COUNCIL TAX (HIGH VALUE DWELLINGS ETC.) (SCOTLAND) BILL

FINANCIAL MEMORANDUM

INTRODUCTION

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Council Tax (High Value Dwellings etc.) (Scotland) Bill, introduced in the Scottish Parliament on 18 November 2026.

2. The following other accompanying documents are published separately:

- Explanatory Notes (SP Bill 2–EN);
- a Policy Memorandum (SP Bill 2–PM);
- a Delegated Powers Memorandum (SP Bill 2–DPM);
- statements on legislative competence made by the Presiding Officer and the Scottish Government (SP Bill 2–LC).

3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

BACKGROUND

4. The Bill contains 11 sections and has three principal policy elements: two additional Council Tax valuation bands for high-value dwellings; a new power for local authorities to reduce Council Tax liability intended to be exercised in response to particular circumstances facing households or geographical areas; and an updated provision relating to people currently described as severely mentally impaired.

5. Sections 1 and 2 provide for the new high-value bands and their valuation basis. The bands are intended to improve fairness and proportionality at the upper end of the Council Tax property distribution. A 'Band I' will apply to dwellings with an open market capital value of more than £1 million but no more than £2 million, and 'Band J' to dwellings valued at more than £2 million. The thresholds will be assessed by reference to market values at 1 April 2026. Existing Bands A to H will continue to use 1 April 1991 values. The new bands are intended to take effect from 1 April 2028.

6. Section 3 provides for the targeted valuation exercise through which dwellings falling within Bands I and J will be identified and the valuation lists altered. Dwellings will enter the new bands according to their value at the 1 April 2026 valuation reference date, irrespective of their existing band. Section 4 provides a power for Ministers to make regulations to exclude specified descriptions of property from Bands I and J where their nature or use means that they are not comparable with conventional domestic dwellings. This may avoid unintended financial consequences for particular forms of accommodation that might be identified by the valuation exercise.

7. Section 5 provides transitional protection for eligible sole or main residences moving from Bands A to H into Bands I or J. In each year, the increase in Council Tax liability will be limited to the lower of £1,500 or 50% of the preceding year's relevant Council Tax liability. The calculation is made before the application of any discount or reduction but, in respect of financial year 2029-30 and subsequent years, after the application of transitional relief in the previous year. The limit will be reapplied annually until the dwelling reaches its full Band I or J liability. Dwellings that are not sole or main residences will not qualify for transitional protection.

8. Separate amendments to the Council Tax Reduction scheme are intended to be made by regulations under section 80 of the Local Government Finance Act 1992. Those amendments will reduce the increase faced by households that move into Bands I and J that are low to median income; the mitigation is intended to take effect alongside the new bands from 1 April 2028. The detailed design and financial implications of that support will be considered as part of the development of the necessary secondary legislation. As the change does not form part of the Bill, its financial effects are not included in the Bill-specific estimates in this Memorandum.

9. Section 6 will give each local authority a discretionary power, intended to take effect from 1 April 2028, to reduce the amount of council tax a person is liable to pay. This may be exercised via a reduction which covers an individual person or dwelling or a class of dwellings or persons. The intention is that the power should be exercisable in response to particular circumstances facing an individual or area. A reduction will be applied after any other discount or reduction, and aggregate liability may be reduced to nil but it is not intended that it should be reduced below nil. Each authority will determine whether to exercise the power and the circumstances, amount and duration of any reduction. Any reduction and the costs of administering it will be funded locally.

10. Section 7 replaces the term 'severe mental impairment' with 'significant cognitive impairment' and modernises its definition. Where a person is medically certified as having significant cognitive impairment and later meets the other qualifying criteria (for example entitled to a qualifying benefit), entitlement to the relevant Council Tax disregard or exemption may be determined by reference to the period of significant cognitive impairment covered by the medical certificate. Accordingly, a person may qualify for a discount or exemption in respect of days falling before the prescribed conditions were fulfilled, provided those conditions are fulfilled during the period covered by the certificate. The effect is that the disregard or exemption will apply for the whole of the period covered by the certificate. The underlying qualifying conditions will otherwise remain unchanged.

11. Sections 8 to 11 contain consequential, ancillary, commencement and short-title provisions. They are not expected to give rise to separate material financial effects.

METHODOLOGY, TIMING AND UNCERTAINTY

12. This Financial Memorandum considers the costs, savings and revenue effects arising directly from the provisions of the Bill. It does not include the existing costs of administering Council Tax. Where existing expenditure is referred to for context, it is identified separately and excluded from the estimated cost of the Bill.

13. Estimates distinguish one-off implementation costs from annual running costs and identify the financial years in which expenditure is expected to arise. Gross costs, Scottish Government funding, costs absorbed within existing resources and the resulting net cost are shown separately.

14. There is material uncertainty around the number and distribution of dwellings that will enter Bands I and J; this will not be known until Scottish Assessors conclude the targeted valuation exercise. The model used for this Memorandum produces two main estimates. The first estimate of around 13,600 dwellings relies on more recent modelling of the number of properties moving into Band I and J and is the figure used to predict gross and net revenue; while the broader operational planning costing assumptions (including valuation activity) relies on an earlier estimate of approximately 15,000 which was agreed with delivery partners as the higher limit of estimated properties, which could be used to estimate costs. The difference reflects uncertainty around modelling and projecting house values and partial data coverage of recent residential transactions, particularly amongst higher value properties. Neither figure predetermines Scottish Assessors' valuation.

15. The analysis underpinning the revenue estimates used in this document was produced by Scottish Government analysts and was based on property-level estimated valuations as at Q3 2024, produced by the Institute for Fiscal Studies (IFS) for the Scottish Government in 2025. These estimates were available for properties that could be matched across administrative datasets. The methodology behind these estimates are available in the report - Revaluation and reform of council tax in Scotland: design considerations and potential impacts - gov.scot. As a conservative approach, where a recent sold price was also available, that was used as the starting point for valuation where it exceeded the estimated valuations. All valuations were adjusted upwards by 5% to approximate price growth in the period between the valuations and the valuation reference date. In this way, properties were identified and allocated to the new bands I and J, based on these estimated valuations. Outliers were checked and amended where necessary. As the analysis was based on matched properties only, each property was assigned a weight of more than one to scale up the estimated number of properties moving into the new bands. Weights varied based on a range of factors relating to the property type, council tax band and location.

16. The estimates are intended to be taken as indicative to help with decision making. The work in no way seeks to pre-empt or contradict future valuations by Scottish Assessors. As such, numbers of households affected, expected revenue, the costs and recipients of transitional protection, are all estimates. Where a single best estimate cannot be supported, the Memorandum provides a range or scenario and explains the evidence and assumptions used, and any material limitations.

COSTS ON THE SCOTTISH ADMINISTRATION

Additional high-value Council Tax bands

17. The targeted valuation exercise for dwellings expected to be worth more than £1 million will represent the most significant initial cost to the Scottish Administration. The Scottish Government has committed to meet in full the costs of the exercise and expects to provide a total of £10 million to Scottish Assessors. A distribution to each Scottish Assessor based on expected caseload was agreed with the executive of the Scottish Assessors Association (SAA).

18. Of the £10 million, £5 million has been provided for 2026-27, with a further £5 million intended to be provided in total over 2027-28 and 2028-29. The funding will support the recruitment and training of staff; identification of potentially affected dwellings; collection and analysis of evidence; inspections and surveys; valuation and banding decisions; statutory notifications; handling of proposals; participation by assessors in appeals; record keeping; quality assurance; and programme reporting. Most expenditure is expected to arise before the new bands take effect on 1 April 2028. However, the inclusion of funding for 2028-29 recognises that some costs will continue after the implementation date as assessors determine proposals, act as respondents in appeals, and continue to maintain the valuation lists.

19. The £10 million estimate is based on a targeted revaluation exercise of the Council Tax valuation list. The current working assumption is that approximately 15,000 dwellings may have a value exceeding £1 million at the valuation reference date of 1 April 2026. Assessors will need to identify potentially affected dwellings across the existing valuation list, but detailed valuation and banding work will be confined to dwellings considered likely to exceed that threshold. Dwellings valued at or below £1 million will remain in their existing Bands A to H and will not be revalued or moved between those bands as part of this exercise. The exercise will cover sold and unsold dwellings, dwellings which have been altered but not sold, and relevant new dwellings added to the valuation list. Each of the 14 Scottish assessors will be responsible for valuations within their area.

Table 1: Table of the agreed funding profile for Scottish Assessors

Financial year	Funding for Scottish Assessors	High Level Activity
2026-27	£5 million	Recruitment and training of valuation staff, identification of potentially in-scope properties, and collection and analysis of sales evidence around the 1 April 2026 tone date.
2027-28	£4 million	Completion of surveys and valuation analysis, detailed review of in-scope properties, assignment of new bands (Bands I and J); quality assurance and preparation for implementation.
2028-29	£1 million	Processing Council Tax proposals, making proposal decisions, handling appeals, responding to enquiries, and resolving challenges arising from the revaluation.
Total	£10 million	

20. The Bill will not establish a new appeal body. A taxpayer who disputes the valuation band assigned to a dwelling will first make a proposal to the relevant assessor. The £1 million funding planned for 2028-29 reflects the resource demand on Scottish Assessors to handle proposals. Therefore, Assessors' costs in responding to appeals are included within the £10 million valuation exercise described above and are not counted as Scottish Courts and Tribunals Service (SCTS) costs.

Additional costs of Council Tax banding appeals

21. Following the assessor's decision through the proposal process, the taxpayer may appeal a Banding decision to the First-tier Tribunal for Scotland (Local Taxation Chamber). The Local Taxation Chamber is run by the SCTS. The Chamber already exists, with appointed tribunal members, staff and supporting systems. The estimates below therefore cover only assumed additional (marginal) cost to SCTS of handling the extra appeals in that year, and not the Chamber's existing running costs.

22. Early cost indications have been developed using an operational planning assumption of up to 15,000 Band I and J properties with a right of appeal. Illustrative appeal rates of between 2% and 6% would produce between 300 and 900 additional appeals.

23. For costing purposes, it has been assumed that 70% of appeals would proceed to a hearing and that two appeals would be completed on each hearing day. On those assumptions, between 210 and 630 appeals would proceed to a hearing, requiring approximately 105 to 315 additional hearing days and between 4 and 12 additional staff.

Table 2: Early indicative range of additional SCTS activity and costs (across 2028-29 and 2029-30)

Appeal rate	2% – 6%
Additional appeals	300 – 900
Appeals proceeding to a hearing	210 – 630
Additional hearing days	105 – 315
Additional staff resource	4 – 12
Indicative additional cost	Approximately £0.5 million - £1.4 million

24. The estimated cost includes additional staff, tribunal member fees, training, in-house convener costs, office costs, travel and subsistence, interpreters, corporate overheads and a contribution towards the Upper Tribunal.

25. These early cost indications should not be treated as a forecast of expenditure in 2028-29. They represent the potential cost of a full year of activity under the assumptions above. Before an appeal can reach the First-tier Tribunal, the taxpayer must first complete the proposal process with the assessor. Although proposals may begin to arise around implementation, a proportion of the resulting appeals are therefore likely to reach the Chamber during 2029-30 or later. The timing and duration of the additional costs will depend on when proposals and appeals are made and how quickly individual cases progress.

26. These are estimates, and further costs could therefore arise if the existing membership cannot accommodate the increased number of hearings. Costs could also be lower if appeal volumes or the proportion proceeding to a hearing are below the assumptions used. The mechanism for funding any additional appeals is subject to further discussion and agreement with Local Government.

Transitional Protections

27. Transitional protection is not expected to create a direct cost for the Scottish Administration. It will instead reduce the additional Council Tax receipts retained by local authorities while eligible dwellings move towards their full Band I or J liability. Any Scottish Government policy, guidance and communications work associated with the protection is expected to be met from existing resources, and as such the cost is de minimis. The effect on local authority revenue and the costs of implementing the protection through Council Tax billing systems are considered separately below.

Consequential Impact on Land and Building Transaction Tax Revenue

28. The Scottish Fiscal Commission considered the potential behavioural impact of the new Council Tax bands for properties valued at over £1 million on Land and Buildings Transaction Tax (LBTT) revenues.[1] The Commission concluded that any effect would be below its materiality threshold[2] and, as a result, made no adjustments to its LBTT forecast. This indicates that the introduction of high-value property bands is not expected to have a significant impact on property transaction behaviour in a way that would impact on LBTT revenues.

29. While the Scottish Fiscal Commission concluded that any impact on LBTT revenues would be below its materiality threshold, there could nevertheless be some limited behavioural responses to the introduction of high-value property bands. This may include a degree of bunching around the new band thresholds, as buyers and sellers seek to remain below the values at which higher Council Tax liabilities apply. However, any such effects are expected to be small in scale.

Significant cognitive impairment

30. The change in terminology and definition is not expected to create a material central cost to the Scottish Administration beyond the policy, legal, guidance and communications work needed to implement the provision. That work is expected to be met from existing resources and is de minimis. No Scottish Government reimbursement of local administrative costs or backdated awards is assumed in this Memorandum.

31. Council Tax Base statistics recorded 26,162 dwellings occupied by a person treated as severely mentally impaired in 2025. This is a measure of the number of awards in place, rather than a measure of new or backdated awards. The Scottish Government does not hold data on the interval between medical certification and entitlement to a qualifying benefit. Central policy, legal, guidance and communications work is expected to be met from existing resources and is de minimis; the possible local revenue effect is considered below.

[1] Scotland's Economic and Fiscal Forecasts January 2026
[2] Materiality threshold | Scottish Fiscal Commission

Local discretionary reductions

32. The Bill will confer a discretionary power and will not require a local authority to establish a scheme. Scottish Administration costs are therefore expected to be limited to any national guidance, model materials, data collection, monitoring and other implementation support provided for local authorities.

COSTS ON LOCAL AUTHORITIES

Additional high-value Council Tax bands

33. The introduction of Bands I and J will generate additional Council Tax revenue for local authorities from 1 April 2028. These receipts will be retained locally. The amount received by each authority will depend principally on the number of dwellings entering each new band, the Band D rate and Band I and J multipliers, the effect of existing discounts and exemptions, collection rates, and the outcome of valuation challenges. The net additional revenue available to each authority will be the additional cash receipts collected after administrative costs and the effect of transitional protection are taken into account.

34. High-value properties are not evenly distributed across Scotland. They are concentrated in particular parts of the country, including in and around Scotland's cities and in certain rural areas. The proportion of properties likely to fall within Band I or Band J will therefore vary considerably by council area. Further, any property may move into Band I and J from any existing Band (A to H) providing the property is worth more than £1 million as at 1 April 2026. This variation has implications for the distribution of additional revenue between councils. As with other locally raised income, the implications of the additional revenue will be considered with COSLA through the established local government finance and settlement processes.

35. The revenue estimates use 2026-27 Council Tax rates reported by local authorities, assume 4% annual growth in Band D charges, applying multipliers of 2.886 for Band I and 4.628 for Band J, and are stated in nominal prices. It is estimated that around 13,600 dwellings will move into the new Bands I and J. These are anticipated to be concentrated in a number of areas, especially the City of Edinburgh. Estimates will be superseded when assessors complete the statutory valuation exercise in 2027-28.

Table 3: Table of Thresholds and Charges for Band I and Band J

Band	**Property Value (based on 1 April 2026)**	**Relative Tax Rate (Multiplier relative to Band D)**	**Illustrative Additional Charge (compared to Band H)**	**Annual Charge (based on 2026-27 average charges)**
I	More than £1 million but no more than £2 million	2.886 (1039/360)	Around £720 more per year	Around £4,770
J	Over £2 million	4.628 (1666/360)	Around £3,600 more per year	Around £7,650

36. Tables 4 and 5 show respectively the estimated number of dwellings entering Bands I and J and the resulting gross additional Council Tax liabilities by local authority area. The figures are not forecasts of cash receipts. They exclude transitional protection, discounts, exemptions, Council Tax Reduction, premiums, collection losses, successful valuation challenges and administrative costs. Water and sewerage charges are also excluded.

Table 4: Table of estimated Band I and Band J Properties by Local Authority Area (rounded to closest 10)

	Band I	**Band J**	**Band I & Band J**
Scotland*	**12,940**	**660**	**13,600**
Aberdeen City	160	<5	160
Aberdeenshire	50	<5	50
Angus	10	-	10
Argyll & Bute	90	-	90
City of Edinburgh	6,510	420	6,920
Clackmannanshire	30	-	30
Dumfries & Galloway	110	-	110
Dundee City	10	-	10
East Ayrshire	10	-	10
East Dunbartonshire	580	10	580
East Lothian	890	60	950
East Renfrewshire	440	10	450
Falkirk	10	<5	20
Fife	710	50	770
Glasgow City	1,150	50	1,200
Highland	200	-	200
Inverclyde	50	10	60
Midlothian	210	<5	210
Moray	20	-	20
Na h-Eileanan Siar	<5	-	<5
North Ayrshire	50	-	50
North Lanarkshire	10	-	10
Orkney Islands	-	-	-
Perth & Kinross	350	10	360
Renfrewshire	60	-	60
Scottish Borders	170	10	180
Shetland Islands	-	-	-
South Ayrshire	180	<5	180
South Lanarkshire	360	<5	360
Stirling	390	10	410
West Dunbartonshire	<5	-	<5
West Lothian	130	<5	130

*Totals may not sum due to rounding

Table 5: Estimated Gross Additional Council Tax Revenue by Local Authority Area

	2028/29	2029/30	2030/31	2031/32
Scotland*	**£17,145,000**	**£17,830,000**	**£18,544,000**	**£19,285,000**
Aberdeen City	£150,000	£156,000	£162,000	£169,000
Aberdeenshire	£54,000	£56,000	£58,000	£60,000
Angus	£9,000	£9,000	£9,000	£10,000
Argyll & Bute	£110,000	£115,000	£119,000	£124,000
City of Edinburgh	£9,350,000	£9,724,000	£10,113,000	£10,518,000
Clackmannanshire	£29,000	£30,000	£32,000	£33,000
Dumfries & Galloway	£106,000	£110,000	£114,000	£119,000
Dundee City	£10,000	£11,000	£11,000	£12,000
East Ayrshire	£7,000	£8,000	£8,000	£8,000
East Dunbartonshire	£641,000	£667,000	£694,000	£721,000
East Lothian	£1,223,000	£1,272,000	£1,323,000	£1,376,000
East Renfrewshire	£410,000	£426,000	£443,000	£461,000
Falkirk	£24,000	£25,000	£26,000	£27,000
Fife	£1,074,000	£1,117,000	£1,161,000	£1,208,000
Glasgow City	£1,756,000	£1,826,000	£1,900,000	£1,976,000
Highland	£172,000	£179,000	£186,000	£194,000
Inverclyde	£61,000	£64,000	£66,000	£69,000
Midlothian	£248,000	£258,000	£269,000	£279,000
Moray	£28,000	£29,000	£30,000	£32,000
Na h-Eileanan Siar	< £5,000	< £5,000	< £5,000	< £5,000
North Ayrshire	£57,000	£59,000	£62,000	£64,000
North Lanarkshire	< £5,000	< £5,000	< £5,000	< £5,000
Orkney Islands	£0	£0	£0	£0
Perth & Kinross	£366,000	£381,000	£396,000	£412,000
Renfrewshire	£57,000	£60,000	£62,000	£64,000
Scottish Borders	£193,000	£201,000	£209,000	£217,000
Shetland Islands	£0	£0	£0	£0
South Ayrshire	£162,000	£168,000	£175,000	£182,000
South Lanarkshire	£294,000	£306,000	£318,000	£331,000
Stirling	£401,000	£417,000	£433,000	£451,000
West Dunbartonshire	< £5,000	< £5,000	< £5,000	< £5,000
West Lothian	£143,000	£148,000	£154,000	£160,000

*Totals may not sum due to rounding

37. Where a local authority applies a second-home or long-term empty home premium to a Band I or J property, the premium is expected to be calculated by reference to the Band I or J liability and could therefore increase the amount payable. Local authorities have discretion over whether to apply a premium and the level at which it is set.[3] A council tax premium can be applied in the following circumstances:

[3] Supporting documents - Local government finance circular 6/2026: council tax on second and long-term empty homes guidance - gov.scot

- A second home premium may be applied by a local authority to a dwelling that is not anyone's sole or main residence, is furnished, and is occupied for 25 days or more during the Council Tax charging period.
- A long-term empty home premium may be applied by a local authority to a dwelling that is not anyone's sole or main residence and has been empty for 12 months or more, where it is occupied for less than 25 days during the Council Tax charging period, regardless of whether it is furnished or unfurnished.

38. Such dwellings will not qualify for transitional protection, which is restricted to sole or main residences. The available property-level data do not reliably identify second homes and local premium policies vary (for example 100% which is double the headline rate of Council Tax, or 300% which is quadruple the headline rate of Council Tax). On the assumptions used for this Memorandum, the resulting additional revenue could be approximately £0.3 million to £0.6 million across Scotland in 2028-29. This amount is additional to the gross liabilities shown in Table 5.

39. Successful proposals and appeals could reduce the number of dwellings in Bands I and J or move dwellings between the two new bands. There is no directly comparable evidence from which to forecast the outcome of challenges arising from the targeted valuation exercise. For modelling purposes following discussion with assessors and SCTS, it has been assumed that 10% of appeals result in a change affecting the dwelling's Band I or J liability. When applied to the agreed illustrative range of appeal rates of 2% to 6%, this is equivalent to approximately 0.2% to 0.6% of affected dwellings.

40. The resulting reduction in additional Council Tax revenue is estimated to be approximately £30,000 to £100,000 annually and is expected to be de minimis relative to the overall revenue generated by Bands I and J. A relatively low success rate has been assumed because the targeted valuation exercise will take place relatively close to the 1 April 2026 market-value reference date. This is an illustrative modelling assumption rather than a forecast. The actual effect will depend on the number, timing and outcome of proposals and appeals and on whether a successful challenge moves a dwelling between Bands I and J or removes it from the new bands altogether.

Transitional Protection

41. Transitional protection will reduce the additional Council Tax liabilities that would otherwise arise while eligible dwellings move towards their full Band I or J liability. This is not a separate item of expenditure: it is revenue forgone from the additional liabilities generated by the new bands. Local authorities will retain the remaining additional receipts, subject to collection and the other reductions described above.

42. The modelling undertaken estimates that around 13,600 dwellings would move from Bands A to H into Bands I or J. Transitional protection will apply only where a dwelling is a sole or main residence. The available data do not identify which dwellings meet that condition, so the number actually protected will be lower.

Table 6: Table of estimated number of properties by Current Band

	Band I	**Band J**	**Band I & Band J**
Scotland*	**12,940**	**660**	**13,600**
Band A	<5	-	<5
Band B	<5	-	<5
Band C	<5	-	<5
Band D	10	-	10
Band E	20	-	20
Band F	150	-	150
Band G	4,800	40	4,840
Band H	7,960	620	8,580

*Totals may not sum due to rounding

43. Table 7 below presents an upper-bound scenario in which every modelled Band A to H dwelling is assumed to be a sole or main residence. The figures are nominal, assume 4% annual Council Tax growth and apply the lesser of the 50% or £1,500 annual cap. They exclude all other discounts, reductions, premiums and collection effects.

Table 7: Table of the estimated gross revenue and estimated revenue net of transitional relief

£ million	**2028/29**	**2029/30**	**2030/31**	**2031/32**
Estimated additional revenue (gross revenue)	17.1	17.8	18.5	19.3
Estimated additional revenue (after transitional relief)	13.9	16.9	18.4	19.3
Revenue Foregone*	3.2	1.0	0.2	0.0 -

*Totals may not sum due to rounding

44. On this upper-bound basis, cumulative revenue forgone over the period is approximately £4.4 million. As dwellings that are not sole or main residences are excluded from transitional protection, actual revenue forgone is expected to be lower. The figures describe additional liabilities rather than cash collected. The duration of protection for an individual dwelling will depend on its previous band, its new band, annual Council Tax changes and any change in its status as a sole or main residence.

45. No Scottish Government reimbursement is assumed for revenue forgone through transitional protection. Local authorities will retain the additional revenue collected after transitional protection and will bear the effect of the phased introduction within their own Council Tax bases.

Administrative Costs to Local Authorities

46. Local authorities will incur one-off costs in preparing their Council Tax billing and revenues systems for Bands I and J and the associated transitional protection. The required work is expected to include software configuration, receipt and validation of valuation data, automatic application of transitional protection, testing, changes to bills and notifications, staff training, reporting and implementation activity. Some continuing administrative work may also arise from customer enquiries, corrections, collection, rebilling and refunds.

47. The Scottish Government has sought indicative information from local authorities and software suppliers about the possible costs of implementation. The information available includes high-level estimates relating to two Council Tax billing platforms and estimates from one authority of its internal ICT, communications and temporary staffing requirements. The resulting figures are early planning assumptions and do not represent firm quotations, agreed supplier charges or forecasts of expenditure.

Table 8: Illustrative one-off software, implementation and administrative costs

Estimated costs across Scotland	**Low estimate**	**High estimate**
Software development and supplier charges	£200,000	£1,600,000
Local ICT, testing, training and implementation	£100,000	£200,000
Printing and communications	£15,000	£30,000
Temporary additional staffing	£70,000	£170,000
Total	£385,000	£2,000,000

48. The software range has been constructed by converting the lowest and highest software indications into illustrative per-authority equivalents and applying those equivalents across all 32 local authorities. This approach provides a broad range but does not reflect the actual mix of software platforms, contracts or implementation requirements across Scotland. The estimates provided by the suppliers cover different numbers of authorities and may not include precisely the same activities.

49. The temporary staffing estimate does not assume that every authority will recruit additional staff. The lower estimate assumes that additional dedicated staff are required only by the authority with the largest affected caseload. The upper estimate allows for additional staff and the equivalent of approximately three further full-time posts distributed among a limited number of other authorities with larger caseloads. Authorities with small numbers of affected dwellings are assumed to absorb customer contact and casework within their existing Council Tax administration.

50. Actual costs will depend on the final technical requirements for Bands I and J and transitional protection; billing handling; reporting requirements; existing contractual and maintenance arrangements; and the extent to which common system developments can be shared. Some changes may be included within existing contracts or absorbed within existing resources, while authority-specific configuration, integration or testing could result in additional costs. The upper estimate is a combined scenario and does not represent the sum of every conceivable maximum cost. The estimated costs are materially lower than the additional revenue expected to be generated by Bands I and J.

51. The estimates exclude the separately funded valuation exercise, revenue forgone through transitional protection, Scottish Courts and Tribunals Service expenditure, and continuing business-as-usual Council Tax administration. They should not be interpreted as estimates of the costs that will be incurred by any individual authority.

Significant cognitive impairment

52. Backdated awards will reduce Council Tax receipts or result in refunds to eligible households. Those awards are transfers to households and should be shown separately from implementation and case-processing costs.

53. Council Tax Base statistics recorded 26,162 dwellings occupied by a person treated as severely mentally impaired in 2025, up from 24,766 in 2021. The average net increase in that stock over the four annual intervals was approximately 350 dwellings. This does not measure new awards, delayed cases or the number that would benefit from backdating. The Scottish Government holds no representative data on the interval between medical certification and entitlement to a qualifying benefit, or on the interaction with other discounts, exemptions and Council Tax Reduction. A robust forecast of the local revenue effect is therefore not possible.

54. For scale only, the sensitivity below assumes 400 to 600 cases, a ten-month interval and the 2026-27 Scotland-average Band D charge of £1,653. It shows endpoints corresponding to a 25% discount and a 100% exemption. These assumptions are not a best estimate: the case count is a stock-change proxy, the ten-month period is not supported by national administrative data, and actual awards will vary by band and household circumstances.

Table 10: Table showing the cost of backdating significant cognitive impairment discounts and exemption

Illustrative Case	Estimated cases	Assumed interval	Illustrative gross Band D effect (2028-29, £m)
25% discount	400 - 600	10 months	0.1 - 0.2
100% exemption	400 - 600	10 months	0.6 - 0.9

Local discretionary reductions

55. A local authority will only incur costs under this provision if it chooses to grant or administer discretionary reductions. The scale of any costs will depend on the design and operation of the local scheme, including the eligibility criteria adopted, the properties or taxpayers covered, application and evidence requirements, the level and duration of any awards, and any review or reassessment arrangements. For example, following a flood, a local authority could choose to provide Council Tax relief to affected households. It could apply a discount of any amount to an individual property, a defined area, or a class of properties, and could set eligibility criteria and duration as it sees fit, whether for days, months, years or on an ongoing basis.

56. As these matters are entirely for individual local authorities to determine, the overall costs cannot be estimated with any degree of confidence as any costing would require an understanding of context, scope and scale of local decisions. Any reductions awarded would result in Council Tax revenue forgone and a corresponding transfer to beneficiary households, which should be considered separately from any administrative, systems, training or casework costs incurred in administering the scheme.

57. No national estimate is available for local software or administrative costs because use of the power is optional and scheme design is for each authority. Any authority choosing to establish a scheme would fund both the reductions and its administration locally. Costs may include scheme design, system configuration, applications, evidence checking, decision-making, notifications and monitoring.

COSTS ON OTHER BODIES, INDIVIDUALS AND BUSINESSES

Additional high-value Council Tax bands

58. Individuals liable for Council Tax on dwellings placed in Bands I or J will face higher liabilities from 1 April 2028, subject to the Bill's transitional protection and any existing discounts, reductions or exemptions. The targeted valuation exercise may also require owners or occupiers to provide information and may lead to proposals or appeals.

59. The available matched data do not provide a sufficiently reliable Bill-specific profile by household income, deprivation, tenure or protected characteristic. Property value is not a direct measure of disposable income, so some households with limited income or liquid resources may face affordability pressures despite occupying a high-value dwelling. Transitional protection will reduce the initial increase for eligible sole or main residences moving from Bands A to H into Band I or J.

60. Higher recurring liabilities may be reflected to some extent in sale prices or rents, but the direction, scale and timing cannot be estimated reliably for this narrowly targeted measure. Any effect will depend on market conditions, buyer and landlord behaviour, the incidence of the tax and the circumstances of the property. No monetised property-market effect is included.

61. The Bill provides a power to exclude certain property types from Bands I and J. This will ensure that properties which, because of their nature or use, are not comparable to conventional domestic dwellings are not brought within the new bands, avoiding unintended financial consequences for certain institutional accommodation and services they provide, regardless of whether the occupants themselves are exempt from liability. The practical valuation exercise undertaken by assessors may well uncover types of dwelling which would fall within Band I or J, but which are not traditional high value residential properties.

62. Transitional protection will limit annual increases for eligible sole or main residences as they move towards their full Band I or J liability. Existing Council Tax discounts, exemptions and reductions will continue to apply where the relevant conditions are met. Separately, the Scottish Government intends to amend the Council Tax Reduction scheme through regulations made under existing powers to provide additional support for lower-income households affected by the new bands. Entitlement will depend on household circumstances, including income. Those changes do not form part of the Bill and their financial effects are therefore not included in the Bill-specific estimates in this Memorandum.

63. Table 11 below illustrates the annual liability path for properties moving from Bands A to H into Band I or J, using the working Scotland figures supplied for policy development. They assume 4% annual Council Tax growth and an annual increase limited to the lesser of 50% or

£1,500 until full liability is reached. The figures exclude any other discount, exemption or reduction.

Table 11: Table illustrating the journey of Bands A to H into Band I, and Band G and H into Band J

		Annual bill for properties moving to Band I				
		(with assumed 4% annual Band D growth)				
Current Band	**Current**	**Projected**				
	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**
A	£1,102	£1,146	£1,720	£2,579	£3,869	£5,369
B	£1,286	£1,337	£2,006	£3,009	£4,509	**£5,806**
C	£1,470	£1,529	£2,293	£3,439	£4,939	**£5,806**
D	£1,653	£1,720	£2,579	£3,869	£5,369	**£5,806**
E	£2,172	£2,259	£3,389	£4,889	**£5,583**	**£5,806**
F	£2,687	£2,794	£4,191	**£5,368**	**£5,583**	**£5,806**
G	£3,238	£3,368	£4,868	**£5,368**	**£5,583**	**£5,806**
H	£4,051	£4,213	**£5,161**	**£5,368**	**£5,583**	**£5,806**
		Annual bill for properties moving to Band J (with assumed 4% annual Band D growth)				
G	£3,238	£3,368	£4,868	£6,368	£7,868	**£9,310**
H	£4,051	£4,213	£5,713	£7,213	£8,713	**£9,310**

Bold figures indicate that the dwelling has reached its full Band I or J liability in that year. Note, projections estimate that only properties in Bands G and H will move into Band J.

64. The new bands apply to domestic dwellings and do not directly regulate businesses. The power to exclude certain accommodation potentially avoids direct additional Council Tax liabilities for forms of institutional accommodation. The available evidence does not support a separate quantified cost to businesses or third-sector organisations.

Significant cognitive impairment

65. Eligible individuals may benefit from backdated Council Tax discounts or exemptions. The terminology change is not intended to alter the underlying conditions of entitlement, except for the timing effect where qualifying-criteria entitlement is established after medical certification. The value of an award or refund is a transfer to the household rather than an economic cost.

66. The illustrative local authority sensitivity above represents an equivalent potential saving to eligible households. Actual household awards will depend on Council Tax band, the length of the interval between certification and qualifying-criteria entitlement, household composition and interaction with other reductions.

Local discretionary reductions

67. As each scheme will be locally determined, effects will vary between areas and over time and cannot be forecast as though all authorities will adopt the same approach. Any reductions awarded would result in Council Tax revenue forgone and a corresponding transfer to beneficiary households.

This document relates to the Council Tax (High Value Dwellings etc.) (Scotland) Bill (SP Bill 2) as introduced in the Scottish Parliament on 18 November 2026

COUNCIL TAX (HIGH VALUE DWELLINGS ETC.) (SCOTLAND) BILL

FINANCIAL MEMORANDUM

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