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Briefing Note: High Value Council Tax Surcharge Consultation, Financial Reporting Grant, NNDR3 2025-26 V1.2

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1. Introduction

- 1.1. On 19 May 2026, MHCLG published the [allocations](#) of the 2025/26 £15 million grant to support local bodies with financial reporting.
- 1.2. On 15 May 2026, MHCLG issued an updated NNDR3 2025/26 form. There are no changes to the user facing aspects of the form (and no updates are required to the Collection Fund Suite Module 1 accounting models). If authorities have already completed the form, MHCLG will make the necessary changes post-submission.
- 1.3. On 19 May 2026, the Ministry of Housing, Communities and Local Government (MHCLG), HM Treasury (HMT) and HM Revenues and Customs (HMRC) published a [joint consultation](#) on the design of the design of the High Value Council Tax Surcharge (the surcharge), which was announced at Budget 2025 (and covered in our [briefing](#) on that).
- 1.4. This briefing covers all of the above publications.

2. 2025/26 £15 million grant to support local bodies with financial reporting

- 2.1. On 19 May, MHCLG published the [allocations of the grant](#), which was extended into 2025/26, to support local bodies with financial reporting. Payments of the grant were made in March and were allocated to bodies by applying the proportion of bodies' 2025/26 scale fee to the £15 million available. 2024/25 allocations used 2024/25 scale fees.
- 2.2. The highest allocation amongst the 539 recipients (537 in 2024/25) was to Birmingham City Council for £149,683 and Lindsey March Drainage Board received nothing as the lowest. The average allocation was £27,289.

3. Updated NNDR3 form 2025-26 (v1.2)

- 3.1. On Friday, 15 May, the MHCLG NNDR Data Collection Team emailed authorities with an updated NNDR3 form. The original email and updated form are attached with this briefing.
- 3.2. It appears that there was an issue with the way MHCLG extract data from the forms, and that they needed to make a change to the workings of the hidden parts of the form which they use to extract and consolidate the data, rather than to any of the user facing elements or calculations.

- 3.3. MHCLG are asking authorities, if possible, to use the revised form, though note that they will make the necessary update once authorities have submitted the form, if it has already been completed.
- 3.4. For subscribers to our Collection Fund Suite, no updates are required to the Module 1 accounting models. It is only the 'behind the scenes' element of the form that is affected.

4. High Value Council Tax Surcharge

- 4.1. On 19 May, MHCLG, HMT and HMRC published a [joint consultation](#) on the design of the design of the High Value Council Tax Surcharge, which closes on 14 July 2026.
- 4.2. The surcharge was announced at Budget 2025 (and covered in our [briefing](#) on that) as a new charge on residential dwellings worth more than £2m. The definition of a dwelling is to be the same as for the purposes of council tax. The surcharge is payable, from April 2028, in addition to the standard council tax charge.
- 4.3. There are to be 4 valuation bandings (valuation methodology can be found at Appendix B to the consultation), with the surcharge increasing for each subsequent valuation banding. The surcharge will be increased by the Consumer Price Index each year and the Valuation Office (VO) will undertake revaluations every 5 years, with the next one due in 2033. The consultation states that any decision to uprate bands alongside the revaluations will therefore be for a future government. From the consultation:

Table 1: High value council tax surcharge charging structure

Threshold (£ millions)	Charge (£)
£2 million to £2.5 million	£2,500
£2.5 million to £3.5 million	£3,500
£3.5 million to £5 million	£5,000
over £5 million	£7,500

- 4.4. Properties built after April 2028 but before the 2033 valuation will be valued and banded either on completion or from the day they are occupied, just like council tax. Similarly, properties which have been significantly improved or changed after the implementation date will be revalued and banded at the sooner of either the next revaluation or sale of the property.
- 4.5. The consultation proposes that the surcharge, which is to be collected by local authorities, will be payable by the legal owner of the property, which may or may not be the same as the occupier (who is responsible for the usual council tax charge).

- 4.6. The consultation questions whether the legal owner i.e. freeholder or leaseholder, should generally be liable for the surcharge. It proposes and questions whether 21 years is the minimum term that a lease should be granted for to make the leaseholder rather than freeholder responsible for payment, and whether there are forms of lease where different treatment should be considered. Where trust arrangements exist, the consultation questions whether trustees should be liable for paying the surcharge.
- 4.7. What the consultation does not appear to address is the process of how the surcharge collected by local authorities will be transferred across to central government, which was the assumption when the scheme was first announced at Budget 2025. The ministerial foreword simply refers to the revenue raised through the surcharge being “used to support funding for local government services, contributing to the government’s wider programme to put local government finances back onto a sustainable footing” but not how. Given that the majority of properties that will be subject to the surcharge will be in the most affluent areas already, there will have to be some mechanism for sharing the income. There is also no mention in the consultation of new burdens funding.

Deferral scheme

- 4.8. In the event that an owner is unable to pay the surcharge, the government proposes making a deferral scheme available which permits payment of the surcharge to be delayed until disposal of a property, where individuals meet specific eligibility criteria.
- 4.9. The proposed details of the deferral are:
- Available to owners in respect of their primary residence, not in respect to second homes or to companies that own property
 - Eligibility will be based on an income (£35,000, consistent with thresholds used in the welfare system) or capital threshold (£16,000 capital savings limit consistent with pension age Council Tax Support), for which evidence will be required to be presented to local authorities, or where someone in the household meets defined disability criteria (same criteria as existing equivalent council tax discounts i.e. severely mentally impaired, to be updated to the new definition, or meet the criteria of the Council Tax Band Reduction Scheme).
 - Eligible homeowners will be able to defer their liability until the point of ownership change. Taxpayers will have the option to end deferral at any point and settle their liability earlier if they wish, before the point of sale.
 - The scheme’s administration will be similar to Deferred Payment Agreements relating to adult social care costs in that there will need to be an equity check to ensure deferred payments can be recovered, interest, set at a national level, will be chargeable throughout the lifetime of the deferred payments and a charge will be taken on the property to secure payment upon disposal of the property.

- 4.10. The consultation seeks views on the proposed income and capital threshold and whether they should be available to homeowners who meet the income or savings threshold, or whether they need to meet both thresholds to be eligible. Also whether the disability based criteria should be aligned with existing council tax criteria. It asks whether change of ownership should be the default end point of the deferral and whether there are views on the level of the interest rate, offering several options. Most importantly for local government, it asks what additional resources it may need access to in order to deliver the proposed scheme.

Property level exemptions and discounts

- 4.11. To take certain properties out of scope, exemptions or discounts could be applied. The proposal is to offer a discount or exemption to the following properties if respondents agree, and asks which should be exempt (usually applied to property types with specific characteristics that are unlikely to change) and which should be discounted (usually depends on use or circumstances that are more likely to change over time):
- Purpose built halls of residence, provided predominantly for the accommodation of students
 - Property owned by the Ministry of Defence (MoD) predominantly for the accommodation of armed forces or those from a visiting force
 - Property owned by a sovereign nation predominantly for the accommodation of diplomats
 - Property owned by a registered social housing provider
 - Property owned predominantly for the accommodation of those receiving long-term care such as care homes, long-stay accommodation in hospitals and hospices
 - Property owned predominantly for the accommodation of those seeking refuge from domestic violence
 - New build property owned by a developer, with the exemption or discount applying until the sooner of the point of first sale or twelve months after the completion notice was issued.
- 4.12. The consultation also seeks views on whether there is a case for providing a discount to tied properties (those who own property because of their employment e.g. agriculture) and to property owned for charitable purposes such as providing housing for those who are homeless or to young adults who have left the care system. It asks what types of evidence taxpayers would need to provide to demonstrate relevant eligibility for relevant discounts and again it asks what additional resources local authorities may need [in order to assess eligibility for a discount].

Billing process

- 4.13. The billing process for the surcharge is expected to align with that of council tax. In accordance with the council tax reforms, the surcharge will be collected in 12 monthly payments by default, but taxpayers can request 10 payments. The first bills will be sent to liable owners in March 2028 for payment from April 2028.

- 4.14. The VO will prepare a list of properties in scope and determine which band a property falls into, with a draft list published initially to help local authorities with billing.
- 4.15. The consultation seeks view on proposed penalties that local authorities would be able to charge where information identifying who is liable for the surcharge is not forthcoming, similar to the current £70 penalty applicable to council tax. Given the higher values involved, the proposal is to legislate for a higher penalty regime:
- 10% of the annual surcharge for failure to respond within 21 days to a request for information from a person who, to the billing authority, appears to be the owner;
 - Increasing to 30% following a further 21 days.
- 4.16. Penalties will be issued at local authority discretion and there will be right of appeal to the Valuation Tribunal.
- 4.17. The consultation queries whether it would be acceptable and helpful to be able to apply penalties to other individuals e.g. managing agents, to support compliance with information requests in identifying hard-to-find owners. Also whether there could be a case for applying an additional surcharge premium to non-UK resident owners of homes liable for the tax. The government wishes to understand the impacts of non-UK resident owners in high pressure housing markets, and asks respondents for any evidence to support the case or not for an additional surcharge premium.

Enforcement

- 4.18. The existing Council Tax enforcement framework is expected to be replicated to support the collection of the surcharge. The consultation asks respondents if they agree with this approach.
- 4.19. To reiterate, the elephant in the room not addressed in this consultation is how the income collected will be transferred to central government from local government.

Challenges and appeals

- 4.20. As with Council Tax, owners will be able to challenge and appeal where they believe:
- Their property band is incorrect; or
 - Some other alteration to the list of properties in scope of the surcharge and their bands is needed (such as a property added or removed).
- 4.21. Homeowners will be given an initial 8 month period to challenge banding, after which a 6 month challenge period will apply, which starts when a taxpayer receives a new banding, including following a revaluation, a change by the VO, or when a new owner first becomes the taxpayer for a property.

- 4.22. Those in receipt of a surcharge bill will be able to challenge and appeal at any time where they believe:
- They are not the liable person; or
 - Their bill or liability has been calculated incorrectly.
- 4.23. Homeowners who believe they have been incorrectly billed or banded can first submit a challenge to the body that made the relevant decision. The VO or relevant local authority will consider the challenge and have a statutory timeline for responding:
- VO must respond to banding challenges within 4 months, after which homeowners have 3 months to appeal to the Valuation Tribunal for England (VTE) if they disagree with the VO's decision to amend or not.
 - Local authorities must respond to liability challenges within 2 months, after which homeowners can appeal to the VTE on the decision within 2 months, or if no decision from the authority is received, appeal within 4 months of first contacting the council.
- 4.24. A full list of proposed grounds for challenge and appeals is set out in Annex C to the consultation. A draft list of properties in scope will be published in late 2027, after which homeowners will be able to contact the VO to correct any factual inaccuracies, which can be corrected without formal challenge. The formal challenge process will kick in once the final list has been published.
- 4.25. The consultation asks how easy (or not) it will be for owners to obtain and provide evidence to support a band challenge and whether sharing information earlier in the dispute process about banding will help to resolve disputes. They are also looking for ideas on what could help homeowners feel confident that a challenge or appeal has been handled fairly and independently, even where the decision is not changed.

5. Final Few Spaces Risk-Free QA for your NNDR3

- 5.1. There are still limited places left for our free 2025/26 NNDR3 reviews. This comprehensive support package aims to provide full awareness of the resource implications of the form.
- 5.2. It involves a risk-free review of the NNDR3, with a fee only payable if we find, and you implement, suggested changes to the form. The review provides:
- Comprehensive Analysis: We review your draft form, comparing it against NNDR1 estimates, prior years, and peer benchmarks for Appeals and Bad Debt provisions.
 - Strategic Impact: We identify changes that result in actual resource increases, accounting for Revaluation 2026 and Multiplier Adjustments.

- 5.3. This is provided via a detailed findings report and an online review meeting. If changes are made to your form, we provide full documentation and support for your discussions with auditors.
- 5.4. We only have limited availability remaining, so to secure a place for your authority, please contact Lee Geraghty (lee.geraghty@lgfutures.co.uk)