Roundtable: The future of council tax

Briefings



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On 29 November, CIOT hosted an online roundtable discussion on the future of council tax, bringing together contributors from across the UK to explore the different approaches being taken to council tax reform across the nations and discuss challenges and potential ways forward.

CIOT Deputy President Charlotte Barbour chaired the event. Opening proceedings, she observed that with council tax being a devolved issue, there are largely separate debates taking place in Wales, Scotland and England, and these are at different stages of progress. However, many of the issues are the same, including the frequency of revaluations, the treatment of second homes and empty properties, and whether the system should be made more progressive.

The first speaker, Debra Carter, Deputy Director for Local Government Finance Reform at the Welsh government, set out the Welsh council tax situation. She explained that, following comprehensive research, a conclusion has been reached within the Welsh government that, in order to achieve a fairer system, fundamental structural reform of council tax is required. She observed that there is some cross-

party political support for this.

While the Welsh government has been looking at alternatives to council tax, particularly the possibility of a local income tax or a local land value tax, these are long-term ideas, and in the meantime more immediate reforms are being looked at.

Last year, the Welsh government consulted on the broad principles of council tax, including its fairness, revaluation cycles and discounts and reduction schemes. Now they have launched a second consultation on the scale and pace of reform, presenting three examples for how the system might look and three examples for the pace at which it should be addressed.

The second speaker was Emma Congreve, Deputy Director of the Fraser of Allander Institute, a research institute based at the University of Strathclyde. She said that, since devolution, calls for reform of council tax have come from both the Labour/Lib Dem coalition and the SNP government. However, ‘no one has really quite managed to crack it’. Some changes have been made to council tax multipliers since 2017, increasing payments for more expensive homes, which have made the system a bit less regressive.

In Scotland, two separate commissions have advocated a move away from the regressivity of the current structure towards something akin to a proportional property tax. The first independent committee had its recommendations rejected by the then Labour First Minister. The second had political appointees from all the main parties (apart from the Conservatives, who did not wish to take part) to try to ensure the political implications were addressed head on but struggled to come to a robust consensus on the way ahead. Resulting reforms were fairly minor changes to the charging structure of the council tax, with a regressive system remaining in place and no revaluation.

The third speaker was David Phillips, an Associate Director at the Institute for Fiscal Studies. He provided an overview of the council tax landscape in England, arguing for revaluations as soon as possible and against the current single person discount, which he suggested contributes to both overcrowding and under-occupation of property.

Phillips argued for reforms to council tax to make the system more progressive and efficient. In terms of structure, he expressed a preference for a continuous value system over the existing banded system, so that efforts to make council tax more

progressive overall do not lead to even bigger jumps in bills at tax band thresholds. And though he acknowledged that such a move may create additional administrative burdens, he argued that it's not as clear cut as some have suggested that it would increase appeals – because the big jumps in bills associated with being the 'wrong side' of a band threshold would no longer exist. He suggested that there is a strong case for land value tax for non-residential properties, but for residential properties he felt the property itself should be part of the tax base.

Following the opening speeches, the wider group explored historic attempts at council tax reform in England, including Labour's promise of revaluations every ten years and the 2010-15 coalition government's abandonment of national council tax benefit.

A number of participants advocated a move to a proportional property tax. One suggested that a move of this kind could be 'a vote winner for any party that wants to get behind it'.

One Scottish participant suggested that Wales seems a lot more 'grown up' than Scotland in regard to this issue. With a council tax freeze in 2024-25 and a Holyrood election in 2026, they were pessimistic about seeing any reform of council tax soon. It was suggested that politics in Scotland is more divisive, whereas it is easier to reach a broad consensus on reforms in Wales.

A participant from Northern Ireland explained that that is the only part of the UK without a banded council tax system, instead operating based on rates. Instead of a council tax reduction scheme, Northern Ireland has built support into a universal credit rebate scheme.

On valuations one participant suggested that a 'more creative' approach might be taken; for example, valuations could be staggered, being carried out on sale of a property.

The importance of revaluing before any major reform was emphasised.