

Consultation on a Fairer Council Tax

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Joint Foreword

The Scottish Government and COSLA (on behalf of Local Government) would like to invite you to respond to this consultation on a Fairer Council Tax System, which seeks views on the Council Tax charges (also referred to as multipliers) for properties in valuation Bands E to H.

We are committed to our aim of delivering fairer, more inclusive and fiscally sustainable forms of local taxation. Through the Joint Working Group on Sources of Local Government Funding and Council Tax Reform (JWG), we are exploring proposals for meaningful changes to be introduced to Council Tax. This includes changes to reflect the circumstances created by the cost crisis, and also approaches to longer term reform of the system.

Council Tax revenue contributes to the huge range of vital services that Councils provide. This includes funding for our schools, social care, support for housing, environmental and waste services, roads and transport, and many more. These are services which we all rely on.

We acknowledge the criticisms of the present Council Tax system, which is perceived by some stakeholders as unfair and regressive because it levies a higher tax rate on lower value properties, and a lower rate for higher value properties. The Scottish Government increased the Council Tax Band E to H multipliers in 2017 which went some way to addressing this problem, but Council Tax remains regressive. A chargeable property in a Band H has a Council Tax liability of about three times that of a Band A property, but is, on average, worth about fifteen times the value. The focus of the proposal in this paper is to address the balance of burden within the system, and we seek your views as to whether those in properties in the highest bands should be making a greater contribution, where they can afford to do so.

In seeking views on changes to the present Council Tax system, we emphasise the importance of the Council Tax Reduction scheme which protects the most financially vulnerable and ensures that nobody in Scotland will have to meet a Council Tax liability they cannot be expected to afford. This will continue regardless of the property band, or the associated Council Tax charges for that band, that an individual may be liable for.

We are pleased to be taking forward this work in partnership, and the proposal contained within this consultation paper is just one change that forms part of a broader range of potential measures that are under consideration, and which taken together will seek to provide fairness to the system by ensuring support to those that need it most. Therefore, we would like to ask for your views and perspectives on the potential change outlined in this paper, in order to make progress on our commitment to a fairer local taxation system.



Tom Arthur MSP
Minister for Community
Wealth and Public
Finance



Cllr Katie Hagmann
COSLA Resource
Spokesperson

Background - The Present Council Tax System

Council Tax is a local tax, set and administered by each council and this year is expected to contribute around £2.9 billion to the funding of local public services in Scotland. Almost every household receives a Council Tax Bill, although many benefit from a discount or reduction to that Bill. This includes around 380,660 households (around 15% of all households) which qualify for the Council Tax Reduction (CTR) scheme and have a Council Tax bill that is reduced to zero.

The present Council Tax system was introduced in 1993 by the then UK Government. Since the creation of the Scottish Parliament in May 1999, the policy and legislative framework that defines the tax has been wholly devolved to the Scottish Parliament. However, Council Tax is a local tax, and the administration of the system resides with councils.

Council Tax is paid by the occupiers of domestic properties, with the amount due to be paid depending on:

- the valuation band the property is in,
- the Band D tax rate set by the local authority,
- any discounts (such as the 25% single person discount), and
- exemptions (such as for properties wholly occupied by students) or reductions (the Council Tax Reduction Scheme being the most significant).

This consultation asks for your views on a number of questions about the relationship between the valuation band a property is in, and the tax rate set by the council for their local area. Each council determines the tax for Band D properties. The charges for other property bands (A to C and E to H) are proportions of the Band D charge. For instance, a Band A property may be charged approximately two-thirds of the Band D property tax, while a Band G property might face a charge approximately double that of a Band D property. These proportions, referred to as 'multipliers,' are set in law and are the same for all Scottish council areas.

The table below presents current average Council Tax charges in Scotland, and shows the rate for each band as a proportion of the rates applicable to Band D properties (the 'multipliers').

Table 1: Average Scottish Council Tax rates for 2023-24, expressed as a charge and as a proportion of the rate for Band D

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Scotland Average Council Tax Charge 2023-24	£944	£1,102	£1,259	£1,417	£1,861	£2,302	£2,774	£3,470
Council Tax charges as a proportion of the charge for a property in Band D	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45

These multipliers were changed from April 2017, increasing the Council Tax for around 25% of properties.

Council Tax and Local Government Funding

Revenue from Council Tax is retained in full by councils and is not part of the Scottish Government's funding allocation to local government. Council Tax is expected to contribute around £2.9 billion towards the funding of local public services in 2023-24. This is an increase on previous years. Council Tax income has corresponded to around 19% of general funding to local government over the past few years.

Each local authority's Council Tax income will vary, depending on the tax rate set, the number of properties in total and the number of properties in each valuation band. Across Scotland, just under three-quarters of all chargeable dwellings are in Bands A to D, but this varies across local authorities. For example, Na h-Eileanan Siar has the largest proportion of dwellings in Bands A to D at 89%, whereas East Renfrewshire has the lowest proportion in Bands A to D at 43%.

This variation across local authorities in the proportion of properties in each valuation band is partially compensated for in the distribution of the General Revenue Grant (GRG). The GRG is the main source of funding for local authorities, and is paid by the Scottish Government. It has made up around 65% of the general funding for local government in the past few years. Amongst other variables, the formula used to calculate how the GRG compensates for the differing proportions of properties in each valuation band, in relation to the assumed¹ level of Council Tax used in the calculations, was adjusted in 2017² to reflect the changes in Bands E, F, G and H. This adjustment to the GRG means that any changes to the way the assumed Council Tax is calculated for properties in the valuation bands will not disproportionately benefit, or disadvantage, any council.

Council Tax and Fairness

For many years, a common criticism of Council Tax has been that it is unfair and regressive. This is because when the average Council Tax liability is expressed as a percentage of the estimated property value, the effective tax rate is higher for lower value properties and lower for the higher value properties³.

The Scottish Government's CTR scheme aims to address the unfairness in the system by reducing a household's Council Tax liability based on what they could be expected to afford. The CTR Scheme was introduced in April 2013 following the UK Government's abolition of Council Tax Benefit. CTR offers means-tested reductions to household Council Tax and is administered by local authorities. The reduction can be any proportion of the liability, up to and including 100% (where the household has their Council Tax liability reduced to zero and pays no Council Tax). Entitlement to CTR and the amount awarded is based on the characteristics, capital, needs and income of the household.

This means that regardless of the property band of a dwelling, nobody in Scotland should have to meet a Council Tax liability they cannot be expected to afford. No matter the property band, the scheme protects the most financially vulnerable. The scheme in total reduces the amount of Council Tax income raised across Scotland by around £370 million. The GRG paid by the Scottish Government includes funds in recognition of this income forgone by local

¹ We assume a standard Band D rate of about £911. Individual councils are currently able to keep all of their receipts in excess of this.

² Was effective from 2018-19.

³ [The Commission on Local Tax Reform Report \(2015\)](#)

authorities. There is no national equivalent to the CTR scheme in England, and Council Tax support to low-income households is the responsibility of individual councils. This has resulted in the Institute for Fiscal Studies estimating that four out of every five councils in England require each household to contribute a minimum amount (in some cases up to half) of Council Tax, irrespective of their ability to do so.

Although the CTR Scheme takes into consideration the amount of Council Tax a household is liable for and their ability to pay, the present Council Tax system retains an inherent unfairness in that it is a regressive tax.

Consequently, Council Tax is unlike any other tax in the UK in that the effective tax rate decreases as the value of the tax base increases. All other taxes are either at a flat rate (like Value Added Tax which is charged at 5% or 20% irrespective of the value of the good or service liable to the tax) or progressive (like income tax, which applies higher rates for higher incomes). The root cause of this regressive characteristic lies in the “multipliers” – the proportions of the Band D charge that are used to calculate the charges for properties in all other Bands.

In 2015, the Commission on Local Tax Reform⁴ highlighted how the original multipliers - set out in the 1992 Local Government Finance Act – resulted in properties in Band H paying three times as much Council Tax as a property in Band A despite the fact that the Band H properties were estimated to be worth, on average, fifteen times the value of properties in Band A.

The 2017 Changes to Council Tax

Council Tax band multipliers can be amended by regulations. This was done from the start of the 2017 Council Tax year, resulting in the tax for properties in Bands E, F, G and H being increased by 7.5%, 12.5%, 17.5% and 22.5% respectively. These higher charges continue, but as most homes in Scotland are in Bands A to D, the increases only affected around 25% of all properties.

Table 2: Council Tax band multipliers pre-2017 and post-2017 with % increases

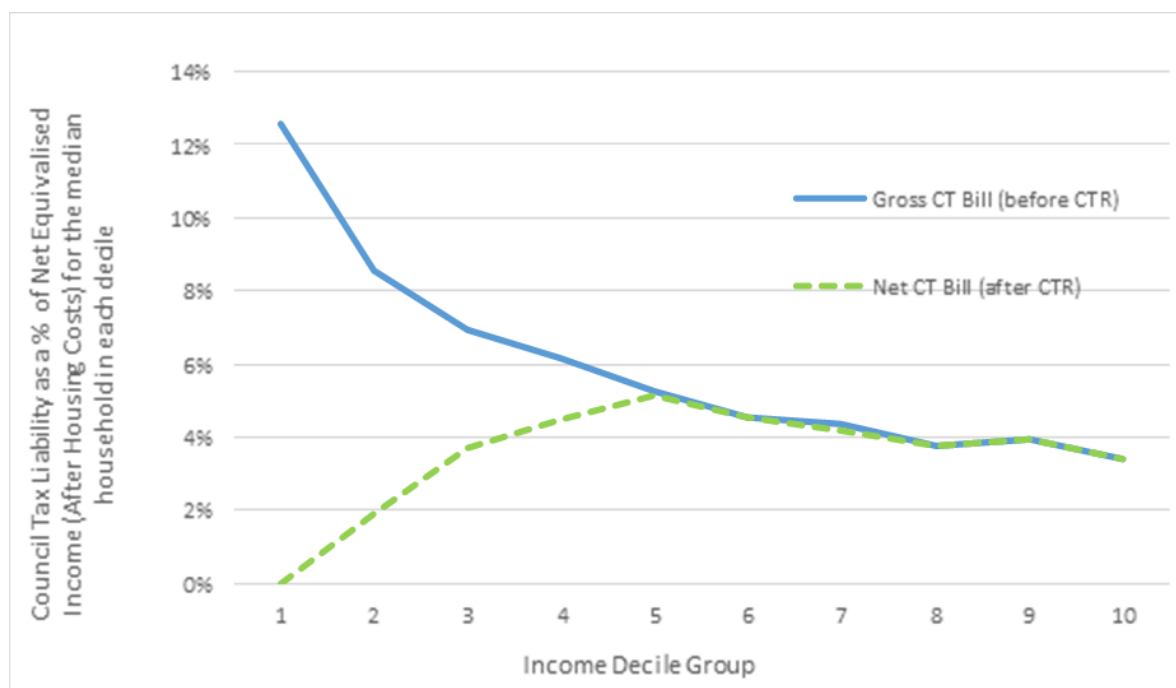
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Council Tax band multiplier (Pre 2017)	0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00
Council Tax band multiplier (2017 onwards)	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45
% change in average bill	0.0%	0.0%	0.0%	0.0%	7.5%	12.5%	17.5%	22.5%

⁴ [The Commission on Local Tax Reform Report \(2015\)](#)

The Case for Further Change

Although the changes implemented from 2017 resulted in increases for properties in Bands E, F, G and H, Council Tax remains regressive, with the average tax on a Band H property being around three times the Council Tax for a Band A property, despite the fact that Band H properties are estimated to be worth on average fifteen times the value of a Band A property.

The chart below plots Council Tax liability as a proportion of household income (Net Equivalised Income⁵). It shows both the continuing regressive nature of Council Tax (the blue line), and the significant impact of the CTR scheme (the green line) in addressing this.



Source: *The Commission on Local Tax Reform (Volume 2: Technical Annex)*. Note equivalisation is a standard methodology that adjusts household income to account for different demands on resources, by considering the household size and composition. Each data point relates to Council Tax liability (before and after the Council Tax Reduction scheme is taken into account) for the median household in each income decile group, expressed as a percentage of equivalised income.

This consultation therefore asks for views on further changes to the multipliers that would further address the inherent unfairness of the present Council Tax rates.

Council Tax and Fiscal Policy Scotland

Such a change would, by definition, result in increased Council Tax for higher value properties, but Council Tax rates are significantly lower in Scotland than elsewhere in the UK. In 2023-24, Council Tax for a Band D property in different councils across Scotland varied between £1,261 and £1,515. In Scotland the average 2023-24 Band D rate (£1,417) is £648 less than in England (£2,065), and £463 less than in Wales (£1,879).

⁵ Equivalised income is a measure of household income that takes into account differences in household demographic composition and size.

A Proposal for Change

Changing the Council Tax multipliers requires regulations to be agreed in the Scottish Parliament, as well as changes to local authority billing and administration systems. These could be delivered in time for changes to take effect from the start of the 2024-25 Council Tax year.

Repeating the 2017 changes would mean Council Tax would increase by 7.5%, 12.5%, 17.5% and 22.5% for properties valuation Bands E, F, G and H respectively if the rates for Band D properties remained unchanged. The average annual increases, based on 2023-24 Council Tax rates, would be around £139, £288, £485 and £781 per dwelling in these Bands respectively, potentially raising an additional £176 million, with around 28% of all properties being impacted.

If changes were to take effect from 2024-25, any increases could be introduced through a phased-approach, with percentage year-on-year increases over a number of financial years (e.g. for Band H around £260 (7.5% based on 2023-24 rates) increase in each of the next three financial years starting from 2024-25, such that the full £781 (22.5%) increase does not apply until 2026-27).

The increases will not fully address the fundamental regressivity of Council Tax. The changes would represent a very significant step towards making Council Tax a fairer tax, particularly with the continued presence of the CTR scheme. A repetition of the 2017 changes provides the basis for the questions in the consultation, although we also ask for views on whether higher or lower increases would be more appropriate.

The proposals will bring Council Tax more into line with the Scottish Government's fair and progressive approach to taxation, as set out in the Framework for Tax

Responding to this Consultation

We are inviting responses to this consultation by 20 September 2023.

Please respond to this consultation using the Scottish Government's consultation hub, Citizen Space. Access and respond to this consultation online at, <https://consult.gov.scot/local-government-and-communities/consultation-on-a-fairer-council-tax>

You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date of 20 September 2023.

If you are unable to respond using our consultation hub, please complete the Respondent Information Form and send your responses to:

Council Tax and Council Tax Reduction

Directorate of Local Government and Communities

Scottish Government

Victoria Quay

Edinburgh

EH6 6QQ

Responses may also be emailed to, CTConsultation@gov.scot

Handling your response

If you respond using the consultation hub, you will be directed to the About You page before submitting your response. Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to be published. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document.

To find out how we handle your personal data, please see our privacy policy: <https://www.gov.scot/privacy/>

Next steps in the process

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at <http://consult.gov.scot>

If you use the consultation hub to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us. Responses will be published where we have been given permission to do so. An analysis report will also be made available.

Feedback

If you have any comments about how this consultation exercise has been conducted, please send them to the contact address above or to, CTConsultation@gov.scot

Scottish Government Consultation Process

Consultation is an essential part of the policymaking process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: <http://consult.gov.scot>

Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Responses will be analysed and used as part of the decision-making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

Respondent Information Form

Please Note this form **must** be completed and returned with your response.

To find out how we handle your personal data, please see our privacy policy:
<https://www.gov.scot/privacy/>

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email Address

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (without name)
- Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes
- No

About You Questions

1. About you Question 1

[For individual respondents] Please tell us which local authority area(s) you live in

Local Authority Area(s):

[For organisational respondents] Please tell us which local authority area(s) your organisation operates in

Local Authority Area(s):

2. About you Question 2

If you pay Council Tax, please indicate which Council Tax Band(s) apply to the property (or properties) for which you pay Council Tax:

- Band A
- Band B
- Band C
- Band D
- Band E
- Band F
- Band G
- Band H
- I don't pay Council Tax
- I don't know

Consultation Questions

1. Do you think that Council Tax in Scotland should be changed to apply increases to the tax on properties in Bands E, F, G, and H?

Answer:

- Yes
 No
 Don't know

More Information:

The table below presents current Council Tax charges in Scotland and shows the average rate for each Band as a proportion of the rates applicable to Band D properties.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Scotland Average Council Tax Charge 2023-24	£944	£1,102	£1,259	£1,417	£1,861	£2,302	£2,774	£3,470
Council Tax charges as a proportion of the charge for a property in Band D	0.67	0.78	0.89	1.00	1.31	1.63	1.96	2.45

Please give reasons for your answer? **Free Text**

2. The proposal is to increase the Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively. Do you agree with the levels of increase set out in this proposal?

Answer:

- Yes
 No
 Don't know

3. If you have answered no to Question 2, what do you think the increases to the Council Tax on properties in Bands E, F, G and H should be?

- The increases should be smaller
- The increases should be greater
- Don't know

4. When should any increases be introduced if the tax on higher band properties is increased as proposed?

- Full effect from 2024-25
- Phased-approach over two financial years (2024-25 and 2025-26)
- Phased-approach over three financial years (2024-25, 2025-26, and 2026-27)
- Other (Please state)

More information:

- Increasing Council Tax on properties in Bands E, F, G and H by 7.5%, 12.5%, 17.5% and 22.5% respectively would result in average council tax increases of £139, £288, £485 and £781 per dwelling in these bands respectively, based on 2023-24 Council Tax rates.
- Changes could take effect from 2024-25, or could be introduced as a phased-approach, with year-on-year increases over a number of financial years (e.g. for Band H a £260 increase in each of the next three financial years starting from 2024-25, such that the full £781 (22.5%) increase does not apply until 2027-28).

5. Should the Council Tax Reduction scheme be expanded to protect those on lower incomes from any increases to higher Band properties?

Answer:

- Yes
- No
- Don't know

More information:

- In 2017, the Council Tax Reduction Scheme was expanded to provide relief to households affected by the changes if their income was in the lower half of incomes in Scotland.
- The expanded Council Tax Reduction Scheme relief scheme protected low-income households living in Bands E to H from the increase in their bill caused by the increase in the multipliers, and is still available.

6. Please tell us how changes to Council Tax rates for properties in Bands E, F, G and H might impact you, or the people your organisation represents?

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Answer:

Please provide your views

- 7. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H would affect your local area, or Scotland as a whole (please consider social, economic, environment, community, cultural, enterprise impacts that you think are relevant)?**

More information:

We have undertaken initial work to assess the potential impacts of these changes for individuals and communities. We would welcome your views and comments to help us better understand these impacts.

Answer:

Please provide your views

- 8. Please tell us how you think changes to Council Tax rates for properties in Bands E, F, G and H might affect Island Communities?**

Answer:

Please provide your views

9. Do you think there would be any equality, human rights, or wellbeing impacts as a result of the proposed increases in Council Tax rates for properties in Bands E, F, G and H? Please tell us what you think these impacts would be.

Answer:

- Yes
- No
- Don't know

Please give reasons for your answer.



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