴ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 17

⁸⁵ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 18

“Creating more bands in the council tax system is inherently progressive, because it is then more directly related to the value of properties, and there are not cut-off points like the current system has, so the bands would be smoother. I would hope, as part of the discussion about how to create political consensus—it is a pretty modest change, to be honest—that we could agree that creating more bands in the system would help to make the system more progressive. It would be part of a wider set of reforms.”⁸⁶

However, when invited to comment on potential alternatives such as a percentage-based system, you expressed concerns about “creating division rather than consensus” explaining that your “instinct is that we are more likely to build consensus by adding more bands to make the council tax banding system more progressive.”⁸⁷

Whilst the Committee would not wish to preclude the possibility of more radical changes to local taxation in the future, we agree that the introduction of additional bandings has the potential to improve the current system, both by making it more progressive and therefore “fairer”, and by reducing the likelihood of large increases in appeals. However, the Committee agrees with witnesses including the Chartered Institute of Taxation that revaluation is a necessary prerequisite to any further changes to the system being considered.

Local government settlement

Our evidence taking also touched upon the potential implications of reform for local government finance, particularly for smaller local authorities, in the context of increased demands for services such as social care. The FAI explained that if revaluation was revenue neutral, “...and if the same systems that are currently in place were to operationalise equalisation across Scotland, which would then impact on the amount of grant that each council received, that would not, in itself, make a difference to the level of the grant; it would just move the numbers around the spreadsheet a little.”⁸⁸

However, the Committee notes that in the event that some councils saw reduced council tax revenues whilst others gained significantly, those that saw reductions would become increasingly dependent on central government grants. This in turn would mean having less influence over income generated locally through the setting of annual council tax charges, something which may contradict the Verity House Agreement’s “presumption in favour of local flexibility.”

IRRV Scotland described the provision of central funding in such a scenario as being “absolutely essential”, explaining that—

“Council budgets are reliant on council tax to balance the books—it is set down in law that that is what we have to do. If a council’s cost of delivering services does not change and the council tax income reduces as a result of a

⁸⁶ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 8

⁸⁷ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 14

⁸⁸ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 31

negative revaluation for the local authority area, it is essential that the revenue support grant fills that gap.”⁸⁹

We also heard from COSLA that “...there is already an element of redistribution of council tax income in the settlement, so that would have to be considered as part of this as a whole.”⁹⁰ Councillor Hagmann explained that “...we need to model the potential options and consider that modelling before we go out to engage with the public, so that what we are engaging on is based on fairness”⁹¹ and you also recognised the necessity of such work. When asked about the transparency of this work, your supporting official confirmed that it will be procured and published “in the normal way”⁹² so will be publicly available.

The Committee agrees that further work needs to be done to fully understand the potential impact of reform on the local government settlement and welcomes your recognition of the importance of examining modelling to this end. We further welcome confirmation that this work will be transparent and publicly available and look forward to considering it in due course.

The Committee further notes that this provides a good example of the type of issue that could helpfully be covered by the fiscal framework for local government. We invite the Scottish Government to confirm whether mechanisms relating to any changes in the levels of central government funding provided to local authorities have formed part of negotiations with COSLA on agreeing a fiscal framework.

Alternative forms of local taxation

Whilst the focus of this inquiry, as previously agreed by the Committee, was on potential reforms to the current council tax system, the Committee also agreed to consider an approach to wider consideration of local taxation at a future meeting.

We note that the 2015 Commission expressed the view that local tax should continue to include some sort of domestic property tax, with a new system that is more progressive than council tax. As noted above, witnesses including the CIOT suggested that a percentage system could be more proportionate and potentially fairer than the current banding system.

When invited to comment on this you told us that “for a time, we were focused on looking at whether there could be a local income tax alternative, but the problem was that that would not have raised enough money ... Essentially, as the commission noted in 2015, we concluded that there needs to be a property element to local taxation.”⁹³

You also highlighted what you described as “...the issue of the complexity of delivery” of more radical change and the resource required to deliver it. In your view, “there would have to be quite a lot of advantages to doing that instead of building on

⁸⁹ Local Government, Housing and Planning Committee, [Official Report](#), 25 February 2025, Col 11

⁹⁰ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 19

⁹¹ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 19

⁹² Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 20

⁹³ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 25

the system that we have already set up. I would be more drawn towards making incremental improvements than to trying to do something that would be challenging.”⁹⁴

Irrespective of the system used in Scotland in the future, the FAI was clear on the importance of ensuring people understand what it might mean for them in order to participate in an informed debate about changes that could be made. It explained that “...there will be things that work for some people and do not work for others, but at the moment, no one understands what changes would mean for their household, and politicians and civil servants have very little idea of what changes would mean for the population as a whole.”⁹⁵ In its view, in the absence of the necessary data, it would not be possible for a fully informed debate to take place.

The Committee will consider next steps in respect of future work on this topic in due course but agrees with the Fraser of Allander Institute on the importance of robust data being available to ensure that the implications of change are fully understood by officials and decision makers in both spheres of government as well as by taxpayers. As noted above, we therefore welcome the detailed work being undertaken to improve the quality of data along with the commissioning of “expert and independent analysis ... to provide high level analysis and modelling on alternative scenarios and reforms of the system” and look forward to considering its findings when available.

On behalf of the Committee, I request a response to this letter by 29 May 2025.

Yours sincerely,

**Ariane Burgess MSP
Convener**

⁹⁴ Local Government, Housing and Planning Committee, [Official Report](#), 4 March 2025, Col 14

⁹⁵ Local Government, Housing and Planning Committee, [Official Report](#), 18 February 2025, Col 40