



## BRIEFING PAPER

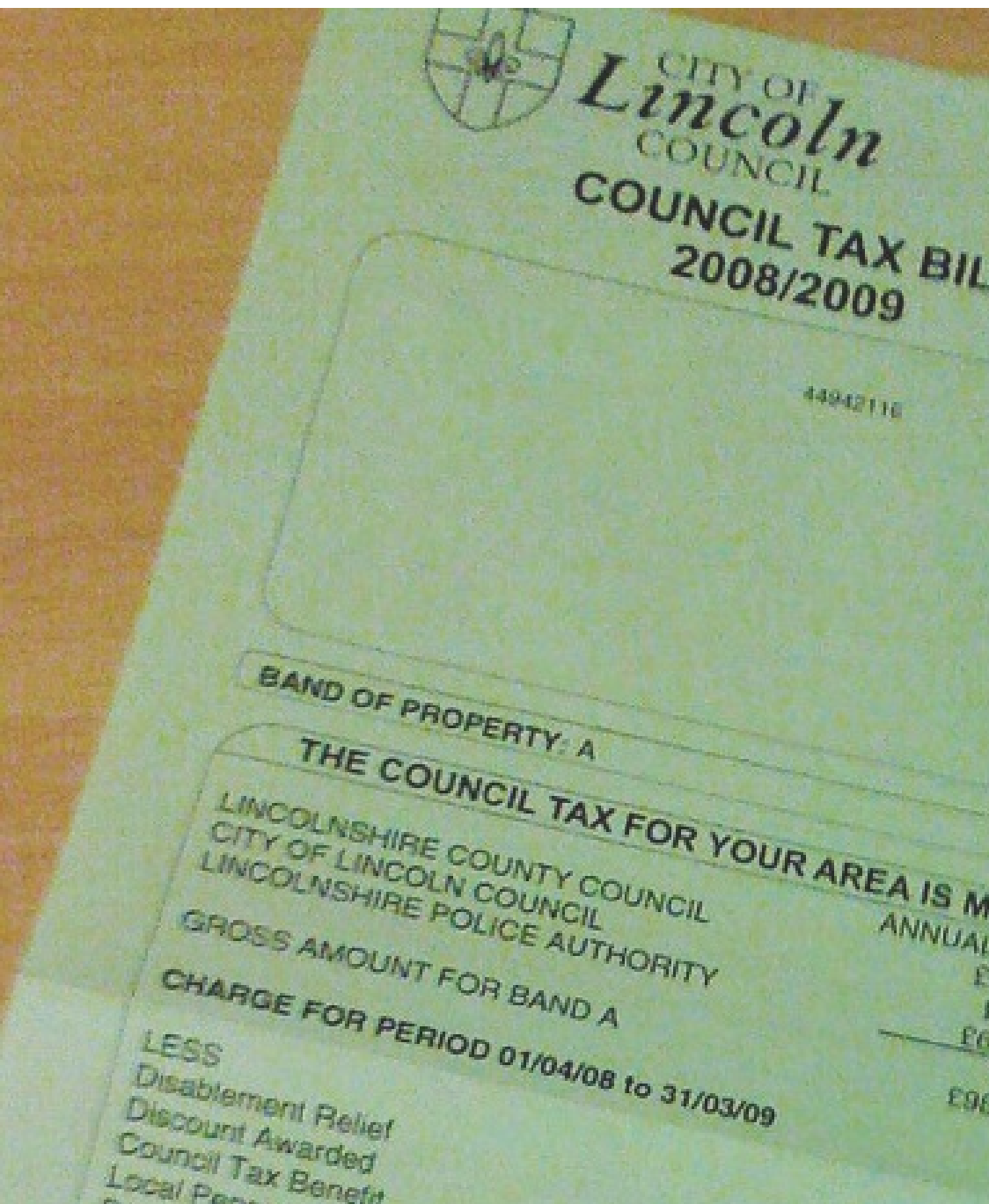
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# Council Tax: FAQs

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### Contents:

1. Council tax
2. Liability to pay council tax
3. Empty properties
4. Exemptions and discounts
5. Banding
6. Frequently asked questions
7. Scotland
8. Wales



# Contents

|  |           |
|--|-----------|
| <b>Summary</b>   | <b>4</b>  |
| <b>1. Council tax</b>  | <b>5</b>  |
| 1.1 Introduction   | 5         |
| 1.2 How local authorities set council tax  | 5         |
| 1.3 Valuation  | 5         |
| 1.4 Billing  | 6         |
| 1.5 Interpretation of council tax law  | 6         |
| <b>2. Liability to pay council tax</b>   | <b>7</b>  |
| 2.1 Who has to pay?  | 7         |
| 2.2 What is a 'precept'?   | 7         |
| <b>3. Empty properties</b>   | <b>9</b>  |
| 3.1 Empty property   | 9         |
| 3.2 Local discounts: England   | 9         |
| 3.3 Empty Homes Premium  | 9         |
| <b>4. Exemptions and discounts</b>   | <b>11</b> |
| 4.1 Am I entitled to a single person discount?   | 11        |
| 4.2 I'm doing a course – can I get a student exemption?  | 11        |
| 4.3 Probate exemptions   | 13        |
| 4.4 My elderly relative is living in our annexe. Can s/he get a discount?                        | 13        |
| 4.5 Does my elderly parent have to pay council tax if they are going into a care home?           | 14        |
| 4.6 My council tax is too high – can't the council make an exception in my case?                 | 14        |
| <b>5. Banding</b>  | <b>15</b> |
| 5.1 How can I challenge my council tax banding?  | 15        |
| Informal banding review  | 16        |
| Submitting a formal proposal for a change in banding   | 16        |
| Can I challenge the VOA's decision?  | 16        |
| 5.2 Refunds and backdating   | 17        |
| <b>6. Frequently asked questions</b>   | <b>18</b> |
| 6.1 I've extended my property – will my council tax go up?                                       | 18        |
| 6.2 I want to convert my annexe back into part of my main property                               | 18        |
| 6.3 New build properties   | 19        |
| 6.4 Are landlords liable for council tax?  | 19        |
| 6.5 My neighbour runs a business from her/his home. Shouldn't s/he have to pay more council tax? | 19        |
| 6.6 I work away from home and am facing two council tax bills                                    | 20        |
| 6.7 I am in the Armed Forces and based overseas  | 20        |
| 6.8 I am in the Armed Forces and required to live on a base in the UK                            | 21        |
| 6.9 Contributions in Lieu of Council Tax (CILOCT)  | 21        |
| 6.10 Caravans and seasonal occupation  | 22        |
| 6.11 Muslims, prayer rooms, and exemption from council tax                                       | 22        |
| <b>7. Scotland</b>   | <b>24</b> |
| 7.1 Proposals for council tax reform   | 24        |
| 7.2 Council tax freeze   | 24        |
| <b>8. Wales</b>  | <b>26</b> |
| 8.1 Council tax, second homes and long-term empty property in Wales                              | 26        |

|   |           |
|---|-----------|
| <b>Appendix 1: current council tax exemption classes in England</b> | <b>28</b> |
| <b>Appendix 2: discounts</b>  | <b>29</b> |
| <b>Appendix 3: council tax bands</b>                                | <b>30</b> |

## Summary

This note sets out basic information regarding council tax, including: who is liable to pay council tax; whether exemptions or discounts may be available; how properties are placed in council tax bands; and answers to some frequently asked questions.

This note should not be relied upon as legal advice or as a comprehensive response to any constituency case. It is for billing authorities (district and unitary councils) to interpret council tax legislation, taking into account all relevant circumstances. If the taxpayer disagrees with their decision, the main route of appeal lies with the Valuation Tribunal for England, the Valuation Tribunal for Wales, or the Valuation Appeal Committee in Scotland.

Many aspects of council tax are governed by national regulations, over which local authorities have no discretion. In other matters, local authorities have discretion – for instance, to apply certain discounts. The Government does not intervene in individual council tax cases.

This note provides information on the council tax system in England. There are some references to elements of the council tax systems in Scotland and Wales when they diverge from England. The note does not extend to Northern Ireland, where council tax does not operate.

# 1. Council tax

## 1.1 Introduction

Council tax was introduced into England, Scotland and Wales by the [Local Government Finance Act 1992](#). It came into effect as of 1 April 1993, replacing the community charge or 'poll tax'. It was consciously designed as a blend of the community charge and the system of domestic rates, which the community charge had itself replaced in 1990 (1989 in Scotland).

The council tax system is a devolved matter in Scotland and Wales. Northern Ireland was not covered by council tax or community charge legislation: it continues to operate a domestic rating system.

## 1.2 How local authorities set council tax

The 1992 Act requires each local authority to calculate its budget requirement for each financial year. The authority's council tax must be set to take into account the budget requirement: that is, it must calculate its total budget, the amount it will obtain from other sources (grants, business rates revenue, and other income), and set the council tax so as to fill the gap between the two. That figure is known as the 'council tax requirement'.

Each local authority divides its council tax requirement by the 'council tax base'. This is the number of properties in its area that are liable for council tax, expressed in terms of Band D properties (thus the council tax base may not be a whole number). This gives a figure for the liability of a Band D property. Properties in the other bands will then be liable for a proportion of that sum, using the proportions found in the tables in Appendix 3.

For each individual property, the billing authority must then apply any valid exemptions and discounts to individual bills. Many of these are mandatory, governed by national regulations (see appendices 1 and 2).

All of the funding raised through council tax can be spent as the local authority sees fit. It is not possible to say that council tax pays for particular local services: it is pooled with revenue from business rates, Government grants and other sources of income.

In law council tax is a tax, not a fee or charge for local authority public services. There is no entitlement to a refund of council tax if a constituent believes that a particular local service has not been provided.

## 1.3 Valuation

Domestic properties or 'dwellings' are placed in 'bands' based on the sale value of the property. The bands differ slightly between England, Scotland and Wales. Full details are set out in Appendix 3.

Banding in England and Scotland is based on sale values on 1 April 1991, and banding in Wales is based on sale values on 1 April 2003. There are no current plans for revaluation in any of the three countries.

Valuations are carried out by the Valuation Office Agency (in England and Wales) through the appointed local listing officer or the Assessors (Scotland); billing authorities do not participate in this and cannot compel the revaluation of single or multiple properties. There are some slight differences in the application of the law between England/Wales and Scotland (see section 7 below).

## 1.4 Billing

**Billing authorities (levying authorities** in Scotland) are responsible for sending council tax bills ('demand notices'), collecting revenue, and applying discounts and exemptions. Billing authorities are district and unitary authorities in England; county and county borough councils in Wales; and local authorities in Scotland.

Council tax-payers have the right to pay in either ten or twelve instalments per year, at their request. However, they can lose this right, and be required to pay the entire bill at once, under two circumstances:

- Where a reminder notice has been sent for an instalment, but the tax-payer has failed to pay the instalment within seven days of the issue of the reminder notice;
- Where the tax-payer has received two reminder notices in the current financial year and they miss the deadline for the instalment for a third time (i.e. in this scenario, the authority can demand the full amount without the need for a third reminder notice).<sup>1</sup>

Council tax bills may also include 'precepts' from other local authorities or public bodies (see section 2.2 below). These include county councils, whose 'precepts' collect substantially more council tax than districts due to their broader range of functions.

Billing authorities must hold a referendum if the percentage rise in a given year is greater than a level set by the Secretary of State (see the Library briefing paper [Council tax: local referendums](#)).

## 1.5 Interpretation of council tax law

In general, it is for billing authorities to interpret council tax law: for instance, to decide whether a resident is entitled to a single-person discount, or whether a property is 'unoccupied and substantially unfurnished'. They must take into account all relevant circumstances and a substantial body of case law.

Constituents who disagree with their billing authority, or the Valuation Office Agency/listing officer, may appeal to the Valuation Tribunal and the courts (see section 5). Constituents who use the Tribunal or the courts should consider taking legal advice. The information in this note should not be used as a substitute for legal advice. The Government does not itself intervene in individual council tax cases.

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<sup>1</sup> See regulation 23 of the [Council Tax \(Administration and Enforcement\) Regulations 1992](#)

## 2. Liability to pay council tax

### 2.1 Who has to pay?

Generally, a person will have to pay council tax if they are over 18 and own or rent a home which is on the billing authority's valuation list of domestic property.

The basic liability for council tax attaching to a property assumes that there are at least two adults living in the property. The council tax-payer is said to be **liable** for council tax.

In most cases, the **occupant** of the property is liable for council tax. Owners are liable when a property is empty, and in certain other cases (see the [Council Tax \(Liability of Owners\) Regulations 1992](#)). The legislation provides a 'hierarchy of liability', with liability falling to the highest applicable person in the hierarchy:

- 1 a resident who lives in the property and who owns the freehold;
- 2 a resident who lives in the property and who has a lease or who is an assured or an assured shorthold tenant;
- 3 a resident who lives in the property and who is a protected, statutory or a secure tenant;
- 4 a resident who lives in the property and who is a licensee. This means that they are not a tenant, but have permission to stay there;
- 5 any resident living in the property, for example, a squatter;
- 6 an owner of the property who does not live there.<sup>2</sup>

Thus, for instance, a tenant who lives with a landlord cannot be held liable for the council tax if the landlord fails to pay, because the landlord is at number 1 in the hierarchy and the tenant is at number 3.

If a landlord lets their property out but does not live in it, the tenants, not the landlord, are liable. In that instance, the tenants are at number 2 in the hierarchy and the landlord is at number 6.

For empty properties, number 6 in the hierarchy will apply.

Where more than one person lives in a property they are **jointly and severally liable** to pay the council tax bill. This means that both or all of them can be pursued for the full amount if the bill is unpaid.

However, students, and severely mentally incapacitated people, cannot be held jointly and severally liable.<sup>3</sup>

### 2.2 What is a 'precept'?

Often, additional amounts known as 'precepts' will appear separately on residents' council tax bills. Precepts are individual charges imposed by different authorities on the **resident**, which are collected via the

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<sup>2</sup> *Local Government Finance Act 1992 s. 6(2)*. A separate but similar hierarchy of liability applies in Scotland.

<sup>3</sup> *Local Government Finance Act 1992 section 6 (3-4)*

council tax system. It is not possible to pay a council tax bill but refuse to pay a precept.

The following classes of authority are defined as 'major precepting authorities' in section 39 of the [Local Government Finance Act 1992](#):

- County councils (in two tier areas);
- Fire authorities (where these are separate bodies rather than council departments);
- Police and Crime Commissioners;
- The Greater London Authority (in London);
- Combined authorities (from 2018-19).<sup>4</sup>

The following bodies are defined as 'local precepting authorities' in section 39 of the 1992 Act:

- Parish and town councils;
- Parish meetings;
- Charter Trustees.

Some local authorities are also subject to **levies** from other public bodies. A levy is imposed on the **billing authority**, not the resident, and the authority is under a legal requirement to pay it. It may not be separately itemised on the council tax bill. Levying bodies include:

- Combined authorities;
- Joint waste authorities;
- The Environment Agency;
- Internal Drainage Boards;
- Harbour authorities.

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<sup>4</sup> In Greater Manchester, the combined authority has absorbed the fire service and the Police and Crime Commissioner. The Mayor of Greater Manchester must set separate precepts for them and for the combined authority's own expenses.



## 3. Empty properties

### 3.1 Empty property

The Library briefing paper [Council tax: empty properties](#) provides details of the treatment of empty property for council tax purposes. Council tax was originally intended as in part a tax on property and in part a tax on residence to pay for local services when it was introduced. However, empty property discounts have been substantially curtailed since its introduction, so that it more closely resembles a property tax today.

### 3.2 Local discounts: England

Up to April 2013, properties in England could obtain temporary exemption from council tax under a Class A exemption (dwellings undergoing major repair or structural alteration) or a Class C exemption (newly empty properties).

Both of these exemptions were replaced by local discretionary discounts from the 2013-14 financial year. Billing authorities are not obliged to give any discounts to properties falling into these categories: where they do, the range of discounts available varies according to the characteristics of the property.

In Scotland and Wales, discounts for empty property operate slightly differently. Further details are available in the Library briefing [Council tax: empty properties](#).

There is case law on what constitutes an 'empty property' and 'major repair or structural alteration'. It is for the billing authority to decide, in the first instance, whether a property qualifies for a discretionary discount under either of these categories.

Empty property discounts attach to the *property*, not to the occupant or owner. A resident who buys a property which has been empty, and does not immediately move in, may find that they are not entitled to a council tax discount, as it has been 'used up' by the previous owner or occupant. Normally a property must be occupied for over six weeks in order to 'reset the clock' for the purposes of empty property discounts.

### 3.3 Empty Homes Premium

Billing authorities in England may charge an 'empty homes premium', raising council tax to up to 200% of its standard rate, on properties that have been 'unoccupied and substantially unfurnished' for two years or more. In Scotland and Wales, the 200% rate may be applied after one year. Authorities may set the maximum premium, no premium, or any rate in between. There is case law on what constitutes an 'unoccupied and substantially unfurnished' property. Further details are available in the Library briefing [Council tax: empty properties](#).

In England, additional provisions introduced by the [Rating \(Property in Common Occupation\) and Council Tax \(Empty Dwellings\) Act 2018](#) allow for up to 300% to be charged on properties that have been

unoccupied and substantially unfurnished for five years (commencing in the 2020-21 financial year) and 400% on properties that have been unoccupied and substantially unfurnished for ten years or more (commencing in 2021-22). Further details can again be found in the Library briefing [Council tax: empty properties](#).

As with empty properties generally, the empty homes premium **attaches to the property**. A person who buys a property that has already been empty for two years, and who then does not move in immediately, may find that they are liable for the empty homes premium straight away. Similarly, there may be properties that have **already** been empty for five years on 1 April 2020 that are subject immediately to the 300% rate. The five-year period begins at the point when the property became empty, not from the date when the 2018 Act passed into law.

If a property is unoccupied and substantially unfurnished for two years and it has previously attracted a different exemption (e.g. death of the liable person), the premium would apply from two years after the property first became empty, **not** from the point at which the first exemption ended. The law does not require multiple exemptions to be applied to a property 'in sequence'.

## 4. Exemptions and discounts

**Exemption** from liability for council tax, and **discounts** on the amount of council tax payable, are two separate things. Generally, exemption – i.e. no liability to pay council tax – applies to **properties**, whilst discounts – liability for less than the full amount – relate to **people**.

The different classes of mandatory exemption are set out in Appendix 1. Appendix 2 sets out the categories of individual who may attract a discount.

People falling into a discount category are ‘disregarded’ for council tax purposes. When calculating the number of liable individuals in a property, they are omitted. For instance, in a dwelling inhabited by one liable individual and two who are disregarded, a 25% single person discount would apply. In contrast, two liable individuals sharing with one or more students would not be entitled to any discount.

It is for the billing authority to decide whether an individual falls into a category attracting a ‘disregard’. There is case law on this matter.

It is possible for entitlement to discounts or exemptions to be backdated, and thus for a council tax-payer to receive a refund, either at the initiative of the billing authority or following an appeal. If a discount or exemption was sought, evidence would need to be provided that the council tax-payer was entitled to it in previous financial years.

This section does **not** cover all the situations in which an exemption or a discount may apply.

### 4.1 Am I entitled to a single person discount?

An individual living alone in a dwelling is entitled to a discount of 25% from the standard liability for council tax. If a resident claims a single-person discount, the billing authority may demand evidence that they are indeed living alone.

Empty properties cannot attract a single person discount, even if they have a single owner, as they are not the ‘sole or main residence’ of any individual. It is for the billing authority to decide whether a property is the individual’s sole or main residence. There is case law on this matter.

### 4.2 I’m doing a course – can I get a student exemption?

Students living in a shared property attract a ‘discount disregard’. A property occupied solely by students is exempt from council tax (Class N); and student halls of residence are also exempt (Class M). Students **cannot** be held jointly or severally liable for council tax if they live with non-students who are liable for council tax.

A student is defined, for council tax purposes, as someone who is studying a course requiring at least 21 hours of study for at least 24

weeks per year.<sup>5</sup> This is not affected by any paid employment that the student undertakes.

The course must be taking place at an institution that falls within the categories in Schedule 2 part 1 of the [Council Tax \(Discount Disregards\) Order 1992](#). This includes universities and “any other institution ... established solely or mainly for the purpose of providing courses of further or higher education”. The educational institution must supply the billing authority on request with a certificate confirming the student’s place on the course and the hours of study required of the student.<sup>6</sup>

Regulations passed in 2011 clarify that **study**, not **attendance**, governs eligibility for the disregard.<sup>7</sup> Thus Open University or other distance learning students could be eligible for discount or exemption, depending on the hours and weeks of study required by their course. Government guidance is available on this matter.<sup>8</sup>

Where a ‘student’ finishes one course and then begins another in the following academic year, there may be a short period for which they are not defined as a ‘student’ for council tax purposes. They could then be regarded as liable for council tax, which would have an effect on the bill for the property in which they were living. Whether this scenario applies would depend on the dates and nature of the courses in question.

Additionally, a person under the age of 20 is exempt from council tax if they are taking a course lasting more than three months which requires study for more than 12 hours per week. Again, these provisions cover tuition, study and work experience.<sup>9</sup> This provision does not cover correspondence courses, evening classes, learning obtained via an employer scheme, or ‘higher education’ courses.<sup>10</sup>

Up till 2012, the English local government funding system took account of the loss of council tax revenue to local authorities with high numbers of student residents. This was one of over a hundred indicators used to assess relative funding needs. The system was altered in 2012 and these indicators now have only a residual effect. This means that it is not possible to identify a specific sum of funding that is allocated to a local authority to compensate them for the loss of council tax revenue resulting from high student numbers.

In the same vein, in the late 2010s some Members urged the government to require student landlords to pay business rates (see section 8.11 of the Library briefing paper [Business rates](#)). The Government has no plans to make this change.

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<sup>5</sup> See the [Council Tax \(Discount Disregards\) Order 1992](#) (SI 1992/548), schedule 1, paras 3 and 4

<sup>6</sup> See schedule 1, paragraph 5 of the [Local Government Finance Act 1992](#)

<sup>7</sup> See the [Council Tax \(Discount Disregards\) \(Amendment\) Order 2011](#) (SI 2011/948), paragraph 4, which amends the 1992 order ([SI 1992/548](#)).

<sup>8</sup> DCLG, [Guidance on Students and Council Tax](#), May 2011

<sup>9</sup> [Council Tax \(Discount Disregards\) Order 1992](#) (SI 1992/548), paragraphs 5 and 6 (2)

<sup>10</sup> [Council Tax \(Discount Disregards\) Order 1992](#) (SI 1992/548), paragraph 6

### 4.3 Probate exemptions

Properties which are empty because the occupant has died, and probate has been granted on their estate, are exempt from the point of death until six months after the grant of probate. If the property is occupied or sold before the six-month period is up, the exemption lapses. The property must be *empty* for this exemption to apply.

The probate exemption applies where the deceased occupant was renting the property, provided that their executors remain liable to pay the rent (see the [Council Tax \(Exempt Dwellings\) \(Amendment\) Order 1994](#) – SI 1994/539).

### 4.4 My elderly relative is living in our annexe. Can s/he get a discount?

Annexes must be given a separate council tax band if the listing officer regards them as “separate living accommodation” or if they are occupied separately from the main property. Part of a property may be classified as an annexe even if it has one set of utility services, shares an entrance with or has a door on to the main property, and cannot be sold separately from the main property. [Government guidance from 2017 states:](#)

The VOA will make a decision on every case based on the specific nature of the construction and / or adaptation of the property, such as:

- independent access to, or access from, a hallway, landing or other common area
- its own facilities for sleeping and preparing food
- washing facilities and a toilet

Only physical features are considered when deciding whether or not an additional area of living accommodation exists within a domestic property, not how it’s used.

As of 1 April 2014, a mandatory nationwide discount of 50% applies to annexes occupied by somebody who is related to the occupant of the main property. The regulations specify what constitutes a ‘relative’.<sup>11</sup> The regulations also provide that a 50% discount applies to the annexe’s council tax bill if the annexe is being used as part of the main property.

An empty annexe to an occupied property attracts a Class T exemption. An annexe occupied by a dependent relative aged over 65 attracts a Class W exemption.

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<sup>11</sup> See the [Council Tax \(Reductions for Annexes\) \(England\) Regulations 2013](#) (SI 2013/2977).

## 4.5 Does my elderly parent have to pay council tax if they are going into a care home?

A property which an individual has left in order to go into a residential care home or a hospital is exempt from council tax.

This only applies to the property **which the individual has left**. If the individual then sells their property and buys another one, the new property would be treated as a second home and council tax up to the full amount could be payable.<sup>12</sup>

Since 1 January 2004 in England, and 1 April 2005 in Wales, self-contained units within a registered care home have not been separately banded. Instead, the whole care home is treated as a single dwelling/banding. Separate bands are only assigned where a unit is occupied by the care provider.<sup>13</sup>

Accommodation in sheltered housing schemes which provides self-contained units, with or without some shared facilities, is normally treated and banded as multiple separate dwellings. The value of the shared facilities will be reflected in the bands assigned to the individual units.

## 4.6 My council tax is too high – can't the council make an exception in my case?

Billing authorities in England and Wales (but not Scotland) have a general power to reduce any council tax bill as they see fit, including reducing it to zero. This power can be found in section 13A of the *Local Government Finance Act 1992*.

In practice it is relatively rare for this power to be used: it is normally applied to properties which fall into a specific category, or which have been affected in a specific way. For instance, during the various periods of severe flooding in the 2010s, many authorities have offered 100% discounts on properties rendered uninhabitable (with the Government providing funding). However, such a discount is given at local discretion and the local authorities cannot be obliged to give it.

Separately from this, billing authorities **must** operate a system of **council tax support**, which replaced council tax benefit from 1 April 2013. Council tax support provides discounts for those less able to pay. Billing authorities have considerable discretion as to how they define ability to pay. More details are available in the Library briefing paper [Council tax reduction schemes](#).

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<sup>12</sup> See regulation 3 of [the Council Tax \(Exempt Dwellings\) Order 1992](#) (SI 1992/518)

<sup>13</sup> See the [Council Tax \(Chargeable Dwellings, Exempt Dwellings and Discount Disregards\) \(Amendment\) \(England\) Order 2003](#), and the [Council Tax \(Chargeable Dwellings, Exempt Dwellings and Discount Disregards\) \(Amendment\) \(Wales\) Order 2004](#)

## 5. Banding

Domestic properties are valued, for council tax, by placing them in one of a number of **council tax bands**. In England and Wales, the local **listing officer** is responsible for banding properties, on behalf of the Valuation Office Agency (VOA). In Scotland the local Assessor carries out the task.<sup>14</sup> Queries about, and challenges to, a property's valuation band should be addressed to the VOA or the Assessors. Local authorities have no role in banding decisions.

For England and Wales, the key legislation governing the process of appeals against, and the changing of, council tax bands is the [\*Council Tax \(Alteration of Lists and Appeals\) \(England\) Regulations 2009\*](#) (SI 2009/2270). In Scotland, it is the [\*Council Tax \(Alteration of Lists and Appeals\) \(Scotland\) Regulations 1993\*](#) (SI 1993/355).

In England, the listing officer is under a duty to maintain a fair and accurate council tax list.<sup>15</sup> S/he can alter a council tax band in a variety of circumstances, for example, if s/he "has determined as applicable to the dwelling a valuation band other than that which should have been determined as so applicable";<sup>16</sup> at the order of a court or tribunal; if a property no longer exists; where two or more properties replace one; or if there has been 'either a material increase or material reduction in the value of the dwelling'.<sup>17</sup>

A banding decision is based solely on the property's estimated sale value. There is no direct link to the number of rooms in a property. Nor is there any link between council tax and the amount for which the property is mortgaged.

### 5.1 How can I challenge my council tax banding?

In England and Wales there are two routes a resident can take if they believe that their property is in the wrong band – requesting an informal banding review or submitting a formal proposal for a change in banding.

In most cases, the resident of a property has no right to appeal later than six months after moving into the property. However, if there has been a "material reduction in the value of the dwelling", or the property has changed - for example, it has been demolished, split into multiple properties or merged into one, the resident can appeal at any time.

The phrase "a material reduction" is defined in statute as being "any reduction which is caused (in whole or in part) by the demolition of any part of the dwelling, any change in the physical state of the dwelling's

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<sup>14</sup> See <http://www.saa.gov.uk> for further information.

<sup>15</sup> See s.22(1) and s.27(7) of Local Government Finance Act 1992

<sup>16</sup> [\*Council Tax \(Alteration of Lists and Appeals\) Regulations 2009\*](#) (SI 2009/2270), regulation 4 (1) (c)

<sup>17</sup> These words are used in the [\*Council Tax \(Alteration of Lists and Appeals\) \(England\) Regulations 2009\*](#) (SI 2009/2270), regulation 3

locality or any adaptation of the dwelling to make it suitable for use by a physically disabled person". It usually requires an identifiable change: for instance, part of a property being demolished, or blighting from a newly built nearby development.

The VOA's 'listing officer' may initiate a review **at any time** if s/he believes that a property may be in the wrong council tax band. If this then results in a change in banding, the resident has the right to appeal.

A person must continue to pay their existing council tax bill while they are challenging their council tax band.

### **Informal banding review**

An informal banding review denotes a resident writing to the local listing officer to request a change in banding. This can occur where the resident has no formal *right* to an appeal (for instance, if they have lived in the property for more than six months) but still wish to offer evidence that the banding is incorrect. A review can lead to the listing officer changing the banding: as noted above, the listing officer can do this at any time.

As it is an informal process, an informal band review is not subject to appeal if the listing officer does not consider the band to be wrong and makes no alteration to the valuation list.

### **Submitting a formal proposal for a change in banding**

An entry in the valuation list can be formally challenged by submitting a 'proposal' to alter the list. The 'proposal' may simply state that the property is believed to be in the wrong band, though it may also contain more detail. It must be served on the listing officer in writing.<sup>18</sup> A proposal against the existing banding will need to make a case to the listing officer based on the value that the dwelling would have had in 1991 (or 2003 in Wales) in its current condition. There is case law in this area.

In England the listing officer must then decide within four months whether or not to agree with the proposal and alter the council tax band and must issue a decision notice about the matter

### **Can I challenge the VOA's decision?**

If the resident disagrees with the decision of the listing officer, there is a right of appeal against the decision notice to the Valuation Tribunal for England. The Tribunal is completely independent of both the VOA and the council that collects the tax. The Tribunal will make a decision about the correct band for the property on the evidence that the taxpayer and the listing officer present to it, at the hearing.

In Wales, the listing officer must, within prescribed time limits, send the Valuation Tribunal for Wales details of any proposal that has not been

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<sup>18</sup> *Council Tax (Alteration of Lists and Appeals) (England) Regulations 2009* (SI 2009/2270): regulation 5 sets out the required form and content of a proposal.



settled. This must happen even if no discussions have taken place: on such transmission the proposal becomes an appeal.

The tribunal is free and cannot award costs. If the tribunal agrees with the appellant, the listing officer will change their band and the billing authority will update their council tax bill.

In Scotland, if you are the owner of the property or the person liable to pay council tax for it, you can lodge an appeal (known as a “proposal”) to alter the council tax band in broadly the same limited circumstances as in England/Wales. The Assessor will discuss the proposal with the taxpayer and if it cannot be resolved (within six months), it will be referred to the Valuation Appeal Committee as a formal Appeal to be heard by the Committee. The Committee will hear the appeal within its normal cycle of hearings.

## 5.2 Refunds and backdating

Where a council tax band is changed, the listing officer will determine the date from which any change in band becomes effective for charging purposes. This will always be in the past and is known as the ‘effective date’.<sup>19</sup> That may mean that the occupant of the property is due a refund of council tax for the period since the effective date – or that they must pay extra council tax in respect of that period.

In England, there is no time limit on backdating of council tax refunds. A council tax-payer could in principle receive a backdated refund dating back to the inception of council tax in 1993. In Wales, when a council tax band is reduced because it is identified that the existing banding was too high, the effective date cannot be more than six years prior to the change to the banding.<sup>20</sup>

Local authorities do not have the legal power to pay interest on any arrears resulting from a change in banding.

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<sup>19</sup> Technical guidance on ‘effective dates’ can be found in the VOA’s [Council Tax Manual](#): section 2, part 4, appendix 2.3

<sup>20</sup> See the [Council Tax \(Alteration of Lists and Appeals\) \(Amendment\) \(Wales\) Regulations 2010](#) (SI 2010/77), regulation 2 (6) (b) (ii).

## 6. Frequently asked questions

### 6.1 I've extended my property – will my council tax go up?

Extending a property cannot cause its council tax band to change until there has been a 'relevant transaction' (or there is a general revaluation of all domestic properties).<sup>21</sup> A relevant transaction means a sale (either on a freehold or leasehold basis) or the grant of a lease for a term of seven years or more. The listing officer may review the banding when a relevant transaction (normally a sale) has taken place, so that a new owner may find that their council tax bill in their new property is higher than they anticipated.

The [Council Tax Valuation List](#), which lists all properties in England and Wales, marks properties with an 'improvement indicator'. These are properties the council tax bands of which will be reviewed upon sale, as the billing authority is aware of evidence that they have been extended.

### 6.2 I want to convert my annexe back into part of my main property

If two properties – e.g. two flats, or a main house and an annexe – are converted into one, the listing officer will alter the valuation list to reflect this. The two previous properties are removed from the council tax valuation list and the 'new' one added to it.

The listing officer will need to be satisfied that the new property is truly a single property and could no longer be used as two properties. For this reason, it is advisable for owners to seek advice from the listing office at an early stage on how the relevant council tax regulations are applied although s/he will not be able to give detailed advice on planned changes to a specific property. Although planning permission may also be required for such a change, a grant of planning permission (and any resulting internal alterations) does not guarantee that the listing officer would view the new property as a single dwelling. It is a matter of fact and degree in every case. There is case law in this area.

Conversely, two or more properties may replace one where a house is divided into flats, or an annexe is added to a property. In this circumstance, the former property is deleted from the council tax valuation list and two or more new properties are added.

Listing officers use internal guidance reflecting relevant case law on this subject to decide whether or not an annexe should be separately banded or not.

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<sup>21</sup> See the [Council Tax \(Alteration of Lists and Appeals\) Regulations 1993](#) (SI 1993/290), regulation 4; also section 24 (10) of the [Local Government Finance Act 1992](#).

## 6.3 New build properties

When a new property is nearing completion, the billing authority may serve a completion notice on its owner. The completion notice will specify the date on which the dwelling may 'reasonably be expected to be completed' – and thus from which it will be liable for council tax. Section 17 of the *Local Government Finance Act 1992* requires a billing authority to serve notice on the owner of any building on which the work remaining to be done can reasonably be expected to be completed within three months unless the listing officer directs otherwise in writing.

New properties are placed in a council tax band according to the sale value they would notionally have had on 1 April 1991 (1 April 2003 in Wales). The owner (i.e. the developer / builder) is liable for council tax until the property is sold. A new property that is not occupied at the completion date is treated as an empty property, and will attract any relevant discounts or exemptions.

## 6.4 Are landlords liable for council tax?

If a property is occupied by tenants and the landlord tells them that s/he will pay the council tax, and then fails to do so, the tenants would be jointly and severally liable for the council tax and the billing authority would pursue them for it, as the landlord is not legally liable.

In designated Houses in Multiple Occupation (HMOs), the landlord is liable for council tax. The relevant regulations provide a definition of houses in multiple occupation.<sup>22</sup>

The definition of HMOs for council tax purposes is **not the same** as the more familiar definition from the HMO licensing provisions in the *Housing Act 2004*. A 'registered HMO' would not automatically qualify as an HMO for council tax purposes. The definition of an HMO for council tax purposes can be found in paragraph 2 of the [Council Tax \(Liability for Owners\) \(Amendment\) Regulations 1993](#) (SI 1993/151).

## 6.5 My neighbour runs a business from her/his home. Shouldn't s/he have to pay more council tax?

A resident who runs a business from home is not liable for additional council tax. They **may** have to pay business (non-domestic) rates based on the part of the property that is being used for the business.

This turns on whether a part of the dwelling can be identified that is used only for non-domestic or business purposes. There is case law in this area and no definite assertions can be made, but generally, a room or area that has been converted into an office or hair salon in order to be used solely for business purposes is likely to attract business rates. The valuation officer would assess the rateable value of that part of the

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<sup>22</sup> [Council Tax \(Liability for Owners\) Regulations 1992](#) (SI 1992/551)

property in the normal way (see the Library briefing paper [Business rates](#)).

Individuals who work at home, using a room or area which is also used for domestic purposes, are unlikely to be caught under this provision.

A property which has both domestic and non-domestic parts is known as a composite property. The domestic part will be subject to council tax and the non-domestic (business) part will be subject to rating. If a part of the domestic dwelling is assessed for business rates, it would be possible – but not guaranteed – that the remainder of the domestic dwelling could be re-valued and placed in a lower council tax band, as it becomes, in effect, a ‘smaller’ property. Council tax and business rates cannot both be charged on the same part(s) of a property.

## 6.6 I work away from home and am facing two council tax bills

Properties which are unoccupied because the owner is required to live elsewhere for employment purposes attract a discount of up to 50%. In order to be considered as residing in job-related accommodation one of the following criteria from the [Council Tax \(Prescribed Classes of Dwellings\) \(England\) Regulations 2003](#) must be met:

- The individual’s work duties can only be effectively carried out from that address;
- The individual is employed in a job where it is customary for the job holder to be resident in a particular property;
- The individual is contractually obliged to be resident at that address and to carry on a trade or profession at that address.

Both properties must be located in England, Wales or Scotland and the resident must be the liable person for council tax at both addresses. If the property is provided by a company and they are the director or partner in a company, they may not be eligible for a discount unless their employment is as a full-time working director, the company is non-profit making or the company is established for charitable purposes only. Typical occupations that may involve occupation of job-related accommodation include caretakers, pub landlords and schoolmasters.

This discount is unlikely to apply to individuals who **choose** to live and work from two different addresses: e.g. a flat in London plus a house elsewhere. It is also unlikely to apply where, for instance, an individual is posted elsewhere by their employer but maintains their previous residence until their return. There is case law in this area.

A property that is not defined as an individual’s ‘sole or main residence’ will not be eligible for a single person discount.

## 6.7 I am in the Armed Forces and based overseas

The Council Tax Relief (CTR) scheme, for all Regular and Reserve Service personnel serving on operational deployments overseas, was introduced

by the Ministry of Justice in September 2007. This provides financial support to those service personnel who are liable to pay council tax on a privately owned home whilst serving overseas in designated operational areas. The scheme is not part of council tax legislation and is not administered by local authorities.

CTR was doubled with effect from July 2011. The Chancellor announced in the 2012 Budget that the relief would be doubled again from just under £300 for an average six-month deployment to just under £600 per six-month deployment. The payment is tax-free and is currently paid to approximately 9,500 individuals per annum. The increase took effect from April 2012.

## 6.8 I am in the Armed Forces and required to live on a base in the UK

Members of the Armed Forces who are required to live in Forces accommodation in the UK are entitled to a job-related accommodation discount of 50% (see section 6.6 above) on a home that they own or rent elsewhere. They also cannot be required to pay an empty homes premium (see section 3.3 above). However, their home may still be deemed to be their 'sole or main residence' for council tax purposes.

This can have effects on eligibility for other discounts. In *Doncaster BC v Stark and Stark* (1998), the High Court found that whilst Corporal Stark was obliged to live in service accommodation elsewhere, his main place of residence remained his family home. The decision was based on Corporal Stark's security of tenure, the time spent there when not on duty, and the fact that he would return there should he no longer be required by the Forces. As a result Corporal Stark's wife was not eligible a single person discount, as he was deemed to be resident in their home for council tax purposes.

## 6.9 Contributions in Lieu of Council Tax (CILOCT)

Although local authorities are not able to raise council tax on Ministry of Defence barracks, messes and married quarters, they receive a "contribution in lieu of council tax" (CILOCT) from the Ministry of Defence.<sup>23</sup> The same sum is, in turn, paid to the Ministry of Defence by the occupant.<sup>24</sup>

The contribution paid is broadly equal to the council tax revenue that would have been collected on the properties. This is intended to ensure that other local residents are not subsidising armed forces accommodation through their council tax.

With regard to Northern Ireland, where council tax does not exist, the Government's guidance note on CILOCT states:

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<sup>23</sup> Armed forces accommodation owned by the MOD is exempt from council tax under the [Council Tax \(Exempt Dwellings\) Order 1992](#) regulation 3.

<sup>24</sup> Ministry of Defence, "[Budget provides measures to support Service personnel and their families](#)", 21 March 2012

..in Northern Ireland, Service personnel are charged the same levels of CILOCT in respect of the services provided by the MOD which would normally be provided by a local authority in the UK.<sup>25</sup>

This implies that CILOCT charges are made in Northern Ireland for services that are provided by the MOD that would, for civilians, be 'public services'. The MOD's Joint Service Regulations elaborate further:

Such services, which would normally be provided by a local authority, include schools, social services, roads, police, fire brigade, recreation facilities, environmental health, refuse collection and street lighting. This broadly maintains the ethos of Service personnel paying the same charges for similar accommodation occupied wherever they are serving in the world and contributes to funding of equivalent local services. With effect from 1 August 2007 this includes Northern Ireland.<sup>26</sup>

## 6.10 Caravans and seasonal occupation

Caravan park homes which are used as the resident's sole or main residence incur the same liability to council tax as permanent dwellings. This has been the case since council tax was introduced. The term 'caravan' is defined by section 29 of the [Caravan Sites and Control of Development Act 1960](#). There is case law in this area.

If the resident uses the park home as a second home, he/she may be entitled to a discount. Likewise, if the park home is left unoccupied and substantially unfurnished for more than two years, it may be liable for the Empty Homes Premium. However, a caravan which is kept on a resident's main property (e.g. on the driveway) does not incur a separate liability.

Caravan **pitches** which have no caravan on them are exempt from council tax in England and Wales, but not in Scotland.<sup>27</sup>

Certain park home sites may be liable for business rates as a whole, payable by the site owner, rather than council tax on the individual caravans. It is up to the listing officer to decide which list a property should be placed on.

## 6.11 Muslims, prayer rooms, and exemption from council tax

Some websites claim that it is possible for Muslims to claim exemption from council tax by designating one of the rooms in their house as a 'prayer room'. This is often accompanied by the claim that, under these provisions, several thousand 'mosques' are registered in a particular local authority area.

These claims have no basis in council tax law. It is not possible for owners of domestic property to avoid council tax by claiming that their

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<sup>25</sup> Ibid.

<sup>26</sup> MOD, [Joint Service Publication 754 – Tri-Service Regulations for Pay and Charges](#), Chapter 9, Section 6.

<sup>27</sup> See the Class R exemption in the [Council Tax \(Exempt Dwellings\) \(Amendment\) Order 1994](#) (SI 1994/539)

property, or part of it, is used for religious purposes. There are circumstances in which religious practice can give rise to council tax discounts (see Appendix 2) but the use of domestic property for communal worship is not one of these.

It would be theoretically possible for part of a domestic property which was used for public religious purposes to be separately valued for business rates, and to be removed from the council tax valuation list. However, the VOA would have to be satisfied that this reflected the real use of the property. Such a change would be unlikely to make more than a minimal difference to the council tax bill on the remainder of the property.

## 7. Scotland

Council tax arrangements in Scotland are broadly similar to those in England and Wales.<sup>28</sup> Responsibility for setting council tax levels rests with levying authorities (local authorities) in Scotland. Valuations are carried out, and properties placed in bands, by the Assessors' offices. Regulations on council tax for Scotland have always been separate from those for England and Wales, and some minor elements of the system operate differently in Scotland and England. For instance:

- In England an Empty Homes Premium of up to 50% can be added to a property's council tax bill for properties that have been unoccupied and substantially unfurnished for more than two years. In Scotland the maximum is 100% after one year;
- Unlike billing authorities in England and Wales, who have the discretionary power to reduce any council tax bill they see fit, including reducing it to zero, levying authorities in Scotland do not have this general power;
- In Scotland, properties that become unoccupied must be offered at least a 10% discount, whereas in England local authorities may choose to offer no discount.

### 7.1 Proposals for council tax reform

The Scottish Government published proposals for council tax reform on 2 March 2016.<sup>29</sup> They proposed that the overall system of council tax should remain largely unchanged. The main aspect of the reform was to increase the ratios for the upper bands (E-H) that properties are placed in, relative to Band D (see Appendix 3 for details). No additional bands were proposed, and the ratios for Bands A-D remain unchanged. There are no plans for a general revaluation of property in Scotland, so properties will still be banded based on their value in 1991.

Further information on the Scottish Government's council tax proposals can be found in the SPICe briefing, [Scottish Government proposals for Council Tax reform](#).

### 7.2 Council tax freeze

In Scotland, council tax was frozen between 2008-09 and 2016-17. The Scottish Government agreed to provide £70 million distributed between local authorities who froze council tax at 2007-08 levels for 2008-09. Local authorities did not have to agree to implement a freeze, but if they did not they would not get their share of the £70 million. The then Cabinet Secretary for Finance and Sustainable Growth, John Swinney MSP, told the Scottish Parliament on 27 March 2008 that "all 32 councils" have frozen council tax rates.<sup>30</sup>

<sup>28</sup> The Scottish council tax legislation forms a separate Part of the *Local Government Finance Act 1992*, which introduced council tax, but it is largely (though not wholly) identical to the England and Wales legislation.

<sup>29</sup> Scottish Government, [Council tax reform](#), 2 March 2016

<sup>30</sup> Scottish Parliament, [Official Report](#), 27 March 2008, c7403



The council tax freeze was mentioned as a priority for the Scottish Government in the *Scottish Budget Spending Review 2007*. It was also discussed in the November 2007 concordat between the Scottish Government and the Convention of Scottish Local Authorities (COSLA) which states:

local government will contribute directly to the delivery of the key commitments listed, including the freeze on council tax [...] Recognising that councils will not be in a position to confirm a freeze in their council tax rates until these are set in February 2008, the Scottish Government will hold back an element of funding in respect of the council tax freeze until authorities have formally set their council tax levels for 2008-09.<sup>31</sup>

The Scottish Government's 2016 reforms also included ending the council tax freeze. A cap on council tax rises of 3% in real terms has been negotiated between the Scottish Government and local authorities for each financial year since.<sup>32</sup> The Scottish Government's 2020-21 budget document said:

In Budget 2019-20, we confirmed our view that the present council tax system must end. We have therefore convened cross party talks to identify an alternative to the present council tax system that could be supported by Parliament. If there is agreement on such an alternative, we will publish legislation by the end of this Parliament, with that legislation taken forward in the following Parliament.<sup>33</sup>

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<sup>31</sup> Scottish Government, [Concordat between the Scottish Government and COSLA](#), 14 November 2007, pp7-8

<sup>32</sup> The Scottish Government retains 'capping' powers over local authorities' decisions to raise council tax. This negotiated cap circumvents the need for a formal cap. The council tax referendum regime operating in England since 2012 does not apply in Scotland.

<sup>33</sup> Scottish Government, [Scottish Budget 2020-21](#), 2020, p71

## 8. Wales

Council tax in Wales is similar to arrangements in England. Properties are banded for council tax purposes by the listing officer of the Valuation Office Agency, while the council tax rate for an area is set by the billing authority (county and borough councils), who also collect the revenue. The system for appealing a council tax band in Wales is slightly different as, following the making of the proposal, the appeal to the Valuation Tribunal for Wales is automatic and not a separate action as in England.

Unlike in England and Scotland, a council tax revaluation occurred in Wales in 2005. This introduced a new range of values for the VOA in Wales to use when banding properties. These are based on property values as at 1 April 2003.

Some other notable differences between council tax in England and Wales are set out below.

### 8.1 Council tax, second homes and long-term empty property in Wales

The *Housing (Wales) Act 2014* provides billing authorities with the discretionary power to increase the council tax payable on long-term empty dwellings in their areas. The maximum increase is an additional 100% premium i.e. 200% of the standard charge. There is scope for local authorities to adopt a stepped approach to the premium with incremental increases applying over time. This provision reflects similar provisions in England and Scotland.

The explanatory notes to the Act state that a long-term empty property is defined as one that has been “both unoccupied and substantially unfurnished for a continuous period of at least one year”.<sup>34</sup>

Additionally, the 2014 Act provides billing authorities in Wales with the discretionary power to increase the council tax payable on dwellings occupied periodically in their areas (“second homes”). The maximum increase is an additional 100% premium i.e. 200% of the standard charge.<sup>35</sup> The explanatory notes to the Act state that:

A “second home” is defined as a home that is not a person’s sole or main residence and which is substantially furnished. On the first occasion that a billing authority decides to charge a second homes council tax premium, it must make its determination at least one year before the beginning of the financial year in which the premium will be charged.<sup>36</sup>

Billing authorities must make a determination to charge a higher amount of council tax for second homes at least one year before the financial year to which it relates. Thus the first financial year in which this premium could apply was 2017-18.

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<sup>34</sup> *Housing (Wales) Act 2014*, Explanatory Notes, section 139

<sup>35</sup> *Housing (Wales) Act 2014*, Section 139 (12B)

<sup>36</sup> *Housing (Wales) Act 2014*, Explanatory Notes, [section 139](#)

This provision for holiday homes contrasts with England, where a premium can only be applied to properties that are 'unoccupied and substantially unfurnished'.

There is no equivalent to the English council tax referendum regime in Wales. The *Local Government Finance Act 1999* allows the Welsh Assembly to cap council tax rises deemed "excessive", although there is no statutory definition of what constitutes an excessive rise. According to the National Assembly for Wales' Research Blog, in the early 2010s an increase by local authorities of over 5% had "informally been seen as the threshold that could trigger ministerial intervention".<sup>37</sup> Planned rises for 2020-21 are reported as ranging from 3.5% to 8%.<sup>38</sup>

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<sup>37</sup> National Assembly for Wales Research Service blog, *Council Tax Rates 2016-17*, 29 March 2016

<sup>38</sup> Robert Dalling, "[How much every council in Wales wants to put up taxes in 2020](#)", Wales Online, 1 Jan 2020

## Appendix 1: current council tax exemption classes in England

The current 21 classes of exemption are as follows:

- B Unoccupied dwelling, owned by a charity
- D Unoccupied dwelling, due to a person being in prison
- E Unoccupied dwelling due to person having gone to live in a care home
- F Council tax payer deceased
- G Unoccupied dwelling the occupation of which is prohibited by law
- H Unoccupied dwelling which is held for the purpose of being available for a Minister of Religion
- I Unoccupied dwelling due to person living elsewhere to receive personal care
- J Unoccupied dwelling due to person living elsewhere to provide personal care
- K Unoccupied dwelling left empty by a student
- L Unoccupied dwelling which has been repossessed
- M Students' Hall of Residence
- N A dwelling occupied only by students, school or college leavers or by certain spouses and dependants of students
- O UK armed forces accommodation
- P Visiting armed forces accommodation
- Q Unoccupied dwelling left empty by a bankrupt person
- R Unoccupied caravan pitch or boat mooring
- S Dwelling occupied only by persons under 18
- T Unoccupied annexe to an occupied dwelling, which may not be let separately
- U Dwelling occupied only by people who are severely mentally impaired
- V Main residence of a person with diplomatic privilege or immunity
- W An occupied annexe to an occupied dwelling, where the annexe is occupied by a dependent relative, i.e., a relative over 65 years old.

Exemption classes A (properties in need of repair or undergoing alterations) and C (newly vacated properties) were abolished in 2013 in England, but not in Scotland or Wales (see section 3.2).

## Appendix 2: discounts

The following categories of individual are disregarded for council tax purposes in England

The key legislation concerning discounts is the [Council Tax \(Discount Disregards\) Order 1992](#) (SI 1992/548). This Order has been amended several times. It includes additional detail about the qualifications for eligibility under each of the categories set out below.

The 'single person discount' is not a form of discount disregard but is covered under separate provisions in the *Local Government Finance Act 1992*.

- Persons in detention (in hospital, prison, or for immigration purposes)
- The severely mentally impaired
- Persons over 18 in respect of whom child benefit is still payable
- School and college leavers
- Students (including student nurses and apprentices)
- Hospital patients
- Patients in care homes
- Care workers
- Residents in hostels or night shelters for the homeless
- Members of international HQs and defence organisations
- Members of religious communities
- Members and dependents of visiting armed forces
- Foreign spouse of a student
- Individuals with diplomatic immunity

Slightly different provisions apply in Wales: see the [Council Tax \(Additional Provisions for Discount Disregards\) \(Amendment\) \(Wales\) Regulations 2019](#) (SI 2019/431).

## Appendix 3: council tax bands

The table below shows the property values, and the liability proportions,<sup>39</sup> for each band **in England**:

| Range of values     | Valuation band | Proportion of Band D liability |
|---------------------|----------------|--------------------------------|
| Under £40,000       | A              | 6/9                            |
| £40,001 - £52,000   | B              | 7/9                            |
| £52,001 - £68,000   | C              | 8/9                            |
| £68,001 - £88,000   | D              | 9/9                            |
| £88,001 - £120,000  | E              | 11/9                           |
| £120,001 - £160,000 | F              | 13/9                           |
| £160,001 - £320,000 | G              | 15/9                           |
| Over £320,000       | H              | 18/9                           |

In **Scotland**, there are also eight bands.

The Scottish Government has published proposals to change the ratios for the upper bands. These are shown in the fourth column. The Scottish Government expressed Band D as 1 and the other bands in proportion to 1, rather than as ninths. The figures in square brackets express the current proportions (11/9, 13/9 etc) in these terms too, for comparison.

| Range of values     | Valuation band | Proportion of Band D liability | Proposed new proportion, Mar 2016 |
|---------------------|----------------|--------------------------------|-----------------------------------|
| Under £27,000       | A              | 6/9                            | 0.67                              |
| £27,001 - £35,000   | B              | 7/9                            | 0.78                              |
| £35,001 - £45,000   | C              | 8/9                            | 0.89                              |
| £45,001 - £58,000   | D              | 9/9                            | 1                                 |
| £58,001 - £80,000   | E              | 11/9                           | 1.31 [1.22]                       |
| £80,001 - £106,000  | F              | 13/9                           | 1.63 [1.44]                       |
| £106,001 - £212,000 | G              | 15/9                           | 1.96 [1.67]                       |
| Over £212,000       | H              | 18/9                           | 2.45 [2.00]                       |

In **Wales**, a revaluation came into effect on 1 April 2005. This

<sup>39</sup> These are the proportions of the Band D level of council tax payable by properties in other bands. So, for instance, a Band A property pays 6/9 of the Band D bill set by its local authority; a Band H property pays 18/9 of the Band D bill (i.e. twice as much). These are fixed in section 5(1) of the 1992 Act.

introduced a new range of values, based on property valuations as at 1 April 2003; and an additional band (Band I).

| <b>Range of values</b> | <b>Valuation band</b> | <b>Proportion of Band D liability</b> |
|------------------------|-----------------------|---------------------------------------|
| Under £44,000          | A                     | 6/9                                   |
| £44,001 - £65,000      | B                     | 7/9                                   |
| £65,001 - £91,000      | C                     | 8/9                                   |
| £91,001 - £123,000     | D                     | 9/9                                   |
| £123,001 - £162,000    | E                     | 11/9                                  |
| £162,001 - £223,000    | F                     | 13/9                                  |
| £223,001 - £324,000    | G                     | 15/9                                  |
| £324,001 - £424,001    | H                     | 18/9                                  |
| Over £424,001          | I                     | 21/9                                  |

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