High Value Council Tax Surcharge

Personal tax Property Tax

September 2026

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The CIOT's response to the High Value Council Tax Surcharge consultation explores the complexities of introducing a new surcharge alongside the existing council tax regime.

The government's consultation on the High Value Council Tax Surcharge (HVCTS) seeks views on the detailed design of the surcharge, as announced at Budget 2025. The government's policy aim is 'to support funding for local government and to reduce the largest inequalities in the council tax system'. A possible additional HVCTS premium for non-UK resident owners would be aimed at reducing pressures on housing availability and prices.

The CIOT's response recognised that revaluation of a percentage of residential properties for the HVCTS is a small step towards updating property values, but the government expects it to affect less than 1% of residential properties. The narrow scope of this revaluation fails to address distortions and, at times, arguably inequitable results within the wider council tax system, which is based on out-ofdate property values. We are concerned that the surcharge effectively introduces a parallel valuation regime to council tax, with current market values operating alongside historic 1991 values for council tax.

In addition, although practically it may be easiest to regard the new HVCTS as a second council tax payment, it can validly be perceived as more akin to a targeted property tax than purely as a council tax surcharge.

Implementation

In terms of implementation, our main concerns are the added complexity and administrative burdens for local billing authorities, which will administer the charge, even though the government indicates that they will be compensated for the additional costs. It appears that local authorities with only a few properties within scope will still need to establish new systems and allocate or recruit staff to administer the charge. The consultation does not indicate whether the pros and cons of a national framework (and therefore economies of scale) versus local collection have been evaluated.

The legal owner of a property will be liable to pay the HVCTS (including trustees and leaseholders of leases initially granted for more than 21 years) rather than the person occupying the property (as is the case for council tax). The stated administrative rationale is that:

- local authorities will be able to identify legal ownership using HM Land Registry records, whereas there is no comprehensive register of beneficial ownership; and
- most properties in scope will have the same legal and beneficial owner and will be owner occupied.

However, there are difficulties in identifying legal ownership in complex structures. The approach is not consistent with that taken in the wider tax system and does not reflect the realities of how trusts operate, especially bare trusts.

Consideration could be given to gathering better data and insights into the legal and beneficial ownership of land, as well as streamlining existing sources to enable more effective and better targeted reform of property taxation.

Definitions

The consultation states that the definition of a dwelling in the Local Government Finance Act 1992 for council tax will be used for the HVCTS. It differs from that used for other taxes. Although adopting this definition has the benefit of consistency with council tax, it is an outdated and inaccessible definition. We suggest that a good definition should be capable of being read independently and understood without the need for additional research; the use of archaic words and circular definitions in the definition is not helpful.

The consultation states that deferral of the HVCTS will be available to owners in respect of their primary residence where they meet specific eligibility criteria based on household income and capital thresholds. There is no suggested definition of 'household'. We suggest that, where possible, existing definitions should be used, unless there is a strong reason to introduce a different definition. We noted that, in our experience, people often find 'household' a difficult test to apply, given the range of different living arrangements (including lodgers), so clear guidance will be needed to support the legislation.

Non-UK resident premium

Depending on the evidence base, the government is exploring whether there could be a case for applying an additional HVCTS premium to non-UK resident owners of homes liable for the tax if demand from such owners is contributing to pressures on housing availability and prices.

The economic questions are outside our remit. However, we suggested that an evaluation of the efficacy of the 2% stamp duty land tax surcharge, including whether it has achieved its policy aim and whether there have been any specific impacts, should form part of this exploration.

Conclusion

Our broad conclusion is that a 'bolt on' to council tax of a distinct additional tax adds complexity to the already complex system of property taxation. We suggested that a comprehensive review and reform of the tax treatment of residential property is required to simplify the approach and ensure that the policy underpinning new taxes is implemented coherently.

The full response is here.

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