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

POLICY MEMORANDUM

INTRODUCTION

1. As required under Rule 9.3.3 of the Parliament's Standing Orders, this Policy 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 Financial Memorandum (SP Bill 2–FM);
- 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 Policy Memorandum has been prepared by the Scottish Government to set out the Government's policy behind the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

POLICY OBJECTIVES OF THE BILL

4. The Bill has three principal policy objectives: to improve fairness and proportionality at the upper end of the Council Tax property distribution; to modernise the law relating to people currently described as severely mentally impaired; and to enable local authorities to reduce Council Tax liability in response to particular local circumstances.

5. The Bill contains 11 sections. These are summarised below, and the policies to which they give effect are discussed in greater detail throughout this Memorandum.

6. Sections 1 to 3 make provision for the new high-value Council Tax bands and the targeted valuation exercise. Section 1 creates Bands I and J and sets their relative tax rates. Section 2 provides for dwellings within those bands to be valued by reference to market conditions at 1 April 2026, while the existing Bands A to H continue to use 1 April 1991 values. Section 3 makes provision for valuation lists to be altered and maintained to give effect to the new bands from financial year 2028-29.

7. Section 4 enables the Scottish Ministers, by regulations, to exclude specified descriptions of dwelling from Bands I and J. Section 5 provides automatic transitional protection for eligible dwellings moving from Bands A to H into Band I or J.

8. Section 6 gives local authorities a discretionary power to reduce the amount of Council Tax a person is liable to pay, including reducing it to nil, through locally determined schemes.

9. Section 7 replaces the existing terminology relating to severe mental impairment with significant cognitive impairment, modernises the statutory definition and provides that entitlement to a Council Tax discount may be determined by reference to the period of significant cognitive impairment covered by a medical certificate, even where the prescribed (or qualifying) conditions are fulfilled later during that period.

10. Section 8 makes consequential modifications relating to the regulation-making powers created by the Bill. Sections 9 to 11 contain general provision concerning ancillary provision made by regulations, commencement and the short title.

Additional high-value Council Tax bands

11. Council Tax in Scotland is currently based on eight valuation bands, A to H. Dwellings are allocated to those bands by reference to their open market value at 1 April 1991. Band H covers every dwelling valued at more than £212,000 on that basis. The present system therefore does not distinguish between substantial differences in value at the top of the market and may also leave some greatly improved or significantly appreciated dwellings in lower bands.[1]

12. Sections 1 and 2 establish the new high-value bands and their valuation basis. Section 1 creates Band I for dwellings with an open market capital value of more than £1 million but no more than £2 million and Band J for dwellings worth more than £2 million. Section 2 provides that values for those bands are fixed by reference to market conditions on 1 April 2026. Existing Bands A to H continue to use 1 April 1991 values. Commencement will be approached in such a way that the new bands will have effect from 1 April 2028.

13. Section 3 makes provision for the targeted valuation exercise required to identify dwellings which exceed the £1 million threshold, regardless of their existing Council Tax band. For the initial exercise, assessors will value a dwelling in its physical state at 1 January 2028 against the market conditions at 1 April 2026. These two dates perform different functions. The market reference date of 1 April 2026 fixes the market conditions against which values are assessed. The physical-circumstances date of 1 January 2028 fixes the physical state of the dwelling and its locality. In practical terms, the assessor will reflect any changes to the physical state which may take place on or before 1 January 2028, but reflecting what they would have been expected to be worth under the market conditions prevailing on 1 April 2026. This means, for example, that an extension or conversion completed by 1 January 2028 can be reflected in the valuation, while changes in the property market after 1 April 2026 are not. This provides a common market basis for all valuations while allowing the targeted valuation exercise to reflect the physical characteristics of dwellings shortly before Bands I and J take effect.

[1] https://www.legislation.gov.uk/ukpga/1992/14/contents

14. The physical circumstances date provides a clear cut-off for improvements and other structural changes made after 1 April 2026 but before the new bands take effect. Later new-build or newly listed dwellings will be valued against the same 1 April 2026 market conditions using their physical circumstances when valued.

15. The targeted approach is expected to affect only a small proportion of Scotland's dwelling stock. Current modelling estimates that around 13,600 dwellings - less than 1% of Scotland's domestic properties - may enter Band I or J. The final number and distribution will not be known until the Scottish assessors have completed the targeted valuation exercise in 2027-28. Dwellings valued at £1 million or less by reference to market conditions at 1 April 2026 will remain in Bands A to H and will not be revalued between those bands as part of this exercise[2].

16. Section 4 gives Scottish Ministers power to make regulations to exclude specified descriptions of dwelling from Bands I and J. The power is intended to ensure that property types which are not comparable to conventional domestic dwellings do not fall within the new bands, and to avoid unintended consequences for services provided from such properties. 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. Dwellings excluded from Bands I and J will fall within the existing valuation framework. The power will also allow the specified descriptions to be updated in response to future changes in the types of premises treated as dwellings and may make different provision for different local-authority areas where appropriate.

17. In setting Council Tax, each council decides how much to charge for Band D. The tax charged for the other bands is set using fixed ratios (multipliers) in relation to Band D. The final multipliers are 2.886 (1039/360) for Band I and 4.628 (1666/360) for Band J. As each local authority sets its own Band D amount, actual bills will vary. Using average 2026-27 Band D charges, these multipliers correspond to indicative annual Council Tax liabilities of approximately £4,770 and £7,650 respectively – around £720 and £3,600 above the average Band H charge.[3]

Table 1: 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

[2] https://www.gov.scot/news/mansion-tax-rates-consultation/

[3] Individuals' actual bills will vary as they depend on each council's Band D charge. The relative rate is a multiple of the Band D charge.

18. The charge figures above are illustrations based on the 2026-27 average Band D charge, and are not fixed bills. The Financial Memorandum records the associated revenue and cost estimates and their sensitivity to final valuations, local Band D amounts, transitional protection, Council Tax Reduction, other reliefs, collection and appeals.

19. The Scottish Government's latest modelling estimates that approximately 12,940 dwellings may enter Band I and approximately 660 may enter Band J, giving a total of around 13,600 dwellings. These figures are modelling estimates, rather than valuation-list counts, and have been rounded. High-value dwellings are concentrated in and around some cities and in certain rural areas, and both the number of affected dwellings and the additional revenue generated will vary materially between local-authority areas. The final number, band split and geographical distribution will not be known until assessors complete the targeted valuation exercise.

20. Section 5 provides automatic transitional protection for properties which are someone's eligible sole or main residence and are moving from Bands A to H into Band I or J in the financial year 2028-29. The protection is intended to prevent sudden increases in liability and allow households time to adjust. It is calculated by reference to the gross Council Tax amount imposed for the relevant valuation band, before any discount or reduction is applied. For 2028-29, the previous-year reference amount is the gross bill (before any discounts or reductions) imposed for the dwelling in 2027-28. In subsequent years, the previous year's gross bill (less the Transitional relief) will be used. In each year of the transitional period, the increase in the relevant Council Tax liability will be limited to the lower of £1,500 or 50% of the liability for the immediately preceding financial year. The protection will be applied annually until the dwelling reaches its full Band I or J liability. A dwelling which is not a sole or main residence will not qualify.

21. 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 medium income; the mitigation is intended to take effect alongside the new bands from 1 April 2028. The delivery of such changes by regulation for 1 April 2028 is consistent with similar Council Tax Reduction changes that accompanied increases to Bands E to H in 2017[4]; changes for 1 April 2028 would rely on contemporaneous assessments of median income.

22. Unmetered water and sewerage charges will remain unchanged solely as a consequence of a dwelling entering Band I or J. Those charges will continue to be calculated without reference to the new Band I or J Council Tax liability.

Local discretionary reductions

23. Section 6 gives 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 to it. Local authorities will set a scheme which reduces liabilities, including reducing liability to nil, though not reducing it to any less than nil. The Bill provides only for the liability to be reduced as far as nil via a scheme; it does not provide for it to be reduced any further. It is expected that individual schemes produced by local authorities should reflect that. The power is intended to allow a local response

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

to events such as flooding, fire, subsidence, natural disaster or a household crisis where existing exemptions, discounts and reductions do not provide an appropriate solution.

24. A discretionary reduction will be applied after any other discount or reduction. In other words, it will apply in addition to any such discount or reduction. A local authority may determine the circumstances, persons or dwellings covered and the amount and duration of support. A reduction, alone or in combination with existing discounts, or reductions, may reduce aggregate liability to nil but not below nil. In making a scheme the authority must have regard to its income and expenditure and to the interests of persons liable to pay Council Tax.

25. The power is intended to be commenced by commencement regulations which will bring it into force on 1 April 2028. A local authority may make an award for a period beginning on or after that date where its scheme permits, if the qualifying circumstances already exist, but not for a day before the power is in force. This will be reflected in transitional provision in the relevant commencement regulations.

26. A local authority will incur costs under this provision only if it chooses to establish a discretionary reduction scheme. The scale of any administration costs and Council Tax revenue forgone will depend on the scheme's design, scope, duration and take-up. A scheme will be funded by the authority choosing to operate it: no separate Scottish Government reimbursement or national funding is proposed. Operation will be subject to existing Council Tax accounting, audit, complaints and governance arrangements. Any non-statutory guidance will preserve local discretion.

Significant cognitive impairment

27. Section 7 updates the legislation governing Council Tax disregards and exemptions for persons currently described as 'severely mentally impaired'. Under the existing statutory arrangements, a person may qualify for a Council Tax disregard or exemption where two conditions are simultaneously met: the person has been medically certified as meeting the relevant impairment test and the person has met other qualifying criteria (for example, entitled to a prescribed qualifying benefit). Section 7 replaces the current terminology of 'severe mental impairment' with 'significant cognitive impairment' and modernises the statutory definition. The new language is intended to be accurate, respectful and consistent with the approach adopted in Wales and proposed elsewhere in the United Kingdom.[5] The underlying entitlement conditions for Council Tax disregards and exemptions otherwise remain unchanged.

28. For these purposes, a person will have significant cognitive impairment where the person has "a severe and permanent mental condition or neurological change that impacts on the brain's ability to function and has a significant impact on that individual's daily life". It is expected that this descriptor will cover the same persons as the previous terminology and definition. The Bill confers a power on the Scottish Ministers to amend the statutory expression and its definition by regulations, so that the law can respond to future changes in accepted clinical terminology.

[5] https://www.gov.wales/council-tax-discounts-disregards-exemptions-and-reductions.

29. Section 7 also enables that, where a person has been medically certified as having significant cognitive impairment and subsequently claims and is confirmed as having met the other criteria - for example being entitled to a qualifying disability benefit - the entitlement to a relevant discount or exemption may be determined by reference to the period of significant cognitive impairment covered by a medical certificate, even where the prescribed conditions are fulfilled later. Accordingly, a person may qualify for a discount or exemption in respect of days falling before the prescribed conditions were fulfilled, for the period covered by the certificate. The qualifying disability benefits are as set out in article 4(1) of the Council Tax (Discounts) (Scotland) Consolidation and Amendment Order 2003.[6]

30. The substantive qualifying conditions are otherwise unchanged. An applicant or their representative will continue to require to provide certification from a registered medical practitioner and evidence that the person has been awarded a prescribed qualifying benefit. Where the benefit is awarded after medical certification, the local authority will recalculate the relevant disregard or exemption from the certification date. Any resulting overpayment will be credited to the Council Tax account or refunded through the ordinary Council Tax administration arrangements, after account is taken of other discounts, reductions, exemptions and payments.

31. Approximately 26,000 households currently benefit from the existing provisions. That is not an estimate of the number which will benefit from a discount being applied from the point of certification (i.e. in relation to any period covered by the medical certificate before the qualifying conditions were fulfilled). No central data identifies how many households experienced a delay between medical certification and the award of a qualifying benefit, the length of any delay or the value of any resulting credit or refund. The number and cost of affected cases cannot therefore be quantified reliably, however a cost range has been provided in the Financial Memorandum.

ALTERNATIVE APPROACHES

Additional high-value Council Tax bands

32. **Do nothing.** Retaining the present Council Tax structure would avoid implementation costs and changes for households, but it would leave all properties above the existing Band H threshold subject to a single multiplier. It would not address the weak relationship between current property values and liability at the top of the system, or the fact that properties with substantially different values can face similar bills.

33. **Non-legislative or administrative action.** Guidance, improved communications and administrative work by assessors or local authorities could improve understanding of the existing system but could not create new valuation bands, change the statutory multipliers or impose different Council Tax liabilities on high-value dwellings.

34. **Use existing powers or secondary legislation.** Existing order-making powers could substitute new bands and apply a single new market reference date. They cannot readily provide the intended dual valuation system in which Bands A to H remain based on 1991 values while Bands I and J use values at 1 April 2026. Nor do they provide a sufficiently clear basis for the

[6] The Council Tax (Discounts) (Scotland) Consolidation and Amendment Order 2003

practical delivery arrangements of the policy (such as a physical circumstances date), the intended exclusions and the transitional protection.

35. **Primary legislation - alternative designs.** Alternative primary legislation designs considered included an owner-based high-value surcharge as is being considered by the UK Government.[7] In terms of the valuation approach, a surcharge would be very similar and would rely on a market reference point (1 April 2026); however, it would establish an entirely separate liability that is charged on the owner of the dwelling, departing from the established model of occupier liability. This would create a separate billing requirement and potentially cause costs to be passed to tenants in high rents without a means (such as Council Tax Reduction) to reduce charges. It would also increase complexity and the risk of avoidance, and make it more difficult to ensure that revenue remained in the area in which it arose.

36. Calls for wider reform and a full revaluation were prominent in recent Council Tax consultation exercises.[8] Fundamental reform would require substantially more policy development, implementation work and public engagement. A full revaluation could provide a more comprehensive alignment between current property values and liabilities, but would have substantially wider effects as well as associated costs, and could not be delivered in time for implementation on 1 April 2028.

37. **Primary legislation - preferred approach.** The Bill therefore creates Bands I and J within the existing occupier-based Council Tax framework and provides for a targeted valuation exercise for properties worth more than £1 million. This allows the new bands to take effect from 1 April 2028, gives assessors and local authorities time to prepare, leaves properties at or below the threshold in Bands A to H and ensures that additional revenue is retained for local services.

38. The Scottish Ministers consider this a positive and deliverable targeted reform. It responds to the immediate weakness at the upper end of the present band structure while remaining deliverable for April 2028. It does not pre-judge the outcome of wider consideration of the future of Council Tax.

Significant cognitive impairment

39. **Do nothing.** Retaining the present terminology and definition would avoid implementation work but would leave language that is outdated and is perceived as being insensitive and offensive in the statutory framework. It would also leave people who have been medically certified at risk of losing out on entitlement for the period before entitlement to a qualifying benefit is established.

40. **Non-legislative or administrative action.** Public bodies could use more respectful language in guidance, forms and communications, but administrative practice cannot replace the statutory term or definition. Nor could guidance create a consistent legal entitlement to backdating across Scotland.

[7] https://www.gov.uk/government/publications/high-value-council-tax-surcharge/high-value-council-tax-surcharge
[8] Future of council tax in Scotland: consultation analysis - final report - gov.scot

41. **Use existing powers or secondary legislation.** Existing subordinate-legislation routes were not considered sufficient to replace the terminology and definition throughout the relevant statutory framework and establish the intended backdating rule. Relying on piecemeal amendments would risk uncertainty and inconsistency.

42. **Primary legislation - preferred approach.** The Bill replaces the term with 'significant cognitive impairment', modernises the definition and provides that entitlement to a Council Tax discount may be determined by reference to the period of significant cognitive impairment covered by a medical certificate, even where the prescribed conditions are fulfilled later during that period. It preserves the underlying eligibility criteria and includes a regulation-making power so that the terminology and definition can respond to future changes in accepted clinical language.

Local discretionary reductions

43. **Do nothing.** Existing exemptions, discounts and the Council Tax Reduction scheme[9] would continue to apply, but they do not provide a general power to respond to unusual local circumstances such as flooding, fire, subsidence or a household crisis. Councils would remain unable to reduce the amount a person is liable to pay to them by way of council tax where the national rules do not provide an appropriate outcome.

44. **Non-legislative or administrative action.** Local authorities could provide discretionary grants or other practical assistance from existing budgets. Such support would require the local authority to make a payment into the bank account or apply a credit to an individual account of an intended recipient, rather than reducing the amount of Council Tax a person is liable to pay. This would require a separate application and payment process, and could create uncertainty about funding and recovery where circumstances change.

45. **Use existing powers or secondary legislation.** Relying on existing exemptions, discounts or Council Tax Reduction regulations would require nationally prescribed categories and would not provide the intended broad local discretion. A single national scheme would be less adaptable to local incidents and needs and could not respond as quickly to unforeseen circumstances.

46. **Primary legislation - preferred approach**. The Bill therefore creates a discretionary local power to reduce liability to pay council tax. Local authorities can tailor schemes to local circumstances. The requirements to have regard to the authority's finances and to the interests of Council Tax payers, together with the principle that aggregate liability cannot fall below nil, provide common limits while preserving local responsibility. No ministerial approval of a scheme is required.

[9] The Council Tax Reduction scheme is the Scottish Government's primary means of protecting households from Council Tax payments they should not reasonably be expected to meet, with the level of reduction someone is entitled to being based on their household circumstances, and based on an assessment of their income and capital.

CONSULTATION

Council Tax Consultations

47. The Scottish Government's wider consultation on the future of Council Tax in Scotland ran from 27 October 2025 to 30 January 2026. Of the four models contained within the consultation, responses indicated that the most support (38%) was for the most progressive hypothetical Council Tax system modelled and presented in the consultation. This model included a full revaluation of all 2.5 million properties in Scotland, with 14 property Bands spread across the property value distribution, including higher charges for properties worth over £1 million. By contrast, this Bill delivers a targeted revaluation only for properties worth over £1 million, and adds Bands I and J to the current Council Tax system with their own market reference point of 1 April 2026. The future of Council Tax consultation also provided views on possible transitional relief.[10]

48. Following the announcement of the proposed high-value bands, a focused consultation ran from 6 July to 24 August 2026. It sought views on the illustrative multipliers of 2.886 for Band I and 4.628 for Band J, asking respondents whether each multiplier should be lower, remain at the proposed level or be higher. It also invited evidence about effects on people who share protected characteristics, island communities, businesses and public, private and third-sector bodies, and on respondents' local areas.[11]

49. The focused consultation received 1,231 responses: 1,193 (97%) from individuals and 38 (3%) from organisations. Of all respondents, 298 (24%) reported paying Council Tax in Bands A to D and 788 (64%) in Bands E to H and 131 (11%) reported a property value between £1 million and £2 million and 14 (1%) a value above £2 million.[12] As participation was voluntary and respondents were self-selecting, the results provide evidence of the range and prevalence of views among respondents but are not necessarily representative of Scotland's population as a whole.[13]

50. The available quantitative analysis shows mixed views. Of those answering, 55% preferred a Band I multiplier below the proposed rate, 14% preferred the consulted rate (2.886) and 25% preferred a higher multiplier. For Band J, 55% preferred a multiplier below the proposed rate, 13% preferred the consulted rate (4.628) and 25% preferred a higher multiplier. Organisations were more likely than individuals to favour the proposed multipliers or higher multipliers. This included notable contributors to the wider discussions such as Future Economy Scotland and Common Weal, who also highlighted the broader regressivity of the Council Tax system. Respondents who reported properties in Bands A to D were also more likely to prefer higher multipliers, while those reporting properties in Bands E to H were more likely to prefer lower multipliers. Respondents reporting properties within the proposed Band I or J value ranges were particularly likely to prefer lower multipliers.[14]

51. Four in five respondents provided comments through the open question. The most prevalent theme was affordability. Respondents emphasised that property value does not

[10] https://www.gov.scot/publications/consultation-future-council-tax-scotland/
[11] https://www.gov.scot/publications/consultation-council-tax-high-value-property-bands-mansion-tax/
[12] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)
[13] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)
[14] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)

necessarily indicate income, liquidity or ability to meet a higher recurring liability. Particular concerns were raised about older long-standing occupiers living on pension income, households with substantial mortgages, larger families and people whose homes had appreciated significantly over time.[15]

52. Many respondents also called for wider reform of Council Tax, including a full revaluation of domestic properties. Several questioned the proposed multiplier calculations, the thresholds and the use of 2026 values for Bands I and J while Bands A to H remained based on 1991 values. Some respondents considered the proposed multipliers too low and argued that higher-value properties should make a greater contribution towards local services.[16]

53. Other themes in the focused consultation included potential effects on the housing market and wider economy; differences in the number of affected dwellings and revenue raised between local-authority areas; the treatment of additional revenue within local-government funding arrangements; and concern that valuation, billing, systems and appeal costs could reduce the net benefit of the policy. Other respondents supported the new bands as a fair and justified means of raising additional revenue for local services. A smaller number sought greater transparency about the valuation process, access to valuation evidence and clear proposal and appeal arrangements. Respondents also identified the need for accessible information about reliefs and support before the new bands take effect. The consultation responses raised these possible effects but did not provide a sufficient evidential basis to quantify them.[17]

54. The published analysis of the wider Future of Council Tax consultation records 1,291 validated responses - 1,219 individuals and 72 organisations - and 115 participants at five public engagement events. Of those answering, 79% (1,000 respondents) supported transitional relief. Of the two schemes consulted on, 59% (725 respondents) preferred an annual cap which limits the years on year increase of liability to the lower a 10% increase or £300. A majority, 51% (642 respondents), supported extending Council Tax Reduction, rising to 85% (53 respondents) among organisations.[18]

55. Following consideration of the consultation evidence, modelling and impact assessments, Ministers decided to retain multipliers of 2.886 for Band I and 4.628 for Band J. The responses demonstrated materially different views: a majority of those answering preferred lower multipliers, while a substantial minority preferred the proposed multipliers or higher multipliers, and organisations were more likely than individuals to support higher rates.[19] Ministers consider that the final multipliers provide a proportionate increase in liability, improve progressivity at the upper end of the system and generate additional revenue for local services without imposing the substantially larger increases advocated by some respondents.

56. Affordability concerns informed the decision to provide automatic transitional protection for dwellings which are used as sole or main residences and move from Bands A to H into Band I or J. Under the final scheme, annual increases will be limited to the lower of 50% of the liability

[15] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)
[16] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)
[17] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)
[18] Future of council tax in Scotland: consultation analysis - final report - gov.scot
[19] Council Tax High-Value Property Bands - Consultation Analysis (Scottish Government, 2026)

for the immediately preceding financial year or £1,500, until the dwelling reaches its full Band I or J liability. This will be gross liability for the preceding year, less any transitional relief from financial year 2029-2030 onwards. Separate amendments to Council Tax Reduction through secondary legislation are intended to provide additional protection for households which are moved into one of the new bands and have income below the threshold which will be provided for in the Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 and the Council Tax Reduction (Scotland) Regulations 2021.

57. Wider reform was also considered, but it would have substantially wider effects and implementation costs, and could not be completed in time for implementation on 1 April 2028. The Bill therefore provides for a targeted valuation exercise while leaving dwellings valued at £1 million or less within the existing Bands A to H. This targeted reform does not pre-judge the outcome of any future consideration of wider Council Tax reform.

58. The final policy also confirms that additional receipts will be retained by local authorities. Council Tax proposal and appeal arrangements will apply to the targeted valuation exercise, and clear and accessible information will be provided before the new bands take effect. The Financial Memorandum sets out the expected revenue, implementation costs and associated uncertainties.

59. The published analysis of the wider consultation is available at Future of Council Tax in Scotland: Consultation analysis Final Report. The focused consultation is available at Council Tax High-Value Property Bands (Mansion Tax): consultation. The focused consultation analysis will publish, when the Bill is introduced, under the following title: Council Tax High-Value Property Bands - Consultation Analysis.

Significant cognitive impairment

60. The Scottish Government has sought the views of key stakeholders, including discussion with Alzheimer Scotland and delivery partners in Local Government, on adopting the term and definition used in Wales. Stakeholders have also written to Ministers in support of backdating entitlement to the date of medical certification.

61. Scottish Parliament petition PE1976: Backdate council tax discounts for dementia to the date of GP certification was published on 26 September 2022. It called for a Council Tax discount to be backdated to the date a person was medically certified as severely mentally impaired where the person subsequently qualified for a relevant benefit. The Citizen Participation and Public Petitions Committee sought evidence from the Scottish Government and disability and dementia organisations and closed the petition on 26 November 2025. The Bill responds to the central timing issue by providing for the disregard or exemption to run from the medical-certification date once qualifying-benefit entitlement is established, without otherwise widening the substantive eligibility tests.

Local discretionary reductions

62. There has been no separate public consultation on the discretionary reduction power. The proposal for additional empowerment considerations was discussed with COSLA in the last

parliament.[20] The proposal has instead been informed by engagement with Local Government and by councils' experience of responding to circumstances in which the existing statutory discounts, exemptions and reductions did not provide an appropriate solution – notably where local authorities have sought a lawful route to reduce liability for groups of dwellings affected by events including flooding and subsidence.

EFFECTS ON EQUAL OPPORTUNITIES, HUMAN RIGHTS, ISLAND COMMUNITIES, LOCAL GOVERNMENT, SUSTAINABLE DEVELOPMENT ETC.

Equal opportunities

63. The high-value bands apply by reference to dwelling value and do not distinguish directly between people on the basis of a protected characteristic. The principal risk is to households with modest incomes living in high-value homes, which may include older people, disabled people and long-standing occupiers whose property has appreciated significantly. Transitional protection and the intended extension of Council Tax Reduction are designed to mitigate affordability impacts. The focused consultation invited evidence on impacts on protected groups.

64. Replacing outdated terminology with 'significant cognitive impairment' is expected to have a positive impact on disabled people and others affected by cognitive conditions by using more respectful language. Backdating removes disadvantage caused by delay in establishing qualifying-benefit entitlement. The underlying eligibility conditions are otherwise unchanged.

65. The local discretionary power may enable authorities to respond more effectively to households experiencing crisis or disadvantage. Local variation is inherent in the policy. The absence of new statutory consultation, publication or review requirements preserves local flexibility, but authorities remain subject to existing equality and public-law duties and to ordinary audit, governance, complaints and ombudsman arrangements when designing and operating a scheme.

66. The Equality Impact Assessment identifies no direct differential effect from the high-value bands because liability is determined by dwelling value rather than by a protected characteristic. The available data do not provide a sufficiently reliable protected-characteristic profile of the approximately 13,600 affected households.

67. The focused consultation identified perceived affordability risks for older long-standing occupiers, households with substantial mortgages, larger families and people whose property had appreciated more quickly than their income. These responses identify potential effects but do not establish their prevalence among affected households. There may also be indirect affordability effects for disabled people with additional costs, carers, women and households which have substantial housing wealth but limited disposable income. Transitional protection and the intended changes to Council Tax Reduction are intended to mitigate those risks.

68. The significant cognitive impairment provisions are expected to have a positive or neutral effect on affected households, while the local discretionary reduction power may enable authorities

[20] Local government finance sources and council tax reform: joint working group - gov.scot

to support people experiencing crisis or disadvantage. No unlawful discrimination has been identified. The position will be monitored as valuation and take-up information becomes available.

Human rights

69. Council Tax is a tax on property and therefore engages Article 1 of Protocol 1 to the European Convention on Human Rights. The objective of improving fairness and proportionality in a local tax is in the public interest, States have a wide margin of appreciation in determining what is an appropriate level of taxation. The thresholds apply consistently to all dwellings within scope, wherever they sit in the existing band structure. Transitional protection and income-related Council Tax Reduction help to avoid an excessive individual burden.

70. The different valuation dates for Bands A to H and Bands I and J were considered under Article 14 read with Article 1 of Protocol 1. The distinction pursues the legitimate aim of improving fairness and proportionality at the upper end of the Council Tax system while permitting a targeted reform to be implemented by 1 April 2028. Subject to any exclusions provided using the regulation-making power under section 4, dwellings worth more than £1 million by reference to the common 2026 market conditions will be considered for Bands I and J, while dwellings at or below that threshold will remain within the existing structure. Ministers consider that this limited reform is a justified and proportionate measure. The current wish of Ministers is to address the particular issue of lack of correlation between value and council tax payable among higher value properties, but without conducting a full revaluation of all domestic properties. The only way to target properties with a value above a certain threshold, with reference to current values, is to use a dual valuation system.

71. Existing information-gathering and inspection powers, together with the established proposal and appeal arrangement, will apply to the targeted valuation exercise. A taxpayer may make a proposal to the assessor and, following the assessor's decision, appeal to the First-tier Tribunal for Scotland (Local Taxation Chamber). These safeguards support a fair process. Ministers consider the Bill to be compatible with Convention rights.

Statement of compatibility under section 23(1) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024

72. The Child Rights and Wellbeing Impact Assessment concludes that the Bill's effects on children are limited and mainly indirect. Children are not liable for Council Tax, but a higher Council Tax bill could reduce the disposable income of an affected household, which may include children in it, and is therefore relevant principally to Article 27, on recognition of the right of every child to an adequate standard of living. Transitional protection and the intended changes to Council Tax Reduction are intended to mitigate that risk. Backdating entitlement for significant cognitive impairment and the local discretionary reduction power may also protect household income or housing stability.

73. On the evidence available, the overall effect is assessed as **neutral**, and no incompatibility with the UNCRC requirements has been identified.

74. The Deputy First Minister and Cabinet Secretary for Finance and Local Government, Jenny Gilruth MSP, has made the following statement regarding children's rights:

> "In accordance with section 23(1) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, in my view the provisions of the Council Tax (High Value Dwellings etc.) (Scotland) Bill are compatible with the UNCRC requirements as defined by section 1(2) of that Act."

Island communities

75. The high-value bands use the same value thresholds throughout Scotland. Current estimates suggest that very few island dwellings will enter Bands I or J, although the final distribution will depend on assessors' valuations.

76. The focused consultation received responses from people or organisations identifying with every local-authority area except Comhairle nan Eilean Siar, including a small number from Orkney and Shetland. It did not, however, produce sufficient island-specific evidence to support a conclusion on differential island effects. The Island Communities Impact Assessment therefore draws on the consultation alongside modelling, engagement with relevant authorities and assessors, and other available evidence.

77. An Island Communities Impact Assessment has been completed and is published alongside the Bill. Current modelling estimates that 11 potential Band I dwellings and no Band J dwellings across the six local-authority areas containing islands – Shetland Islands, Orkney Islands, Na h-Eileanan Siar, Argyll and Bute, Highland and North Ayrshire. This is around 0.08% of the approximately 13,600 dwellings expected to be affected nationally and may even be a higher estimate of island exposure because three of those authority areas also include mainland locations.

78. The assessment considered whether rurality, inter-island travel, severe weather, connectivity and access to valuation, medical-certification and advice services could create a materially different effect for island communities. It also considered the interaction between nationally consistent thresholds and local property values and living costs, and whether the discretionary reduction power could support local resilience. The assessment concluded that the Bill is not likely to have an effect on an island community which is significantly different from the effect on any other community.

79. The discretionary reduction power may be particularly useful where island communities face localised flooding, severe weather, fire or other events that existing national rules do not adequately address. Local authorities will be able to tailor schemes to island conditions. That local flexibility supports subsidiarity and avoids a national approval regime, while the rule that liability cannot be reduced below nil provides a common boundary.

Local government

80. Council Tax is administered locally and the additional revenue generated by Bands I and J will be retained by local authorities. Authorities will need to make billing and revenues-system changes, receive and process valuation information, communicate with taxpayers and administer the automatic transitional protection.

81. Some consultation respondents questioned whether valuation, systems, administration and appeal costs could reduce the net revenue generated. The use of a targeted valuation exercise, rather than a revaluation of all domestic properties, limits the scale of that work. The Scottish Government has committed £10 million to support the targeted valuation exercise undertaken by Scottish assessors, with the principal implementation work taking place before 1 April 2028.

82. Local-authority software and administrative costs are expected to be small relative to the additional Council Tax revenue generated by the new bands and will be met from the additional receipts retained locally. Transitional protection will reduce those additional receipts during the transitional period. The Financial Memorandum provides detailed estimates and explains the associated uncertainties.

83. The discretionary reduction provision expands local fiscal autonomy and is permissive rather than mandatory. A local authority will incur costs or forgo Council Tax revenue only if it chooses to exercise the power. The scale of those effects will depend on the design, structure, duration and take-up of the authority's scheme. Each authority will determine whether to establish a scheme and how much support to provide, while having regard to its financial position and the interests of Council Taxpayers.

84. Backdated significant-cognitive-impairment awards may reduce Council Tax receipts or require credits and refunds. The change does not otherwise widen the substantive eligibility conditions, but available data do not allow the number or value of affected cases to be quantified reliably. The Financial Memorandum provides further detail on the potential costs, revenue effects and uncertainties for local government.

85. The Bill makes limited and targeted amendments to the existing Council Tax framework. A freestanding Act would require substantial restatement of that framework without providing a proportionate policy or legal benefit. The preferred approach is therefore to amend Part II of the Local Government Finance Act 1992.

86. The Deputy First Minister and Cabinet Secretary for Finance and Local Government, Jenny Gilruth MSP, has made the following statement regarding the European Charter of Local Self-Government (Incorporation) (Scotland) Act 2026:

> "In accordance with section 11(1) of the European Charter of Local Self-Government (Incorporation) (Scotland) Act 2026 (the Act), in my view, the provisions of the Council Tax (High Value Dwellings etc.) (Scotland) Bill are compatible with the Charter Articles as defined by section 1 of the Act."

Sustainable development

87. The Bill supports social sustainability by making the upper end of the Council Tax system more progressive while protecting households from sudden increases and providing additional support for those on low incomes. Retaining the existing bands for the great majority of dwellings and using a targeted valuation exercise limits administrative and economic disruption.

88. The discretionary power may strengthen community resilience by enabling a prompt local response to flooding, fire, subsidence and other crises. The Bill has no significant direct environmental effect. The policy intention that water and sewerage charges should not rise solely because of entry to Band I or J avoids an unrelated increase in household utility charges.

Business and third-sector impacts

89. The new bands apply to domestic dwellings rather than non-domestic property and do not directly regulate businesses. The Bill provides a power to exclude specified descriptions of dwelling where their inclusion would be inappropriate or could have unintended consequences for services. Owners or occupiers liable for Council Tax on other high-value dwellings may face higher charges.

90. Some consultation respondents raised possible effects on the housing market, investment, migration and receipts from other property taxes. Others suggested that higher recurring liabilities could affect purchase decisions or property values. The consultation did not provide evidence from which the scale, direction or timing of any such effects could be quantified. Any effects will depend on market conditions and the responses of owners, occupiers, landlords and purchasers. No monetised property-market or wider economic effect has therefore been included.

CROWN CONSENT

91. It is the Scottish Government's view that the Bill as introduced does not require Crown consent. Although the Local Government Finance Act 1992 does not generally apply to the Crown, the King is liable to council tax on his private estates (including, for example, Balmoral) by virtue of section 8 of the Crown Private Estates Act 1862[21]. Crown consent was signified for the Bill that became the 1992 Act, as it was for the 1862 Act. The Scottish Government considers that the amendments made by this Bill do not represent a substantial change to the existing council tax regime as concerns the King's private estates and therefore this Bill does not require Crown consent.

[21] For further information, please see paragraphs A.17 and A.18 of Appendix A to the paper on King's and Prince's Consent, published by Office of the Parliamentary Counsel in October 2022.

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

POLICY MEMORANDUM

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