



Scottish Land Commission
Coimisean Fearainn na h-Alba

Advice on how tax could support land reform and reduce carbon emissions from land

PROGRESS UPDATE AND INTERIM ADVICE

September 2025

Summary

The Scottish Government (SG) has committed to considering options for a carbon land tax, as part of exploring regulatory and fiscal changes that could be made to further support land reform and reduce greenhouse gas emissions from land.

From December 2024 until spring 2026, the SLC and SG are identifying and assessing options for the role tax could play in supporting land reform and the reduction of greenhouse gas emissions from land.

The SLC's role is to support engagement and research and advise Ministers on the strategic approach. This programme of work was announced in the 2024-25 Scottish Budget and Scottish Government's Tax Strategy, both published in December 2024. The work is divided into two phases. This is an interim report and summary of progress (phase 1: Dec 2024-June 2025). It sets out recommended next steps (phase 2: July 2025- Spring 2026).

Background

Scotland has made progress in reducing emissions, but it is clear that further progress is needed across a range of sectors to achieve net zero aims and the SG is exploring potential policy options to support this progress. Taxation is a potentially significant lever to help drive positive land use change and wider land reform.

There are potential tensions between these goals and other SG policy objectives which is why it is important to ensure that any potential new measures are rigorously assessed and based on strong evidence to ensure they serve their objectives and avoid unintended consequences.

The case to consider a range of fiscal and tax instruments has become more significant because of increasing pressure on public finances and the need for land use transformation driven by climate and nature goals.

The SLC sees tax as one of the most significant mechanisms in influencing land reform outcomes in relation to diversity of ownership, and the use and management of land in the public interest.

Work to date

The SLC and SG have been progressing this work through the first phase of work which seeks to understand why and how taxation can play a role in this context. During this time, the SLC organised stakeholder roundtables to get input on key issues, opportunities and risks. It also held a workshop with SG officials to understand the role of tax alongside other fiscal and regulatory levers available to the SG. It engaged stakeholders to further understand the practical challenges and opportunities linked to tax changes, including gathering technical insights from re-introducing shooting rates to the valuation roll.

Interim advice and conclusions

The following conclusions can be drawn from this first phase of work.

Peatland has emerged as a focus area for exploring a potential carbon land tax. This is because it is the most significant source of Land Use, Land Use Change and Forestry emissions in Scotland. Peatland also has the capability to act as a carbon sink removing emissions from the atmosphere.



SG invests a significant amount of money and effort into incentivising peatland restoration. However, for a carbon land tax to work in this context, there are numerous complexities that would need careful consideration. These include:



Ownership and tenure implications

Degraded peatlands span numerous types of landholdings and tenure, including crofting, community-owned, and public sector land – different interventions may be more effective in different tenure scenarios. Modelling and designing future tax options, it is important to identify who would be liable for paying the tax and potential implications.



Interaction with existing grants, payments and taxes

Currently there are a number of grants and subsidies available to encourage nature and peatland restoration. It is currently unclear what the impact of grants and payments are in accelerating peatland restoration and how a carbon land tax would relate or interact with existing mechanisms. The relationship between a carbon land tax, grants, payments and existing regulation should be considered in relation to delivering specific policy outcomes. Careful consideration should be given to the land management activities incentivised by tax and other fiscal mechanisms to avoid contradictions, avoid creating perverse incentives and ensuring any intervention is cost-effective.



Defining peatlands in scope

It appears to be unclear what definition of peatlands would be used for tax. There are different views on peatland in scope and prioritisation which would need to be considered.



Understanding the impact on the land market

Introducing a tax could have positive and negative impacts on the land market in supporting SG policy ambitions. The impacts and unintended consequences of introducing new tax liabilities need to be fully explored.



Skills and capacity within the sector to deliver restoration

There are many practical barriers to increasing the current rate of peatland restoration, including contractor capacity, weather, seasonal constraints, and it is not clear how a tax intervention would help resolve these. This capacity would need to be understood to consider the impact of the tax.



More work is needed in phase 2 to develop robust conclusions and advice on potential options for a carbon land tax in Scotland. Tax could have a role to play in influencing effective long-term carbon management of land, but it is unclear yet how a tax intervention would impact short-term peatland restoration goals.

We advise that SG takes a coordinated approach to developing peatland policy that may include a range of levers, including tax, to support the Climate Change Plan. In the next phase of work SG and the SLC plan to further investigate the relationship between land with the highest carbon emissions and tenure types to understand the challenges and opportunities for tax (alongside other fiscal incentives). Parallel research is underway to understand how to measure carbon emissions from land which will support a wider range of policy mechanisms.

Considering new tax proposals such as a carbon land tax in isolation can lead to unintended outcomes and has pointed to some fundamental administrative challenges regarding data, capacity and land within scope for future tax policy. A more systematic and strategic approach should be taken to explore opportunities for land and property to play a greater role in the tax system in order to support net zero and land reform across urban and rural communities.

Discussions about a hypothetical peatland carbon land tax scenario in phase 1 has highlighted the following issues:



Capacity, methods and tools.

It is important to understand how to build a capacity, methods and tools (e.g. the valuation roll or registers) to create flexibility and enable implementing future taxes. The SLC has proposed that all land should be brought onto the valuation roll for this to become a viable lever for Government to help deliver its future policy outcomes. The carbon land tax proposals would require a new register or similar mechanism to form the basis of taxation. Understanding the availability of existing and alternative options for informing the basis of tax decisions will be a key factor for future tax policy decisions.



Land and property values

There is significant scope to improve the way land values are accounted for in the tax system to give SG the option to widen the tax base and encourage behaviour change. To do this, there is a need to consider how land is valued for tax purposes, including the approach to valuation. Recent changes to bring shooting rates back into the business rates system, are a useful case study that highlights both the practical challenges and behavioural impacts of reform in this area. More could be learned about past experiences and how different land is treated in the tax system.

In the next phase we plan to learn from different countries, sectors and stakeholders about the practical challenges and opportunities linked to incrementally changing the current Scottish 'tax infrastructure' so that Ministers have the option to use tax to address carbon emissions from land, availability of land and encouraging land re-use.



Phase 1 concludes that:

1. Further work is needed to understand the potential for a carbon land tax.
2. A strategic approach is needed to ensure that land is more actively considered in the tax system and supports wider SG outcomes.

This is reflected in the phase 2 activities. The SLC will work with SG to further understand the issues outlined above and provide practical advice and steps for Ministers to address these. We will specifically consider a potential carbon land tax and options to evolve the tax system so that land is more prominent in the tax base, encourages productive and diverse land ownership.

Outline phase 2 activities:

1) To further consider options for delivering a carbon land tax on peatland as part of wider peatland policy, the SLC will work with SG to deliver:

- Research on measuring carbon emissions from peatland.
- A SG peatland policy workshop.
- Further landowner analysis of who owns Scottish peat emissions.
- Further policy development as informed by the above.

2) To assist the delivery of SG's Tax Strategy, the SLC will explore how land can support the reforms needed to continue to deliver sustainable and growing tax revenues in the future by:

- Researching different approaches for land valuation in the tax system.
- Review of policy impacts of reintroducing shooting rates.
- Exploring different use cases to illustrate opportunities and impacts for tax to play a role in supporting productive land outcomes, including adding land to the valuation roll.

Output:

Advice to Ministers on options to progress carbon land tax and a route-map for laying the groundwork for future reforms on tax by Spring 2026.

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