



Scottish Land Commission
Coimisean Fearainn na h-Alba

Tax options for reducing emissions from land and supporting land reform

ADVICE TO SCOTTISH MINISTERS

March 2026



Opportunity

The Scottish Government's budget 2025-26 and tax strategy included a commitment to working with the Scottish Land Commission (SLC) to explore tax and fiscal changes that could be made to further support land reform and reduce greenhouse gas emissions from land, including considering options for a carbon land tax. This takes into consideration previous public calls for a carbon emissions land tax as proposed by the John Muir Trust.

The SLC believes that tax is a potentially significant lever in delivering the government's land policy objectives, for example it could raise revenue, incentivise behaviours and help stabilise land prices. With over 50% of the UK's wealth being tied up in land and property, it is our most valuable asset.¹ However it only forms a small part of the total tax base. We believe there is a case to strengthen the link between land and taxation.

At present, land is taxed indirectly through income and capital, to which specific reliefs and exemptions are applied. The current mix of reserved and devolved tax powers means that the Scottish Government is limited in its ability to use tax in support of land policy. In 2022, we advised Scottish Ministers on how it could support land reform priorities including diversification of land ownership, town centre regeneration, making a just transition to net zero, and supporting active farming.²

¹ <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/improvingestimatesoffandunderlyingdwellingsinthenationalbalancesheetuk/2022>

² Scottish Land Commission (2022) Land Reform and Taxation: Advice to Ministers. Available at: https://www.landcommission.gov.scot/downloads/61efa506191e2_Land%20Reform%20and%20Taxation%20-%20Advice%20to%20Scottish%20Ministers.pdf

Advice

Building on our previous advice, we have explored options for taxing emissions from land and considered the potential for a carbon land tax with a focus on peatland. Peatland was considered as a priority area during the initial engagement phase as it is the most significant source of Land Use, Land Use Change and Forestry emissions in Scotland.³ Peatland also has the capability to act as a carbon sink removing emissions from the atmosphere when in good condition. The peatland scenario has highlighted important factors that are relevant when considering tax in other land use contexts.

There is no doubt that tax can be a highly influential factor in shaping land use behaviours. However, our research and engagement demonstrate that a potential tax needs to have a clear purpose and be considered in a joined-up way, in addition to all available levers that influence land use change.

Our work has exposed many practical challenges and potential unintended consequences when designing such a tax fairly and effectively. Extensive work and more data about ownership, peatland condition and potential impacts is required if Scottish Government wishes to continue to explore the feasibility of implementing a new carbon land tax on peatland. It is unclear that a carbon land tax based on emissions would effectively enhance peatland restoration delivery in the short-term, or whether it would be the most effective policy lever available to government.

As we conclude our exploratory phase, we advise that:

- A carbon land tax focused particularly on emissions from peatland would be a blunt and complicated tax to design and we advise against introduction of such a tax in isolation.
- Tax and/or other regulatory measures could and should play a greater part in securing the necessary land use change to deliver Scotland's Climate Change Plan.



There is currently no clear delivery pathway to the scale of peatland restoration set out in the Climate Change Plan that does not rely on significant private finance. While private finance markets are proving a viable contribution to woodland creation, there is no evidence yet that they can deliver on the scale and timeline needed for peatland restoration.

³ Scottish Land Commission (2025) Interim Advice on how tax could support land reform and reduce carbon emissions from land. Available from: https://www.landcommission.gov.scot/downloads/68be93ee2dd2b_InterimAdviceonhowtaxcouldsupportlandreformandreducecarbonemissionsfromland.pdf

We therefore advise that in relation to peatland carbon emissions:



- Scottish Government should review the balance of regulation, incentive and market mechanisms that can deliver. This may require a shift in what is expected as a reasonable regulatory baseline.

For example, it would be reasonable to expect that maintaining peatland in good condition is a regulatory requirement of responsible land ownership. It would also be reasonable to expect that public finance incentives support the more complex restoration costs. In the medium term, tax or other regulatory measures could ensure that keeping peatland in a degraded state carries a liability. A signal that such a measure would be introduced after a defined period, for example, 5 or 10 years, would provide certainty on policy direction and act as a further incentive to restore and maintain peatland in the meantime. Any such future tax would still have to address the practical issues we have identified but would allow time to do that.

A better balance between regulation and incentive would also help avoid contributing to escalating land prices. Recent years have seen some perverse impacts on land values in which degraded peatland has risen in value because of expectations of potential carbon market revenues and public grants. Ensuring a clear signal that degraded peatland will in future carry a financial liability would help counter this scenario.

The carbon land tax proposal is one example of a desire for government to be able to use tax in a more targeted and effective way to help deliver environmental and land reform outcomes. It highlights the need for more systemic improvements to the tax infrastructure – the data, valuations, capacity and systems – so that government has viable options to use tax differently in the future.

We advise that:



- A programme of work is necessary to put in place the steps that would enable Scottish Government to use tax reforms in an effective way to support environmental and land reform outcomes.



Key findings

Our advice is based on a number of key findings.



1. There is no universal, scientifically robust measure for carbon emissions from peatland to form a basis for tax.

Research suggests that current methods of measuring carbon emissions from peatland do not yet provide the accuracy, fairness or transparency required for a peatland emissions tax at individual landholding level.⁴ Baseline mapping for peat contains omission and commission errors at the scale of individual holdings. There are many factors that underpin peatland condition, management and emissions. Failing to accurately account for this complexity risks creating a complex, costly and potentially unfair tax system. A significant amount of work and modelling would be needed to make taxing peatland emissions at an individual landholding level a feasible option. However, regulation of peatland condition could be a feasible option for further consideration.

⁴ SRUC (2026) Delivering robust measurement pathways for a Scottish carbon land tax: an evidence review and feasibility study. Available at: <https://lunzhub.com/wp/wp-content/uploads/2026/02/LUNZHub-Calldown-26-Reed-et-al-Carbon-Land-Tax.pdf>

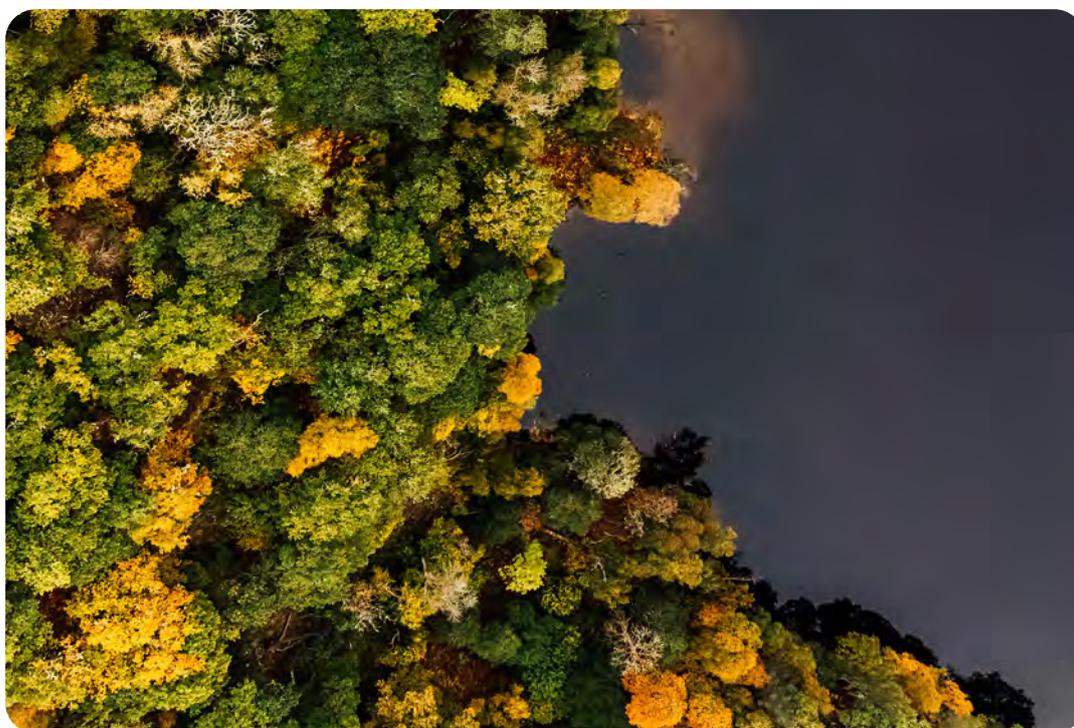
2. The ownership and tenure implications of a carbon land tax are unclear and could lead to unintended consequences.



There is a challenge in answering ‘who pays’ a carbon land tax. Peatland restoration is a challenge faced by public, private, NGO and community landowners. Research identified that, based on the best available data, 33 landowners are needed to meet the Scottish Government’s 250,000 hectares peatland restoration target.⁵ If these sites are strategic priorities, it may be feasible to explore options for practical actions and instruments with a smaller number of actors.

There will also be sector and tenure implications and the impact on different ownership structures, tenures and crofts needs to be understood. Identifying who is liable to pay tax without understanding the barriers faced by different types of landowner could lead to significant perverse outcomes. For example, this could lead to potential tensions with Scottish Government land use and rural policy aims including crofting, tenant farming and community ownership. Differential treatment of landowners in the tax system would require strong justification.

Significantly, this research shows that complete and up-to-date data regarding land ownership and liable entities would be required for a carbon land tax to be effective.



⁵ SRUC (2025) Scottish Peat Emissions and Land Ownership: Meeting restoration targets with the fewest landowners. Available at: https://sruc.figshare.com/articles/report/Scottish_Peat_Emissions_and_Land_Ownership_Meeting_restoration_targets_with_the_fewest_landowners/29313782?file=55499039



3. Tax should be considered as part of a wider, strategic approach to peatland restoration.

Scottish Government currently invests in peatland restoration through its Peatland ACTION restoration programme. It also has at its disposal other approaches, such as conditionality, grants and payments. Regulation should also be considered as an option for requiring peatland restoration activity.



It is unclear at this stage how a tax or charge would interact with existing efforts to incentivise peatland restoration and government payments in other sectors such as agriculture or forestry. Further work would be needed to identify and map grant recipients of payments against potential payers of the carbon land tax to understand the relationship and entities involved.

It is unclear how a carbon land tax would interact with private investment in peatland restoration and carbon credits. Given the practical challenges, it could carry risks for both landowners and investors or lead to a potential increase in project costs. More broadly, we agree with views that the financial and non-financial barriers to peatland restoration need to be fully understood to identify a specific role for tax, private finance and other mechanisms.⁶

At this stage, it is unclear how a carbon land tax would adhere to the Scottish Government's principles for good tax policymaking.⁷ The case for an additional mechanism such as tax would need to be built on evidence of the impact of existing incentives, such as Peatland ACTION and other available mechanisms, on accelerating peatland restoration. Scottish Government should consider tax as part of a longer term, strategic approach to peatland restoration and alongside a range of levers using the tax policymaking principles as a guide.

⁶ Future Economy Scotland (2025) Restoring Nature to Deliver a Just Transition. Available at: <https://www.futureeconomy.scot/publications/133-restoring-nature-to-deliver-a-just-transition-to-net-zero>

⁷ Scottish Government (2021) Framework for Tax. Available at: <https://www.gov.scot/publications/framework-tax-2021/pages/4/>

4. Local impacts and interaction with other land use objectives need to be understood.



A key assumption for a behavioural tax such as a carbon land tax is that all land management activity must lead to reduction of emissions in peatland. Designing a potential carbon land tax would require the baselining and mapping of peatland condition by individual landholding. More work would be needed to overlay these data sets and build this evidence base. Technologies such as LiDAR could bring opportunities for this.⁸

In reality, peatland transcends multiple ownership boundaries and often benefits from a landscape-scale approach. In practice, this requires landowners to have the skills, resources and willingness to manage peatland on an ongoing basis. Scotland also has small landholdings with sites of degraded peat, underlining the need for a more flexible approach.

A carbon land tax would, by design, focus land management activities on carbon emissions rather than focusing on overall peatland condition which may take into account broader environmental or local goals. The impacts and unintended consequences on other local factors and interactions with other land use objectives need to be fully assessed and understood. A tax would need to be connected and support delivery of wider policy, such as a Land Use Strategy, land reform or peatland policy.

While reducing carbon emissions and restoring nature is essential for meeting our climate goals, any local tax must consider other policies and local needs. A carbon tax could have significant regional and local economic impact and further research is needed to understand its distributional impacts.



⁸ Scottish Government (2025) Mapping the Future: Scotland's LiDAR Revolution. Available at: <https://blogs.gov.scot/digital/2025/10/03/mapping-the-future-scotlands-lidar-revolution/>



5. A strategic approach to taxing land would create more options for tax to support wider environmental outcomes.



The SLC sees tax as a significant and influential public policy lever to support environmental outcomes and supports the polluter pays principle. However, as it stands, Scotland's tax and land data system is not set up to consider environmental outcomes from land such as carbon emissions as our initial findings on a carbon land tax have shown. This work has identified the limits in the current system to support new and innovative tax ideas. A longer-term approach is needed to give Scottish Ministers the option to use tax to help deliver environmental and land policy outcomes.

In the short-term, we advise that Scottish Government could assess how existing taxes, reliefs and exemption could improve environmental outcomes. In 2022, the SLC reviewed existing devolved taxes and recommended Land and Buildings Transactions Tax and Non-Domestic Rates reliefs, surcharges and new local tax powers to tackle derelict land and support land reform outcomes.

6. Scotland needs a plan to modernise the land and property tax system, starting with bringing land information together.



Building on our 2022 recommendations, we advise that if the Scottish Government wants to use tax to deliver land policy, raise revenue or unlock productivity, it must make land values more prominent in tax policy. We continue to advise that all land should be accounted for on the valuation roll (or equivalent database) and that better integrated land data, use and ownership information is needed to inform tax policy.

To do this, Scotland should develop a modern tax infrastructure to handle current and future government priorities. Research on international valuation and tax systems highlights the importance of accurate, up-to-date and complete data on ownership, value and land use to effectively use tax.⁹ For example, Scotland alongside the rest of the UK falls behind in terms of valuation for residential property basing its property values on 1991 house prices. Other countries have been able to create land valuation processes that enable tax to be used as an effective and responsive mechanism to deal with wider societal, economic and environmental changes. This includes the use of technology to help scenario modelling, creating open and transparent systems and a shift to considering environmental factors in land valuations.

To help Scottish Government consider the practical steps needed, we will develop a proposed programme for building a modern infrastructure to support better taxation of land. The experience of tax and land valuation processes in other countries has taught us that transparency, trust and wider public understanding should underpin any such programme. The key building blocks for a pathway to new taxes are:

- Building a trusted **land data and mapping** environment to base taxes on.
- Exploring existing and new **valuation** approaches.
- Understanding the **legal** framework for new land taxes.
- Identifying and delivering clear **land use priorities**.
- Understanding wider **fiscal and tax** implications.
- **Resourcing and investing** in building a robust system of administration.

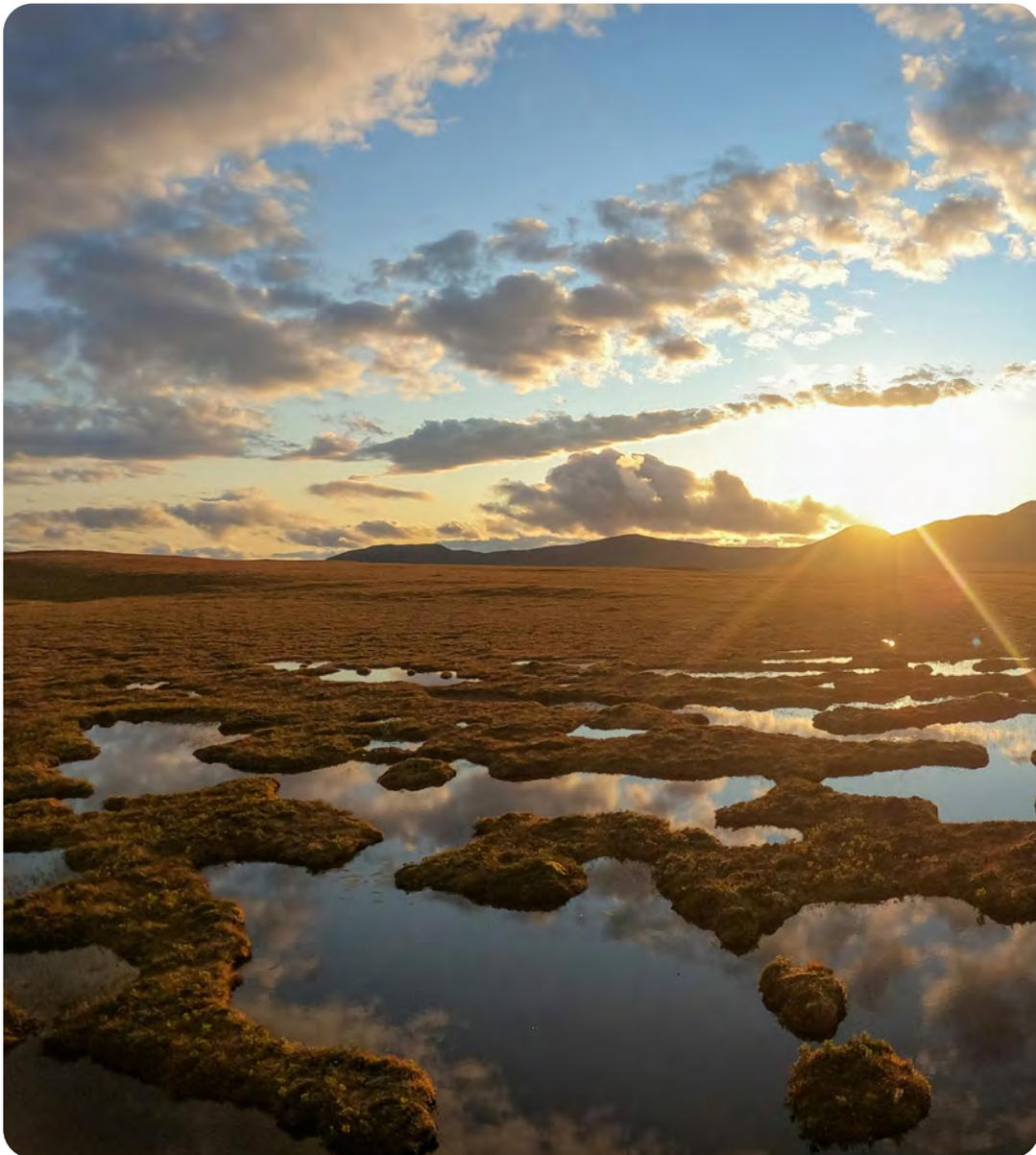
We offer to work with the Scottish Government in helping develop and deliver such a programme, while recognising this will require cross-government and sectoral support.

⁹ Scottish Land Commission (2025) WPI Economics: Approach to land valuation in the tax system. Available at: Approaches to land valuation in the tax system <https://blogs.gov.scot/digital/2025/10/03/mapping-the-future-scotlands-lidar-revolution/>

Conclusion



Land is a substantial source of Scotland's carbon emissions. To meet our climate and nature goals, it may be necessary to use tax to incentivise more ambitious action to reduce these emissions, but in order to get to this point our work to date has highlighted that considerable preparatory work is needed. We will develop and publish a route-map to help Scottish Government with recommendations on how to approach this task.



Ma tha sibh ag iarraidh lethbhreac den sgrìobhainn seo sa Ghàidhlig, cuiribh post-d gu commsteam@landcommission.gov.scot no cuiribh fòn gu **01463 423 300**.

If you would like to request a copy of this document in Gaelic, please email commsteam@landcommission.gov.scot or call **01463 423 300**.



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