# Scotland: the future of council tax in Scotland

General Features

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The ATT, CIOT and LITRG each completed the online response form to the consultation on the future of council tax in Scotland, published jointly by the Scottish government and the Convention of Scottish Local Authorities. The CIOT and LITRG also made a joint written submission.

The Scottish government and the Convention of Scottish Local Authorities jointly published a consultation on the future of council tax in Scotland, alongside a research report composed by the Institute for Fiscal Studies. We were pleased to be able to respond to this consultation, which aims to build consensus on council tax reform. Council tax in Scotland is currently based on 1991 property values. The consultation explored options to make council tax fairer and more up to date, including revaluation of properties, adjustment of tax bands and transitional protections for households to manage changes to bills.

The consultation required only the completion of a respondent information form. The ATT, CIOT and LITRG each submitted a form, largely consisting of tick-box questions. The ATT submitted additional comments via the consultation form. The CIOT and LITRG obtained permission to submit a joint written response alongside their tick-box forms, allowing us to provide additional context for our responses.

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## ATT submission

The ATT submission is supportive of revaluation, provided that the advantages of revaluation are weighed against the cost of the exercise, and also suggested three-yearly reviews. The ATT also recommended that the Scottish government give consideration to alternative methods of raising funds for councils.

The ATT highlighted the importance of the system being simple to understand and linked to the ability to pay, as this avoids the need for complicated relief structures when circumstances change or when householders move between council tax bands. Should council tax remain, the ATT would be keen to see a progressive system, potentially with 14 bands. However, bands I and J would need to align with the announcement in the recent Scottish Budget, and the other bands would need to be calculated back from that benchmark.

The ATT also suggested a hybrid national/local model, under which councils would have the ability to set their own band D thresholds, in addition to their existing power to set the band D rate. Councils would then pro-rate all other bands based on a national scale. This approach would ensure that householders are treated equally regardless of which council area they reside in, while allowing councils to budget based on their local circumstances and retaining an element of equity nationally. The government, in this scenario, may wish to consider setting upper and lower limits on bands. This would help to ensure an equal spread across the population, while maintaining a link to ability to pay.

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## Joint CIOT and LITRG written submission

The joint CIOT and LITRG written response notes that the consultation indicates a desire to reform council tax to make it ‘fairer’. What is fair is subjective; however, we think that for a tax to be regarded as fair, it must tax the base that the policy

intends to tax, and that tax base must be accurately assessed or valued.

The consultation appears to accept that the use of valuations from 1991 is problematic, and we welcome the acknowledgement of the need for a full revaluation of domestic properties in Scotland, an issue we have been raising for several years.

The CIOT and LITRG would also like to see a commitment to regular revaluations in the future, perhaps every five years, as has been committed to in Wales. This will help to ensure that people are paying the correct amount of tax and reduce the need for transitional reliefs at each revaluation. Five years would appear to strike a reasonable balance between the administrative burden of updating valuations and ensuring that valuations remain up to date. It may be possible to revisit the question of frequency in the light of the increasing availability of automated mass appraisal approaches.

Alongside a full revaluation, we believe that any reform should aim to reduce the regressivity of the council tax system.

A national model for setting council tax band property value thresholds would be preferable, in order to provide equity across the country. However, this would need to be accompanied by redistribution of government grant funding. We prefer the consistency and simplicity of a national model. We think it is important to not only consider distribution of tax liability across households, but also to consider distribution across the country, so that council areas with fewer properties in higher bands do not get left behind.

The CIOT and LITRG think that transitional relief and a deferral scheme may be necessary, particularly to assist those on low incomes. Where an interest charge applies to deferred amounts, it should not be punitive, particularly if the deferral scheme is restricted to those on low incomes. It is important that transitional relief and deferral schemes are well publicised, as well as easy to understand and apply for.

Reform of council tax and a revaluation will inevitably cause some uncertainty, disruption and additional work for taxpayers, intermediaries and local government, among others. There will be winners and losers. Good communications will therefore be essential, both to explain the changes and the reasons for them. The opportunity should also be taken to try to improve public understanding of how councils are

funded. In addition, reliefs and exemptions will continue to be necessary, and more could be done to encourage people to check whether they are eligible and to assist them in applying.

The full ATT submission is available here.

The joint CIOT and LITRG submission is available on the CIOT website here and the LITRG website here.

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Joanne Walker *jwalker@litrg.org.uk*
Lindsay Scott *lscott@ciot.org.uk*
Chris Campbell *campbell@att.org.uk*
Senga Prior *sprior@att.org.uk*