Scottish Government – Council Tax High Value Property Bands (Mansion Tax) – consultation
Response from the Chartered Institute of Taxation (CIOT) and its
Low Incomes Tax Reform Group (LITRG)

1. Q. 1: Please indicate your most preferred option for the Band I relative tax rate? Less than 2.886 / 2.886 / More than 2.886 / Don't know

1.1. Don't know.

2. Q. 2: Please indicate your most preferred option for the Band J relative tax rate? Less than 4.628 / 4.628 / More than 4.628 / Don't know

2.1. Don't know.

3. Q. 3: Please provide any comments or views on the consultation themes that you have not been able to share above. (1500 characters maximum)

3.1. We note our response[1] to the consultation on the Future of Council Tax in Scotland will be considered in relation to broader reforms and decisions about affordability protections and transitional arrangements.

3.2. The proposal demands a targeted revaluation, meaning some progress towards updating council tax values. But around 99% of valuations will remain outdated by over 35 years. The introduction of a parallel valuation system may lead to valuation challenges, particularly at the £1m and £2m thresholds.

3.3. Creating additional bands, rather than a separate tax charge, should make it easier for councils to administer, and taxpayers to understand. On this basis, it should not be called a mansion tax.

[1] https://www.litrg.org.uk/submissions/future-council-tax-scotland-joint-ciot-and-litrg-response

The Low Incomes Tax Reform Group is an initiative of the Chartered Institute of Taxation.

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3.4. Adding two bands at the top helps to address the regressivity within current band H. Including properties from all current bands in the measure deals with some of the most egregious cases of mis-banding.

3.5. But it will not address distortions or inequitable results in the wider Council Tax system, or mis-bandings where properties are less than £1m in value.

3.6. It will not address the overall regressive nature of Council Tax, whereby the effective tax rate falls as you move up the bands, or the regressive nature of the tax within bands, whereby properties at the top end of a band have a lower effective tax rate than those at the bottom of a band.

3.7. The rationale is fairness. This is subjective. For a tax to be fair, it must tax the base that it aims to and the tax base must be accurately valued.

4. About Us

4.1. The Chartered Institute of Taxation (CIOT) is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

4.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

4.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

4.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

4.5. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litrg.org.uk, to help make a difference to people's understanding of the tax system.

4.6. LITRG works extensively with key stakeholders such as HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for

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improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.

CIOT and LITRG
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