



Response from the Poverty and Inequality Commission to Fairer Council Tax consultation

September 2023

The Commission submitted this response to the joint Scottish Government and COSLA [consultation](#) on the council tax band modifiers for properties in valuation bands E to H.

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?

Don't know

While here we have selected the “don't know” option as the closest available response, the Poverty and Inequality Commission does support the general principle of increasing the band modifiers for properties in Bands E to H. This would serve to raise up to £175 million¹ for local authorities, at a time when fiscal pressures for national and local government in Scotland are severe. The Commission has identified insufficient or delayed funding for the delivery of poverty reduction commitments (and future aspirations) as a principle reason why we think there is a very high likelihood that the Scottish Government will miss its 2030 child poverty targets.² The Commission believes that a more progressive and revenue-raising Council Tax has the potential to make a strong contribution to both fiscal sustainability and poverty reduction aims.

However, the support for this principle is conditional on a commitment to revalue properties and implement substantially further-reaching Council Tax reform. If this is not done then increasing current band modifiers on the basis of property values from 1991 – over 30 years ago – will result in a substantial proportion of the additional council tax liability falling to households on whom it should not, with no additional council tax liability for some high income households on whom it should fall.

Council Tax is not well-linked to household income and ability to pay. About three-quarters of all homes are in bands A to D, including around a third of homes occupied by the most well-off 10% of households.³ The proposed reforms will be regressive with respect to proportion of income, with those in the top 10% of income paying a lower proportion of their income in additional tax than those in the next deciles down.⁴

There is unambiguous evidence from the 2015 Commission on Local Tax Reform⁵ and other sources that the failure to update property values for domestic properties subject to council tax over the course of the last 30 years has resulted in a situation where a substantial proportion – perhaps the majority – of properties are in the wrong band compared to where they should be due to divergence in property values over time.

¹ [Scottish council tax proposals are a small step in the right direction but duck the biggest issue: revaluation | Institute for Fiscal Studies \(ifs.org.uk\)](#)

² [Poverty and Inequality Commission Child Poverty Scrutiny Report 2022-23 - Poverty & Inequality Commission \(povertyinequality.scot\)](#)

³ [We \(still\) need to replace council tax with a progressive system of local taxation | IPPR](#)

⁴ [Council tax reform in Scotland 2023 | FAI \(fraserofallander.org\)](#)

⁵ [Download our Final Report – THE COMMISSION ON LOCAL TAX REFORM \(archive.org\)](#)

This is not a sound basis for making a “Fairer Council Tax” as is the consultation proposal intent. Adjusting band multipliers now does have the potential to raise revenue, but on an unsuitable and increasingly unsustainable foundation. It will be necessary to revalue properties at some point (as Wales have already done in 2003 and propose to do so again in proposals it is has consulted on⁶) and that should not be put off any longer.

Making further changes to band modifiers now in the absence of revaluation and further-reaching reform will exacerbate some of the issues inherent in the system and require Council Tax Reduction (CTR) to do even more work to compensate (see response to question 8). This is not the way a well-designed tax approach should operate. Many households who should be paying more will not be, and some who should not be paying more will end up doing so, even after mitigations like CTR. It will also set the Scottish Government and Local Authorities up for substantial problems further down the line when properties are eventually revalued, and when Council Tax payers, many of whom will be on low incomes, find out that they have been paying more than they should have due to inaccurate property value, potentially having done so for many years.

Modifying bands now without revaluation risks undermining the social contract⁷ that the Scottish Government states it seeks to create between citizens and government around tax and spend, and eroding trust in both local democracy and the Scottish Government’s approach to tax policy as a whole.

The Commission recommends that:

- The Scottish Government commences work immediately to revalue properties by 2026 (with a 2024 or 2025 valuation date).
- Recognising that Council Tax is widely acknowledged as a fundamentally flawed and regressive tax, this revaluation is part of a wider programme of reform that has the clear end-point of designing a long-term replacement to Council Tax.
- This should begin with (not end with, as the existing Bute House agreement commitment states) deliberative citizen engagement – there has already been unacceptable delay in meaningful reform of local tax despite multiple advisory groups, engagement exercises and their recommendations, and this cannot be put off longer.
- Design of Council Tax’s longer-term replacement, likely based on proportionate property value (potentially with a land component) should commence immediately so that the Scottish Government is in a position to begin consultation on the proposed new design by 2026.
- A process and system capacity for future regular cycles of property revaluation should also be committed to and designed during this period, for implementation alongside Council Tax’s long-term replacement.

The Commission will be publishing a report with wider recommendations on tax, including a more detailed discussion on some of these issues shortly.

⁶ [A Fairer Council Tax | GOV.WALES](#)

⁷ [A social contract with Scotland - gov.scot \(www.gov.scot\)](#)

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?

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?

[Not answered]

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)**

As per the Commission's response to question 1 in this consultation, we have set out a timetable of a wider package of reform to Council Tax, including immediate work on revaluation (and a commitment to a rolling programme of revaluation), and the design of a longer-term replacement to Council Tax.

Depending on the Scottish Government's progress with this package of reform – i.e. if property revaluation is able to be completed in a timely manner while the existing band structure of Council Tax is temporarily maintained as its replacement is being designed, then SG should make the change to band modifiers being consulted upon as soon as possible following revaluation.

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

Yes

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?

The Poverty and Inequality Commission is an advisory public body that exists to provide advice and scrutiny to Scottish Ministers to reduce poverty and inequality.

The Commission wants to highlight, as we have done in previous consultation responses on council tax⁸ the nature of the way public debt, including Council Tax debt, is managed and pursued. The Commission is concerned over the extremely punitive way that such debt is managed. The Robertson Trust have recently documented the scale of this in Scotland⁹ and recent qualitative research published by Aberlour¹⁰ tells us about the profound impact council tax debt and the way it is managed can have on low income families. The Commission has previously recommended that the public sector should be held to the same standard as the private sector on debt management and recovery. A pilot from Gateshead¹¹ suggests what reform could look like in practice and what some of the benefits could be.

The greater fiscal flexibility that councils could have at their disposal as a result of Council Tax reform must go hand-in-hand with reform of the way that public debt, including Council Tax debt, is managed.

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)?

Our response to previous questions has already given the Commission's views on how the consultation proposals are likely to affect Scotland as a whole. They will allow local authorities to raise additional revenue in the short term, but they should not proceed without revaluation and wider reform for the reasons already given. Band modifier reforms in the absence of other change will further compound the issues that have arisen over the course of decades in attempts to tweek with Council tax – rather than tackle the fundamental problems with it that can only be addressed by redesign.

In particular, the Commission wants to highlight Council Tax Reduction (CTR). CTR is an important policy to help those on the lowest incomes. However, because of the aforementioned fundamental problems of Council Tax (inaccurate property values and weak relationship between Council Tax liability and household incomes), CTR is doing most of the work to mitigate these issues which would be far better dealt with by policy redesign. The changes being

⁸ [Response to the council tax on second and empty homes and non-domestic rates consultation - Poverty & Inequality Commission \(povertyinequality.scot\)](#)

⁹ [New Report: Public Debt and Arrears in Scotland | The Robertson Trust](#)

¹⁰ [Aberlour | Publications](#)

¹¹ [Our council tax arrears pilot helped 75% of people live better lives | Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

proposed in the consultation would further increase the importance of CTR as a mitigating measure in a flawed system.

The number of CTR recipients has been in long term fall,¹² including – surprisingly – more recently during the cost of living crisis. This is highly unexpected and requires further investigation. It is not clear to the Commission whether there is sound understanding of all the contributing factors to this decline, though it appears that some are likely related to the introduction of Universal Credit and its interactions with CTR (and how this replaced the previous process that involved joint applications for housing benefit and CTR). Others¹³ have noted that local authorities have the power to treat a claim for UC as a claim for CTR, but it is unclear the extent to which this is used, or whether the lack of use of this power is one of the reasons for the overall decline in CTR.

The Scottish Government must make an assessment of the reasons and contributory factors behind the decline in CTR and determine whether further measures are necessary, including interventions in relation to the criteria and process by which CTR is awarded by local authorities. Without such an understanding and potential actions, it does not seem prudent to place yet more emphasis on CTR as a mitigating measure for the changes being consulted upon.

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

[Not answered]

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.

¹² [Council Tax Reduction: local authority tables and charts - April 2013 to July 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/council-tax-reduction-local-authority-tables-and-charts-april-2013-to-july-2023)

¹³ [CPAG Fairer Council Tax consultation.pdf](#)

Fundamental reform of council tax is long overdue, and in the absence of (at the very minimum) revaluation, the Commission considers that there are limited positive equality, human rights, or wellbeing impacts that are, unfortunately, outweighed by probable negative ones as a consequence of these proposals.

This does not have to be the case: in principle a redesigned Council Tax replacement has the potential to raise revenue for the important role local authorities have in delivering poverty reduction measures and other public services, be progressive and reduce income inequality in itself, and strengthen the social contract and local democracy.

The Commission will be publishing a fuller report with recommendations on taxation shortly. This will go into further detail about what the Commission believes Scottish Government should prioritise in terms of both local and national taxation.