POLICY NOTE

THE COUNCIL TAX REDUCTION (MISCELLANEOUS AMENDMENT) (SCOTLAND) REGULATIONS 2026

SSI 2026/56

The above instrument is made in exercise of the powers conferred by sections 80 and 113(1) and (2) and paragraph 1 of schedule 2 of the Local Government Finance Act 1992. It is subject to the negative procedure.

The purpose of these Regulations is to amend:

- **The Council Tax Reduction (Scotland) Regulations 2021; and**
- **The Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012.**

The amendments will increase the various allowances, premiums, and deductions for the purpose of calculating entitlement to a council tax reduction.

The amendments will disregard the new Care Leaver's Payment as capital for the purposes of assessing entitlement to a council tax reduction.

The amendments will ensure certain individuals arriving from countries because of advice to leave immediately or through an evacuation of British nationals are treated as meeting residence requirements for the purposes of council tax reduction.

Policy Objectives

This instrument amends the Council Tax Reduction (Scotland) Regulations 2021 ("the Working Age Regulations"), the Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 ("the Pension Age Regulations").

Annual Uprating

The Council Tax Reduction (CTR) scheme reduces a household's council tax liability by considering their circumstances, capital, and income. This was introduced in 2013 by the Scottish Government following the abolition of Council Tax Benefit (CTB) by the UK Government. At the time, the Scottish Government made a commitment that no-one would be worse off under CTR than they would have been, had CTB continued.

These regulations keep that policy objective by uprating various allowances and premiums on the same basis as has been taken in relation to Housing Benefit (as the existing benefit that most closely reflects the abolished CTB).

This instrument uprates the allowances and premiums in the CTR scheme when deciding what level of CTR a household should receive. The relevant figures have been uprated by 3.8%, the rate of the Consumer Prices Index in September 2025.

The CTR scheme also has income thresholds that determine the rate of non-dependent deductions (used to calculate the amount an additional adult in the household may contribute towards Council Tax) based on their earnings. Income thresholds also apply to the second adult rebate, which is a relief available to households which have a low income but in relation to which entitlement to the Council Tax single person discount is precluded by the presence of the second adult. This instrument increases the non-dependent deduction and alternative maximum CTR amounts by 4.8% in both the Working Age Regulations and Pension Age Regulations.

When the Working Age Regulations were brought into force in April 2022, the policy intention was to ensure that those in receipt of Universal Credit would be eligible for 100% of their relevant childcare costs to be disregarded from any earned income in the calculation of CTR. At the same time, the whole of their Universal Credit childcare element (which the UK Government provides to cover 85% of childcare costs) would count as income in the calculation of CTR.

From April 2026 the maximum childcare element in Universal Credit will increase to £1071.09 for one child and £1836.16 for two or more children. To maintain the policy intent, the maximum allowable childcare costs in CTR will increase to £290 for one child and £497 for two or more children for those who receive Universal Credit. This is necessary to ensure that no-one in receipt of Universal Credit will have a reduction in their level of CTR, due to them receiving an increase in their Universal Credit childcare element.

In 2017, the Scottish Government increased the child premium in CTR by an additional 25% over and above that applied for Housing Benefit. This uplift has continued annually, resulting in a higher rate of child premium in CTR compared to that in Housing Benefit.

Care Leaver's Payment

In the assessment of CTR any capital a person has can have an impact on their entitlement unless the regulations disregard such a payment from being counted as capital. These regulations amend both sets of Regulations to ensure that the new Care Leaver's Payment which is being introduced by the Scottish Government from 1 April 2026 is not counted as capital for 52 weeks from the date the payment is made.

This is to ensure that recipients receive the full benefit of the new payment. Care leavers have an exemption from Council Tax liability; however, they may be subject to joint and several liability if they live with someone else.

People from abroad

These regulations also amend both sets of Council Tax Reduction regulations to add a new category of people who are not to be treated as not being in Great Britain. This is to ensure that certain people will not automatically be excluded from entitlement to CTR, despite them not being habitually resident in the United Kingdom, the Channel Islands, the Isle of Man or the Republic of Ireland, where certain conditions are met. The provision applies to people who have left a country or territory when advised to do so immediately by His Majesty's Government public information or who have arrived in the UK through an evacuation of British nationals arranged by His Majesty's Government, In both cases they must have arrived in the United Kingdom within the first 26 weeks of the evacuation or issuing of the

public information advising to leave that country or territory. Further, they must have been granted leave to enter or remain in the United Kingdom or have a right of abode in the United Kingdom, or do not require leave to enter or remain in the United Kingdom

This amendment will reduce the need for emergency regulations to be brought in should the scenarios of advice to leave immediately or evacuation occur.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights.

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, the Scottish Ministers certify that, in their view, the Council Tax Reduction (Miscellaneous Amendment) (Scotland) Regulations 2026 is compatible with the UNCRC requirements as defined by section 1(2) of the Act.

Consultation

No formal consultation was to be conducted in relation to these Regulations.

Impact Assessments and Financial Effects

A Child Rights and Wellbeing Impact Assessment is provided with this instrument. No other Impact Assessments have been undertaken.

The Cabinet Secretary for Public Finance and Local Government confirms that no Business Regulatory Impact Assessment is necessary as the instrument has no financial effects on the Scottish Government, local government or on business.

Local Government
February 2026