

## **Scottish Government consultation on Future of Council Tax in Scotland - Response approved, after division.**

**2** There was submitted a report by the Executive Director of Finance regarding a proposed response to the Scottish Government's consultation on the Future of Council Tax in Scotland, advising that

- (1) in October 2025, the Scottish Government issued a consultation seeking views on how Scotland's Council Tax system could be made fairer and more up to date and the consultation explored illustrative models such as revaluing properties, adjusting tax bands and introducing protections to help households manage any changes to their bills with supporting evidence for the consultation being set out in a report by the Institute for Fiscal Studies;
- (2) Council Tax had remained fundamentally unchanged since its introduction in 1993 and was still based on property values in April 1991, however it had been the subject of ongoing analysis and debate, including the Commission on Local Tax Reform in 2015, which concluded that the system needed to change and recommended a broadening of the tax base;
- (3) of the proposed response to the consultation document, as detailed in an Annex to the report which had been prepared from an Officer perspective, however, it was recognised that taxation was a political matter and the committee may have other views on Council Tax and broader taxation that should be submitted as part of the response; and
- (4) that the consultation had asked about a specific set of proposals and whilst it was submitted that a property tax should continue to form a substantive part of local government funding, this should be in the context of the wider basket of taxes.

Councillor Aitken, seconded by Councillor Molyneux, moved that the committee approve the response to the Scottish Government consultation, as detailed in the appendix to the report, subject to

the response to Question 1 'Do you think the current council tax system in Scotland needs to be reformed?' being deleted and replaced with the undernoted wording:

"A fairer, modernised and more sustainable form of financing local government and public services in Scotland is long overdue. It has been recognised for many years that the Council Tax system in Scotland, despite some expansion of bands in recent years, remains regressive and based on out-of-date property valuations. Additionally, the continuation of one of the most centralised systems of local government financing in the OECD means that there is extremely limited local democratic control over the resourcing of local services.

A property-based tax should continue to be central to the funding of local government, but it must be based on current property values with bands significantly adjusted to reduce its regressive nature for households. Disadvantage for people on low or fixed incomes should be minimised or eradicated through the provision of

appropriate protections and there must be effective transition support between the current and incoming systems.

There must also be recognition that significant variation in property values in different parts of Scotland means that, even after revaluation, some local authorities are likely to have a larger and more stable property tax base and able to raise a larger proportion of funding at local level. For example, while the announcement in the 26/27 Scottish budget of additional bands to capture properties worth over £1m is welcome, a local authority such as Glasgow, with fewer high value properties, will raise proportionately less through this mechanism than a more affluent area.

At the same time, there are some local authorities – Glasgow being the largest and most prominent example – that provide services used by a population significantly larger than their tax base and this is not currently reflected in any way through local government financing structures. Mechanisms should be considered, therefore, to provide a better geographical balance with regard to local democratic control over resource-raising and to better reflect the variations in levels of service that different local authorities are required to provide. One approach, for example, could be to build on the opportunity presented by legislation to empower Scotland's economic regions to grant precepting powers to any new regional governance tier that emerges from that, enabling them to help address disparities between the local tax base and services provided that benefit a wider region.

We believe, therefore, that while the scope of this consultation relates only to the current Council Tax system - and that while property revaluation and improved fairness must be the priorities for the first phase of delivery - a wider and longer-term consideration of the financing of local services must also take place. This should examine options for providing a broader base for genuinely local taxation - creating a better balance between funds raised locally and those provided from central government - and creating greater equity across local authorities with different demographics and property types.

Recognising that there is no single "perfect" system, it could consider whether combining elements of – for example - local income taxes or land value taxation alongside the core property tax could contribute to those objectives. For example, the revaluation exercise should consider split valuations, that is attaching a value to the unimproved value of land as well valuing the property that is built upon it. A system could be developed whereby Councils are empowered to allocate a percentage of their tax take against the land and a percentage against the property. Councils could tailor the exact percentage allocation to suit their own local circumstances, though it would be assumed at day one that 100% is against property and 0% against land. There may be an argument for piloting this in one authority – such as Glasgow - for the first revaluation, so that it may be rolled out at the next scheduled revaluation.

Consideration should be given to the potential of Non-Domestic Rates retention to compensate for lower property tax bases in some local authority areas. It should also seek to address anomalies relating to certain types of residential accommodation, such as Purpose-Built Student Accommodation, where neither Council Tax nor NDR is paid.

We recognise that this is a reform of significant scale that will probably require more than one parliamentary term to fully undertake. A lack of political consensus around the nature and consequences of revaluation and reform has already stood in the way of creating a fairer and modern alternative to the Council Tax for too long, therefore it is vital that an incoming Scottish Government strongly commit to the principles of fair, up-to-date and genuinely local taxation for local services and agree the need to make early progress on delivery of the first phases of reform.”

Councillor Vallis, seconded by Councillor Hussain, moved as an amendment that the committee

“Notes the significance of the Council Tax reform proposals and recognises the potential financial impact on Glasgow City Council. In light of the Cabinet Secretary for Finance and Local Government’s budget statement on January 13th, CAC agrees that there are implications to additionally consider.

Given the scale of the proposed changes and the importance of ensuring that any revisions to Council Tax are fully understood, properly assessed, and subject to robust scrutiny, this committee agrees that further examination is required before a final response is submitted.

This committee therefore agrees to refer this report to the Finance and Audit Scrutiny Committee (FASC) meeting on 28th January 2026, to allow additional scrutiny and input from members of that committee.

Following consideration at FASC, the report and draft consultation response will return to the City Administration Committee on 29th January 2026 for final approval prior to submission to the Scottish Government.”

On a vote being taken by calling the roll, 9 members voted for the amendment and 13 for the motion, which was accordingly declared to be carried.