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Consultation: High Value Council Tax Surcharge

Response by the Chartered Institute of Taxation

1. Executive Summary

1.1. The consultation seeks views on the detailed design of the High Value Council Tax Surcharge (HVCTS), announced at Budget 2025. The policy aim is to support funding for local government and to reduce the largest inequalities in the council tax system. A possible additional HVCTS premium for non-UK resident owners would be aimed at reducing pressures on housing availability and prices.

1.2. Revaluation of a very small percentage of residential properties for the HVCTS is a small step towards updating council tax values, but the government expects it to affect fewer than 1% of residential properties. The narrow scope of this revaluation also fails to address distortions and, at times, arguably inequitable results within the wider council tax system - based on out-of-date property values.

1.3. The HVCTS effectively introduces a parallel valuation regime within council tax with current market values operating alongside historic 1991 values for council tax. We expect this may lead to valuation challenges particularly at the £2m threshold.

1.4. Although practically, it may be easiest to regard the new HVCTS as a second council tax payment it can be validly perceived as more akin to a targeted property tax than purely as a council tax surcharge.

1.5. A 'bolt on' to council tax of a distinct additional tax adds complexity to the already complex system of property taxation. We suggest that a comprehensive review and reform of the tax treatment of residential property is required to simplify the approach and ensure policy underpinning new taxes is implemented coherently.

1.6. Consideration could be given to gathering better data and insights into the legal and beneficial ownership of land and streamlining existing sources to enable more effective and better targeted reform of property taxation.

1.7. In terms of implementation, our main concerns are added complexity and administrative burdens for local billing authorities who will administer the charge albeit that the government indicates they will be compensated for the additional costs. It appears that local authorities with only a few properties will still need to establish new systems and allocate/recruit staff to administer the charge. The consultation does not indicate whether the pros and cons of a national framework (and therefore economies of scale) versus local collection have been evaluated.

2. About us

2.1. The 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.

2.2. 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 for unrepresented taxpayers who are unable to pay for professional advice.

2.3. 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.

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

3. Introduction

3.1. This joint consultation by the Ministry of Housing, Communities & Local Government, HM Treasury and HMRC seeks views on the detailed design of the High Value Council Tax Surcharge (HVCTS), announced at Budget 2025 (on 26 November 2025). From April 2028 owners (not occupiers) of residential property in England[1] valued at £2m and above will be liable to pay the surcharge. This charge will be based on updated valuations by the Valuation Office[2] identifying properties above the threshold and will be in addition to existing council tax levied on occupiers. The surcharge will be collected by local authorities and paid to the Treasury, with local government being compensated for the additional costs of administration. The surcharge will range from £2,500 to £7,500, depending on the valuation of the property.

3.2. In April 2026, the Office of Budget Responsibility modelling estimated that c. £165,000 properties will be subject to the surcharge in 2028/29 and 167,000 properties in 2030/31.[3]

3.3. Our stated objective for the tax systems include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.

[1] Local government taxation is devolved in Scotland, Wales and Northern Ireland.
[2] From 1 April 2026, the former Valuation Office Agency functions were subsumed into HMRC. The Valuation Office is now a business unit of HMRC.
[3] See https://commonslibrary.parliament.uk/research-briefings/cbp-10934/

- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

3.4. Some of the consultation questions relate to matters outside our remit or members' expertise. We have commented briefly on questions 5-11 (deferral scheme). We have not answered questions 24-27 (challenges and appeals), enforcement (question 28) and protected characteristics (question 29).

4. The policy approach

4.1. The government's policy aim for the HVCTS is to support funding for local government and to reduce the largest inequalities in the council tax system. The consultation considers a possible additional HVCTS premium to non-UK resident owners with the policy aim of addressing pressures on housing availability and prices.

4.2. There is no proposal for a general council tax revaluation[4]. Currently, values for domestic dwellings in England remain based upon a hypothetical sale valuation as of 1 April 1991, over 35 years ago. The consequence is that many properties would be in a different band (and therefore pay more, or less, council tax) if liability was based on current or more recent values. Therefore, families living in houses of similar value can pay different council tax because one property was worth more than the other at 1 April 1991. Revaluation of a very small percentage of residential properties is a small step towards updating values, but the government expects it to affect fewer than 1% of residential properties. A council tax system that does not reflect current property values and treats (or appears to treat) taxpayers in similar situations does not address this core problem.

4.3. The HVCTS adds complexity by introducing a parallel valuation regime based on current market values interacting with the historic 1991 values for council tax. The likely consequence is increased complexity and valuation challenges particularly at the £2m threshold. The proposal to increase the HVCTS rate by CPI each year while rates remain static at least until the first five-year HVCTS revaluation (in 2033) exacerbates the position.

4.4. The new surcharge appears quite distinct from council tax both in terms of structure and purpose. Factors differentiating it from council tax include liability imposed on the legal owner (not the occupier), the inclusion of a deferral scheme, the absence of the single-person discount, a rate that will increase with inflation each year and a potential non-resident premium.

4.5. Although practically, it may be easiest to regard the new HVCTS as a second council tax payment it may be validly perceived as more akin to a targeted property wealth tax (as arguably the occupants of high value property may not consume more public services that occupants of lower value houses) than purely a council tax surcharge (effectively a High Value Property Tax). It is not clear whether the HVCTS will be introduced in a future Finance Bill (reflecting its characteristics as a property tax) or through amendment to local government legislation (as administered and collected by local authorities). We suggest this point should be confirmed in the short term. It may impact the timing of the availability of (draft) legislation.

[4] The Local Government Finance Act 1992 does not include mandatory revaluation in England. The original requirement in the Local Government Act 2003 that residential properties would be revalued every 10 years was replaced by The Council Tax (New Valuation Lists for England) Act 2006 with a power for the Secretary of State to set the date of revaluations.

4.6. A 'bolt on' to council tax of a distinct additional tax seems to us to add complexity and potential duplication of regimes to the acquisition and ownership of high value residential property taking into account existing taxes particularly SDLT on acquisition and ATED (annual tax on enveloped dwellings) on ownership by corporate owners (subject to exemptions). This measure adds further complication to the current complex system of property taxation[5].

4.7. We are concerned that utilising the surcharge to address multiple policy aims lacks coherence and is confusing for taxpayers. It will lead to difficulties in evaluating whether the surcharge is achieving its objectives.

4.8. We suggest that a comprehensive review and reform of the tax treatment of residential property is required to simplify the approach and ensure policy underpinning new taxes is implemented coherently.

4.9. In terms of implementation, our main concern is complexity for local billing authorities who will administer the charge albeit that the government indicates they will be compensated for the additional costs of administration. It appears that local authorities with only a few properties will still need to establish systems and allocate/recruit staff to administer the charge. The consultation does not indicate whether the pros and cons of a national framework (and therefore economies of scale) versus local collection have been evaluated.

5. Question 1: Do you agree the legal owner should generally be liable for HVCTS?

5.1. The consultation indicates that the rationale for imposing the HVCTS on the legal owner, not the beneficial owner (who may or may not be the occupier), is because there is no comprehensive register of beneficial ownership. Legal ownership can be established by local authorities via the Land Registry although we note that it takes time for transactions to be registered with the Land Registry so data is not always complete.

5.2. The policy question of who should be liable is inextricably linked to the economic incidence of the tax[6] and the policy rationale for council tax (both a property tax in the sense that is based upon the value of a property and a charge for local services). The economic question is outside our remit. However, we suggest consideration is given to streamlining existing sources[7] and gathering better data and insights into the legal and beneficial ownership of land including from existing sources to enable more effective and better targeted reform of property taxation. One option would be to establish a fully comprehensive record of ownership, covering both legal and beneficial ownership. However, this would be a fundamental change in itself so the practicalities and way in which this might work would need targeted consultation to ensure challenges are understood, there are no unintended consequences as well as the opportunity to consider alternatives.

6. Question 2: Do you agree that liability should sit with the leaseholder where the lease has been granted for more than 21 years (recognised as a 'long lease'), or where the law treats a lease as having been granted as such?

Question 3: Are there forms of leases, within or outside of the categories mentioned above, where different treatment should be considered?

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[5] Taxation of residential property may involve consideration of nine main taxes: Council tax, stamp duty land tax (land transaction tax in Wales and land and building transaction tax in Scotland), ATED, income tax, corporation tax, capital gains tax, inheritance tax, VAT and national insurance.

[6] The OBR's assumption is that over time there will be a full pass through of the cost of the surcharge into the prices of liable properties.

[7] Trust Registration Service and Registration of Overseas Entities regime.

6.1. The definition of 'Leases which have a long term' in the Leasehold and Freehold Reform Act 2024 section 3[8] appears to reflect the consultation proposal. To reduce the complexity of multiple definitions*,* we are in favour of the use of definition(s) already in existence as far as possible provided it meets the policy intention and is accessible to the user.

6.2. In the context of definitions, the consultation states that the definition of a dwelling in the Local Government Finance Act 1992 for council tax will be used for the HVCTS. It differs from that used for other taxes on residential property, a source of complexity.

6.3. Although adopting this definition of a dwelling has the benefit of consistency with council tax, it is an outdated and inaccessible definition. We suggest that a good definition should be capable of being read independently and understood without the need for additional research; the use of archaic words and circular definitions is not helpful.

7. Question 4: Do you agree that in trust arrangements trustees should be liable for HVCTS?

7.1. If trustees are liable for HVCTS, there is a practical question where trustees have insufficient funds to meet the liability. The consultation suggests only that *'It is likely trustees and beneficiaries are known to each other, which could allow the beneficiary to compensate the trustee for the cost of the surcharge, if required.'*. We suggest this assumption may not reflect the realities of how trusts operate, especially bare trusts. Under the Trustee Act 2000 section 31, trustees have the right to be reimbursed from trust funds when expenses are incurred by the trustee when acting on behalf of the trust. In practice, this could ultimately involve liquidation of trust assets (that may involve selling the property) when the trustee cannot otherwise fund the tax from trust assets, for example in the case of a property occupied by minors which is not rented out.

7.2. The consultation says that making trustees jointly and severally liable to paying tax due would be in line with the approach for other taxes, such as income tax and CGT. However, this is not in line with the approach for bare trusts where the liability generally remains with the beneficiary.

8. Questions 5-11: Supporting those with limited ability to pay (deferral scheme)

8.1. We agree with the principle of a deferral scheme that offers targeted support to homeowners living in their primary residence and who have a limited ability to pay the surcharge.

8.2. The consultation states that deferral of the HVCTS will be available to owners in respect of their primary residence where they meet specific criteria. The proposal is that deferral be available to households with an annual household income of £35,000 or less and capital savings of £16,000 of less. The proposal is that deferral be available to households with eligibility thresholds of an annual household income of £35,000 or less or capital savings of £16,000 or less or where someone in the household meets defined disability criteria.

8.3. The consultation proposes a household income threshold of £35,000 on the basis that 'it is consistent' with thresholds used in the welfare system (for example, Winter Fuel Payment Charge). Whilst there is merit in using existing thresholds rather than creating an entirely new threshold, the Winter Fuel Payment Charge threshold is based on individual income not household income, therefore a household income test is not consistent with the Winter Fuel Payment Charge. To be more consistent with the Winter Fuel Payment Charge, then HVCTS would arguably need a threshold of £70,000 (2 x £35,000), or alternatively could be

[8] https://www.legislation.gov.uk/ukpga/2024/22/section/2

assessed on an individual basis (with each owner assessed on a proportion of the HVCTS in line with their ownership share of the property – although this would create potential complexity).

8.4. It is also worth noting that the Winter Fuel Payment Charge is of a much lower amount than the minimum HVCTS. An alternative comparator may be the High Income Child Benefit Charge – which has a much higher annual income threshold, but again is based on individual rather than household income. In the case of the High Income Child Benefit Charge, it becomes the liability of the higher earner, not a joint and several liability, so again, this still does not fit consistently with the proposed mechanism of assessing HVCTS.

8.5. It is also important to note that both the Winter Fuel Payment Charge and the High Income Child Benefit Charge merely operate to claw back the benefit of any winter fuel payment/child benefit received, nullifying the cash benefit, rather than creating a monetary cost to the individual (or household in the case of child benefit). Therefore it is important to keep in mind the very different context of these the thresholds and the charges that they create when setting thresholds and deciding mechanisms for recovery.

8.6. Similarly we note that in relation to the proposed capital limit, the £16,000 threshold is based on the threshold for loss of benefits, whereas the threshold of savings at which a person is required to pay for care home charges, is higher.

8.7. There is no suggested definition of household. Some benefits refer to households in their definitions, but it broadly identifies couples in long term relationships. It does not include other family members, say a sibling or adult child living with the individual. The consultation is silent on what definition of household might be used. We suggest where possible existing definitions should be used, unless there is strong reason to introduce a different definition. In our experience, people often find it a difficult test to apply given the range of different living arrangements that exist (including lodgers), so clear guidance will be needed to support the legislation.

8.8. It is also not clear to us how a household test for deferral will work where there are joint legal owners of a property (who are jointly and severally liable) but who are part of two different households.

8.9. If it is the case that the usual benefit definition of household is used, that means the income and capital of a partner, who may not have any ownership of the property, will be taken into account. One important point here is that not all couples share finances and financial information. For this reason, a special process was introduced in relation to High Income Child Benefit Charge which recognised this was the case. Thought needs to be given about how to ensure an owner with a liability for the HVCTS but with a low income can access the deferral if their partner will not provide any financial information, should it be the case that a non-owner's income/capital is relevant to the application of the HVCTS.

8.10. Any test that considers income and capital needs to clearly define what income and capital is in scope. There are many differences across the existing tax, benefits and childcare systems in definitions of income and capital. This leads to great complexity and confusion for individuals when income and/or capital is counted for one purpose but not for another. For example, the Winter Fuel Payment Charge threshold applies a different 'income' test to the High Income Child Benefit Charge threshold[9]. Using an existing threshold and the same definitions of income and capital would be preferrable to creating another threshold and different income/capital definitions.

[9] The Winter Fuel Payment Charge threshold is based on 'total income' whereas the High Income Child Benefit Charge is based on 'adjusted net income'.

8.11. The consultation notes that local authorities often ask for the previous financial year's accounts prepared by an accountant or self-employed earnings declaration. We would highlight that using previous year's accounts mean that people who have lost their business or had a significant change in circumstances may therefore be excluded. Whilst previous financial year's accounts are a reasonable starting point, if someone can evidence a significant change, it would be reasonable to allow an estimated current year income to be used to assess access to the deferral.

8.12. A final point is that local authorities will need to assess eligibility for the deferral. This is likely to be an intensive process requiring information gathering about not only the owner(s) but also their partner.

8.13. It is not clear from the consultation whether the deferral scheme will be available to tenants under a long lease (as defined) and to trustees – both groups may have some within it who have assets but a limited ability to pay. We suggest this is clarified.

8.14. Our view is that the interest charged on deferred payment in a targeted deferral scheme should not be punitive.

9. Questions 12 -17: Proposed property types to be exempted from or discounted under HVCTS

9.1. The government is proposing a number of discounts (of up to 100%) or exemptions (the category depending on whether the characteristics of the building will change over time or remain the same) from council tax. We do not comment on the categories proposed as we are not clear of the policy aim that underpins the selection of these properties, whether it is, for example, to remove properties owned in furtherance of a societal good from the charge or because of administrative ease. In relation to the latter, we note that the list does not include unoccupied dwellings that form part of the estate. There is a current exemption for council tax for this category. A grant of representation is necessary to show title to the property or to value the property.

10. Penalties

Question 18: Do you have views on the proposed system of penalties set out above? What else would most help local authorities administer HVCTS efficiently?
Question 19: Noting the need to balance fairness with incentivising the provision of accurate information, do you have views on whether the penalty outlined in this section is sufficient?

10.1. The government proposes increasing the current council tax penalty of £70 for failing to provide information identifying liability or knowingly providing inaccurate information about ownership following receipt of a notice. The proposed new penalty is 10% of the annual HVCTS liability after 21 days increasing to 30% following a further 21 days. Penalties will be issued at the billing authority's discretion with a right of appeal to the Valuation Tribunal.

10.2. We agree that penalties should be proportionate. A penalty regime should clearly distinguish between a person who is trying their best to comply but still getting it wrong and the person who is deliberately getting it wrong.

10.3. We suggest the legislation should set out the parameters for exercise of discretion to ensure the discretion is consistently exercised.

10.4. Provision for penalty escalation helps to address the risk that penalties are viewed as just another cost to be disregarded, however the application will involve monitoring beyond the billing stage. Will local authorities have adequate resources/systems to manage the penalty escalation and further enforcement measures?

10.5. In terms of identifying owners in complex structures where ownership is not transparent, will billing authorities/VO have access to HMRC's Trust Registration Service (TRS)[10] and the Register of Overseas Entities at Companies House?

10.6. Local authorities may incur Land Registry charges as part of establishing legal ownership – will these charges be included in the compensation for the additional costs of administration?

11. Non-resident premium

Question 21: Do you have any evidence on the housing market impacts of non-UK resident owners in high pressure housing markets?
Question 22: Do you think the government should explore charging an additional High Value Council Tax Surcharge premium on non-UK resident owners of homes liable for the tax? Please explain your answer.
Question 23: What do you think the potential impacts of such a premium could be?

11.1. Depending on the evidence base, the government is interested in exploring whether there could be a case for applying an additional HVCTS premium to non-UK resident owners of homes liable for the tax if demand from non-UK resident owners is contributing to pressures on housing availability and prices.

11.2. The economic questions are outside our remit. However, we observe that there is an SDLT 2% surcharge for acquisitions of residential property by non-residents that is intended to disincentive and therefore reduce purchases of dwellings by non-residents to help address house price inflation. The 2% surcharge applies to land transactions in England with an effective date on or after 1 April 2021, subject to transitional provisions. The 2% is added to existing SDLT standard and higher rates for non-resident transactions (as defined). It is possible for the increased rates to apply on top of the residential higher rates, an effective 7% surcharge for a higher rates transaction entered into by a non-resident versus a standard rates transaction entered into by a UK resident. We suggest an evaluation of the efficacy of the SDLT 2% surcharge, whether it has achieved its policy aim and whether there have been any specific impacts should form part of this exploration.

12. Acknowledgement

12.1. We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

3 August 2026

[10] The Fifth Money Laundering Directive imposes obligations on trustees of express trusts to maintain and provide information about trusts and their beneficiaries to HMRC's Trust Registration Service.