

2026 Election Policy Insights: Council Tax

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Policy Insights by Dr Lewis Forsyth

Council Tax: A nettle worth grasping?

Council Tax is a key fiscal lever available to local authorities – [accounting for approximately £3bn of local government revenues](#). These revenues fund public spending on high demand services such as education and social care, as well as a number of highly salient services and issues such as street lighting and potholes, community centres and libraries. It is also one of the most significant tax powers devolved to the Scottish Government and one which it has always had full discretion over. Yet the system is broadly accepted as [unfair and out of date](#).

Reform of local taxation has long proved challenging for successive governments in Scotland and the UK. However, looking forward to a fiscally challenging parliamentary session, it is likely to become increasingly controversial if bills continue to rise whilst public services stagnate or decline in quality and performance. A properly designed reform, however, has the potential to [deliver on wider tax policy objectives](#), including a more progressive and efficient tax system.

Context

Table 1. Council Tax in 2026/27

Value range (1991)	Band	Percentage of dwellings (2024)	Avg. yearly charge (2026)*	Multiplier	Percentage of Band D
Up to £27,000	A	19%	£1102	2/3	67%
£27,001 – 35,000	B	22%	£1285	7/9	78%

£35,001 – 45,000	C	16%	£1469	8/9	89%
£45,001 – 58,000	D	14%	£1653	9/9	100%
£58,001 – 80,000	E	14%	£2172	473/360	131%
£80,001 – 106,000	F	8%	£2686	585/360	163%
£106,001 – 212,000	G	5%	£2337	705/360	196%
£212,001 or more	H	<1%	£4049	882/360	245%

*Dwelling weighted as per [Scottish Government](#)

The Council Tax is a devolved tax which in Scotland accounts for approximately 20% of a local authority's budget, with the remainder coming from central grants and *Non-Domestic Rate Income* (NDRI), a notionally local tax which is collected by local authorities but set, pooled, and redistributed at a national level. By contrast, the Council Tax rate is set by individual local authorities who both collect and retain all revenues.

Taxpayer's bills are calculated based on where their property falls within one of eight bands from A-H, less any discounts or exemptions to which they may be entitled. Since May 2026, the average Band D rate for taxpayers across Scotland is £1,653 having risen by an average of 7.7% in May 2026, following an average rise just short of 10% the previous year.

The flaws of the Council Tax are longstanding and well recognised. Foremost amongst these is that [the tax is regressive by design](#). Since its creation, the limited number of bands and the ratios between their associated multipliers has meant that while bills rise with property values, the [effective tax rate actually decreases](#). Having a cap on the number of bands also means that Band H taxpayers will pay the same regardless of whether their property is worth £212,000 or £2 million.

Secondly, [the current tax base reflects property values from 1991, when the last revaluation took place](#). Over the following three and a half decades, both demographics and housing markets have changed substantially, leaving many households paying inaccurate bills. [Recent IFS analysis](#) suggests that as many as

half of all properties would change Council Tax band if a revaluation was carried out today.

Council Tax is a substantial monthly pressure for many households, particularly low-income households. The [Joseph Rowntree Foundation](#) highlights that over 1 in 10 of those on the lowest incomes are behind on their Council Tax, whilst the broader system “remains a key barrier to investment in local services that reduce and mitigate the impacts of poverty in our communities”. Despite [Scottish Government funding rising](#) by over 14% since 2019-20, real terms funding for local government has [remained broadly flat](#). This means that whilst statutory duties have been increasing, local [government funding as a share of overall expenditure has been falling](#). [Audit Scotland have warned](#) that this risks the financial sustainability of councils going forward.

Session Six – Developments

Efforts to address these issues have proceeded across multiple fronts since 2021 with varying degrees of impact. There are three strains to these developments: bi-lateral engagements with the Convention of Scottish Local Authorities (COSLA), Scottish Government-led initiatives, and scrutiny processes primarily via the Local Government, Housing, and Planning Committee (LGHPC).

- Prior to 2023, intervention in Council Tax had been largely confined to centrally imposed freezes or caps, in place for much of the period since 2008. Against this backdrop, the most significant development has been a shift away from this centralised approach through the [Verity House Agreement](#) (VHA) with local government. Since 2025/26, local authorities have been free to implement unrestricted increases for the first time.
- Also as part of the VHA, a Joint Working Group (JWG) between Scottish Government and COSLA was formed to consider next steps for Council Tax reform. It produced the 2023 [Fairer Council Tax](#) consultation and, separately, developed proposals for a Second Home Premium (SHP). Recent updates to the latter could see some [second homes pay up to a 600% charge](#).
- In addition to the 2023 consultation, the Scottish Government has also led on a programme aiming to make Council Tax ‘fairer’. The [Future of Council Tax in](#)

[Scotland](#) consultation (2025) sought views on further multiplier adjustments and how the system could be made “fairer and more up to date”. This explored changes to the band-structure, revaluation options, and transitional considerations for any potential changes.

- Unrelated to the above consultation, and following the announcement of a similar strategy in England, the Scottish Government announced its intention to introduce two additional upper bands which has been dubbed a ‘Mansion Tax’.

While the VHA represents a potentially positive step for both local flexibility and for resetting central–local relations, higher bills (inc. via the SHP) are also likely to increase public scrutiny of Council Tax and the services it supports. Recent consultations have produced little by way of reform to pre-empt this, with the 2023 proposals dropped following opposition and no analysis or formal response yet published for the latter consultation. A commitment to organise a Citizen’s Assembly on Council Tax was also not fulfilled.

[A Letter to the Cabinet Secretary for Finance and Local Government](#), 29 April 2025, from the LGHC, offers scrutiny on this progress, highlighting the challenges of reform. It notes that:

- Considerable work has already been done on the case for reform, including diagnoses of the issues
- It is unlikely (at least in the short term) to find consensus on a wholesale replacement of the Council Tax, and that incremental reform is the most likely pathway
- At a minimum, it is “indefensible” for Council Tax liabilities to continue to be based on property valuations from 1991 and that revaluation should be a pre-requisite for any future changes
- There are difficulties in delivering substantive change later in a parliamentary session

Whilst some developments, particularly through the VHA, will be welcome there has been otherwise limited progress. The letter suggests that there is consensus around

the problems, but that consensus on solutions is the barrier to action. Clearly, the priority is that revaluation must take place early in the next session either way.

Who says what?

With this in mind, what are the parties proposing to do? Table 2 briefly outlines the main parties' positions. Given the electoral design of the Scottish Parliament means that an outright majority remains unlikely, these commitments may also function as bargaining positions in any future coalition or support arrangements.

Table 2 Manifesto Positions for the 2026 Scottish Parliament Election

Party	2026 Manifesto Position	Analysis
Conservative	<ul style="list-style-type: none"> No mention of Council Tax Commitment to increase local government funding (p. 26) 	No mention of Council Tax, combined with broader messages of tax cuts, reliant on growth; light on detail
Labour	<ul style="list-style-type: none"> Support "progressive reforms" based on cross party support (p. 90) Reference to a new funding formula for LG (p. 48) 	Light on detail; no firm commitment to revaluation or replacement
Liberal Democrat	<ul style="list-style-type: none"> Restart the cross party-process, proposing a "Land Value System" 	Light on detail; lacks commitment on revaluation
Reform	<ul style="list-style-type: none"> Unclear position on Council Tax other than opposition to Mansion Tax (p. 9) Replace Land and Buildings Transaction Tax and Business Rates with 'Annual Property Tax' (p. 11) Move to 100% locally raised revenues 	No engagement with Council Tax reform; radical changes to funding model would significantly alter scope and equality of service provision
Green	<ul style="list-style-type: none"> Commitment to revaluation, additional bands, and to replace Council Tax with a 'Residential Property Tax' (p. 30) Move to 50% local funding 'where possible' 	Strong commitments; moderate detail; light on specifics
SNP	<ul style="list-style-type: none"> Introduce additional bands from 2028 'High Priority' to seeking early cross-party agreement on reform (p. 27) 	No commitment to revaluation or replacement

As the party most likely to have a place in the next Scottish Government from 2026, the SNP's record merits closer scrutiny. The party has pledged reform since at least its first minority administration in 2007, but it's 'Tartan Tax' proposals at the time

ultimately gave way to a first Council Tax freeze. A renewed commitment followed the 2011 election which produced the [Commission on Local Tax Reform](#) (CLTR) in 2015. The Commission's core recommendation, that "the present Council Tax system must end" was unequivocal. A more tentative proposal for a "basket" of alternative taxes was also advanced, intended for development ahead of the 2016 manifestos. Yet in the maelstrom of the 2016 election, these recommendations were substantially diluted before reaching the SNP manifesto.

The pattern repeated in 2021, with the reality described above falling short of expectations. Whilst the adjustments to multipliers, the introduction of a Second Home Premium, and proposals for additional bands are largely welcome changes, the [IFS warned](#) that, if this is the final destination, it will be a "poor substitute" for fundamental reform.

Whilst the LGHPC endorses further efforts to build consensus, it cautions that this should not be at the expense of necessary action. Apart from the Green Party, none of the major political parties have firm commitments to the basic 'prerequisite' of revaluation. This is striking, considering failure to revalue risks widening horizontal inequities, [entrenching intergenerational inequality](#), and derailing the credibility of the tax all together.

What the future holds

The cautious proposals advanced by the main political parties reflect the perceived political difficulty of reforming local taxation. Those familiar with this debate will recognise the old adage invoked whenever reform is suggested: *'losers scream and shout, winners say nowt'*. Memories of the Poll Tax, and the Domestic Rates revaluations before it, bear this out. [More recent experience of Non-Domestic property revaluations](#) is unlikely to have generated enthusiasm for a wider revaluation exercise in St Andrew's House.

The profile of respondents to the *Fairer Council Tax* consultation may suggest that this adage remains true, with more than ten times as many respondents in Bands E–H than in Bands A–D. However, evidence from Wales suggests that this need not be the case, where a revaluation was completed successfully (and relatively

uncontroversially) in 2005 with the [next planned in 2028 and every 5 years thereafter](#).

Those responsible for decision making in the next session would do well to look beyond short-term political discomfort to the risks of inaction. Data from the Scottish Household Survey show that satisfaction with local public services has declined steadily since 2007, with fewer than half (43 per cent) satisfied [in the most recent data](#). As Council Tax bills rise, [while service performance stagnates or deteriorates](#), public dissatisfaction is likely to intensify. Where blame will ultimately fall is uncertain, but the Scottish Government is unlikely to be insulated.

Yet, there are reasons to be cheerful. The [UK Collaborative Centre for Housing Evidence](#) found that that when properly informed of the problems and potential solutions, the public actually *support* even more radical reform than revaluation alone. These options for outright replacement have waxed and waned in popularity and party support over the years, from the Local Income Tax once supported by the SNP to the Land Value Tax historically favoured by the Green Party and Lib Dems. These have been explored extensively, notably by the CLTR, and offer options for the parties to consider. More recently, attention has turned towards a proportional property tax model, a form of which is now being advanced by the Scottish Greens. However, questions remain over the implications for local democracy under such a model which proposes shifting liability to property owners rather than occupiers.

Furthermore, [recent research suggests](#) reform to the Council Tax is uniquely placed to increase the overall progressivity and fairness of the tax system as a whole. Should the next Scottish Government wish to, local taxation can be used as a scalpel to address poverty and protect the most vulnerable. Whichever choice they make will come with trade-offs and will be unlikely to command universal support, but the potential gains can outweigh the losses with the right leadership.

Conclusion

[The Centre for Public Policy recently argued](#) that this election is an “important reset moment” regardless of the outcome. This is true for Council Tax as well. Whether or not more radical reform is pursued, at a bare minimum a general revaluation will be

required to address the worst failings of the system. Reform of any type will require leadership and, crucially, a vision of what the tax ought to do within the system. The transformative potential of reforming the Council Tax however shows it may be a nettle worth grasping.

Author

[Dr Lewis Forsyth](#) is a Tutor in the Division of Social and Public Policy within the School of Social and Political Sciences.

Policy Insights

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