



Number: WG48589

Welsh Government
Consultation Document

Consultation on the proposed Land Transaction Tax (LTT) Special Tax Sites Relief

Date of issue: 19 December 2023
Action required: Responses by 18 February 2024

Contents

Overview	3
How to respond	3
What is this consultation about?	6
What is the current position?	6
What are we proposing?	7
Meaning of special tax site	8
Qualifying Special Tax Site Land	8
Qualifying manner	10
Relief for caretaker and security staff accommodation	10
Ancillary land & commercial trade or profession	11
Definition of 'excluded rents'	12
Relief period	13
Full Relief	13
Partial Relief	14
Land transactions including land within and outwith the designated tax site	15
Alternative property finance arrangements	17
Claiming the Relief	18
Disposal of substantially all of the economic interest of qualifying special tax site land during control period	18
Cases where assignment of lease treated as grant of lease	19
Welsh language considerations	20
General considerations	20
What are the next steps following the consultation?	21
Annex A: Freeport Programme in Wales: bidding prospectus	22
Annex B: Draft Legislative Provisions	23

Overview

This consultation seeks your views on the Welsh Government's proposals to amend the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. The amendments will provide a relief from land transaction tax for qualifying transactions within a designated Welsh special tax site.

Annex B sets out the draft legislative provisions contained within *The Land Transaction Tax (Relief for Special Tax Sites) (Wales) Regulations 202[4]*.

While there is no statutory duty to consult, consulting at this stage respects well established public law principles, as there is likely to be a legitimate expectation that the Welsh Government will consult on this matter. This consultation will run for a period of 8 weeks, which is shorter than the standard consultation period of 12 weeks. Given the technical and area specific nature of the draft legislative provisions, a shorter public consultation exercise has been deemed reasonable in the circumstances.

How to respond

Please respond to this consultation by answering the questions set out within this document and in the response form. Responses can be submitted in a number of ways:

Online: www.gov.wales/land-transaction-tax-special-tax-sites-relief

Email: LTTConsultation.SpecialTaxSitesRelief@gov.wales

Post:

Land Transaction Tax (LTT) Special Tax Sites Relief
Tax Strategy and Intergovernmental Relations Division
Welsh Treasury
Welsh Government
Cathays Park (2nd floor West)
Cardiff
CF10 3NQ

When responding please state whether you are responding as an individual or are representing the views of an organisation.

Responses to this consultation should arrive by 18 February 2024 at the latest.

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

Freeport Programme in Wales:

<https://www.gov.wales/freeport-programme-wales>

Statement by the Minister for Economy regarding Investment Zones (IZs):
[Plenary 07/11/2023 - Welsh Parliament \(senedd.wales\)](#)

Contact details

For further information:

Email: LTTConsultation.SpecialTaxSitesRelief@gov.wales

Telephone: 03000 256802 / 03000 256083

or write to:

Land Transaction Tax (LTT) Special Tax Sites Relief
Tax Strategy and Intergovernmental Relations Division
Welsh Treasury
Welsh Government
Cathays Park (2nd floor West)
Cardiff
CF10 3NQ

This document is also available in Welsh:

www.llyw.cymru/rhyddhad-treth-trafodiadau-tir-ar-gyfer-safleoedd-treth-arbennig

General Data Protection Regulation (GDPR)

The Welsh Government will be data controller for Welsh Government consultations and for any personal data you provide as part of your response to the consultation.

Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. The lawful basis for processing information in this data collection exercise is our public task; that is, exercising our official authority to undertake the core role and functions of the Welsh Government. (Art 6(1)(e))

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. In the case of joint consultations this may also include other public authorities. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation and that the Welsh Government may be under a legal obligation to disclose some information.

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the UK GDPR, please see contact details below:

Data Protection Officer:

Welsh Government

Cathays Park

CARDIFF

CF10 3NQ

e-mail: dataprotectionofficer@gov.wales

The contact details for the Information Commissioner's Office are:

Wycliffe House

Water Lane

Wilmslow

Cheshire SK9 5AF

Tel: 0303 123 1113

Website: <https://ico.org.uk/>

1.0 What is this consultation about?

- 1.1 This consultation seeks views on proposed legislative amendments to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (“**LTTA 2017**”). The amendments will provide a relief from land transaction tax (“**LTT**”) for qualifying transactions of land within a designated Welsh special tax site for a fixed period of time. This will include qualifying transactions within the proposed Welsh freeports and, where appropriate, for investment zone(s) (“**IZ(s)**”) in Wales. If the LTT relief applying to IZs is to be different to that provided in Freeports, further policy development and consultation may be required and additional regulations prepared to amend the LTTA 2017. Annex B sets out the draft legislative provisions (“**the Draft Regulations**”).
- 1.2 In March 2023, the UK and Welsh governments jointly announced the Celtic Freeport and the Anglesey Freeport as the successful bidders to progress to the Outline Business Case (“**OBC**”) stage for freeport status. If the two business cases are agreed, the Welsh freeports will provide tax and customs duty incentives to new businesses establishing themselves in the freeport area or to existing businesses in the freeport area that expand their operations.
- 1.3 The tax incentives include targeted relief from employer national insurance contributions and enhanced capital allowances. Both these tax incentives relate to UK government reserved taxes. Tax incentives in England are also provided for non-domestic rates (“**NDR**”) and stamp duty land tax (“**SDLT**”). Both are devolved matters for the Welsh Ministers and Senedd Cymru, with SDLT devolved to Wales in 2018 and replaced by LTT.
- 1.4 The freeport tax incentives, including the proposed LTT relief, are key drivers of the programme’s impact and have been designed with the intention of helping sites attract private investment and deliver the policy objectives of the Freeports Programme in Wales. Therefore, it is anticipated the tax reliefs will need to be in place should the OBCs be approved with the tax sites potentially designated¹ early in 2024.

2.0 What is the current position?

- 2.1 In England, relief from SDLT currently applies to qualifying transactions with an effective date from the date the special tax sites are designated until 30 September 2031 following changes announced in the recent Autumn Statement.
- 2.2 The SDLT relief may be claimed on the purchase of land if it is situated in a freeport tax site, now a special tax site, and the buyer intends to use it in a qualifying manner. Use in a qualifying manner is defined as: used in a commercial trade or profession, developed, or redeveloped in a commercial trade or profession,

¹ Tax sites are designated by regulations made by HM Treasury under section 113 Finance Act 2021. The designation sets out the area that is within the special tax sites, and therefore where the relief will apply in Wales.

exploited as a source of rents or other receipts (other than excluded rents such as wayleaves, pipelines, etc.), or used in two or more of these ways.

- 2.3 Any residential use or holding the land as stock for sale without development or redevelopment are not qualifying uses.
- 2.4 The SDLT relief can be withdrawn ('clawed back') in the three years after the effective date of the transaction if the use of the land no longer meets the conditions for the relief (unless this occurs due to circumstances beyond the buyer's control). Similar clawback provisions exist for other purposes in SDLT (and LTT)². The special tax site relief is withdrawn in its entirety, that is there is no partial clawback.
- 2.5 The joint Welsh and UK governments freeport bidding prospectus set out, "*the Welsh Government proposes to offer a specific Land Transaction Tax (LTT) relief on relevant land transactions within qualifying tax sites*". See Annex A for full text.
- 2.6 The Welsh Government is committed, subject to approval by Senedd Cymru to provide a LTT relief, subject to agreement of the OBCs, however, no commitment has been made to replicate the SDLT special tax site relief applying in England.

3.0 What are we proposing?

- 3.1 The availability of full or partial LTT special tax site relief will require a number of conditions to be met at the effective date of the transaction.
- 3.2 Full or partial relief from LTT will be available where a buyer, or buyers, enter into a qualifying land transaction (in the period the relief is provided) where the relevant land or building is situated within a designated Welsh special tax site and is used, or is intended to be used, in a qualifying manner.
- 3.3 To provide for consistency across the UK, the Welsh Government intends that the LTT relief offered in Welsh special tax sites will broadly be equivalent to the SDLT relief offered to special tax sites in England. The Welsh Government is proposing six changes for the LTT special tax sites relief:
- LTT relief can only be claimed in relation to land within the designated special tax site;
 - caretaker or security staff accommodation, despite being residential development, is to be considered incidental to the use for qualifying purposes and therefore qualifies for relief in all situations;
 - LTT relief will use a marginally tighter definition of 'excluded rents' compared to SDLT;
 - LTT relief related to alternative finance arrangements will not follow SDLT in making a 'relevant person' liable to file the further return and pay LTT in the event that the relief needs to be withdrawn;
 - LTT relief will provide withdrawal rules so they will not apply where the person who has claimed relief has disposed of substantially all their economic interest in the land; and
 - LTT relief will address situations where an assignment of a lease should, as in other cases, sometimes be treated as the grant of a lease.

² Such as for group relief and charity relief.

3.4 The relief will be administered by the Welsh Revenue Authority (“**WRA**”) in the same way as existing LTT reliefs. The process for claiming the relief will be the same as for most other reliefs, that is, it must be claimed in a return or in an amendment to that return.

Meaning of special tax site

3.5 Section 113 of the Finance Act 2021 provides the UK government with a power to designate a special tax site for the purposes of capital allowances and, in relation to England, SDLT. Section 113 does not allow the UK government to designate an area for the purpose of LTT relief as LTT is a devolved tax for which the Welsh Government and Senedd Cymru have responsibility. Consequently, within the Draft Regulations, the Welsh Ministers will confirm the area to which the LTT relief will apply ensuring the decision of the areas to which the relief applies rests with the Senedd Cymru.

3.6 For the purposes of the relief, a “special tax site” will be defined as an area in Wales that is:

the area designated by [*reference to regulations that designate area in Wales a special tax site*] as made on [*date*].

Therefore, a separate set of regulations will be needed to amend the proposed Schedule 21A, to include any future designated special tax sites should the Welsh Ministers agree to LTT relief being provided, so that the Senedd can approve, or not, the provision of relief to that new area.

3.7 Relevant provisions for designating the special tax sites that will apply to the Welsh special tax sites are set out at paragraph 2 of the proposed Schedule 21A to the LTTA 2017 in the Draft Regulations (“**the proposed Schedule 21A**”).

Q1	<p>Do you agree that the provisions as drafted work as intended in defining the meaning of “special tax site”, and that the definition will cover the freeport sites?</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="padding: 5px;">Please tick one of the following:</td> <td style="text-align: center; padding: 5px;">Agree</td> <td style="text-align: center; padding: 5px;">Undecided</td> <td style="text-align: center; padding: 5px;">Disagree</td> </tr> </table> <p style="margin-top: 10px;">If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.</p>	Please tick one of the following:	Agree	Undecided	Disagree
Please tick one of the following:	Agree	Undecided	Disagree		

Qualifying Special Tax Site Land

3.8 The relief may be claimed if the transaction includes qualifying special tax site land. The transaction will include qualifying special tax site land if, on the effective date of the land transaction:

- (a) it is situated in a designated special tax site, and
- (b) the buyer intends it to be used exclusively in a qualifying manner (see paragraph 3.12 below).

3.9 The relevant provisions are set out at paragraph 3 of the proposed Schedule 21A.

Q2	Do you agree that the provisions as drafted clearly define the meaning of “qualifying special tax site land”?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.			

3.10 The Welsh Government is proposing that, in contrast to the SDLT relief available in England, that the LTT relief can only be claimed in relation to that land which is within the designated special tax site area. For the SDLT relief, if the taxpayer is to use 90% or more of the land (by consideration given) for qualifying purposes it is possible for the transaction to include land outside the special tax site on which relief can be given. The Welsh Ministers do not consider that any relief should be available for land outside the designated special tax sites. Therefore, for such transactions that include land both within and outwith the special tax site the LTT special tax site relief will require the taxpayer to effectively ‘split’ the transaction into land that is within the tax site, and then establish what level of relief is available on that part of the transaction. The taxpayer will also need to establish the amount of tax that is liable on the land that is outside the special tax site. The total of the tax payable after a claim to special tax site relief due on the land within and outwith the special tax site is the amount of tax to be self assessed on the LTT return. In the event that land within and outwith the special tax site is acquired in linked transactions then the same process of establishing the tax due will be necessary to ensure the correct tax rates and thresholds are applied.

Q3	Do you agree that LTT relief should only be claimed in relation to that land which is within the designated special tax site area?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why?			

Q4	Do you agree that paragraphs 6, 7 and 8 of the proposed Schedule 21A achieves the tax outcome as explained in paragraph 3.10 above?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain in what way the drafting does not achieve the intended outcome and what amendments are required.			

Qualifying manner

- 3.11 Relief will be available, in part or in full, for qualifying transactions of land within a special tax site which is used, or is intended to be used, in a 'qualifying manner'. This broadly means land or property used for a commercial activity or trade.
- 3.12 Use of land in a qualifying manner for the purposes of the relief will include use in one or more of the following ways:
- (a) used by the buyer or a connected person in the course of a commercial trade or profession;
 - (b) developed or redeveloped by the buyer or a connected person for use (by any person) in the course of a commercial trade or profession;
 - (c) exploited by the buyer or a connected person, in the course of a commercial trade or profession, as a source of rents or other receipts (other than excluded rents and other receipts).
- 3.13 However, use of land in the following ways will not be use in a 'qualifying manner':
- (a) used as a dwelling or as the garden or grounds of a dwelling (including any building or other structure on such land),
 - (b) developed or redeveloped to become residential property,
 - (c) exploited as a source of rents or other receipts payable by a person using the land as a dwelling or as the garden or grounds of a dwelling, or
 - (d) held (as stock of the business) for resale without development or redevelopment.
- 3.14 The relevant provisions are set out at paragraph 4, sub-paragraphs (1) – (2) of the proposed Schedule 21A.

Q5

Do you agree that the provisions as drafted work in defining the meaning of "qualifying manner"?

Please tick one of the following:

Agree

Undecided

Disagree

If you disagree, please explain why the drafting does not provide an adequate definition and what amendments are required.

Relief for caretaker and security staff accommodation

- 3.15 The Welsh Government intends that residential development of caretaker or security staff accommodation is considered incidental to the use for qualifying purposes and therefore qualifies for relief in both the full and partial relief. This is a change to the SDLT relief where relief for caretaker accommodation would (incidentally) be permitted where the full relief could be claimed, but not where the partial relief could be claimed.
- 3.16 The relevant provisions are set out at paragraph 4(3) of the proposed Schedule 21A.

Q6	Do you agree to the provision of relief for caretaker and security staff accommodation in both the full and partial special tax site relief?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why?			

Q7	Do you agree that the provisions as drafted provide for relief for caretaker and security staff accommodation as intended?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.			

Ancillary land & commercial trade or profession

3.17 The Welsh Government intends not only for caretaker and security staff accommodation to qualify for relief but also for other use that falls outside the definition of use in a qualifying manner but is ancillary to the use in a qualifying manner. This is also provided for by the SDLT rules and is intended to cover land that is bought for qualifying purposes but is used for roads, car parks, landscaping etc. that is ancillary to and supports the use of the remaining land in a qualifying manner. For the LTT relief, land used in this ancillary manner must be within the designated special tax site.

3.18 The relevant provisions are set out at paragraph 4(4) of the proposed Schedule 21A.

Q8	Do you agree that the provisions as drafted work as intended in defining the meaning of “ ancillary ” and doing something “ in the course of a commercial trade or profession ”?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.			

Q9	Do you agree that the provisions as drafted provide for relief for other land that is ancillary to the land used in a qualifying manner?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.			

Definition of ‘excluded rents’

3.19 The Welsh Government intends to use a direct reference to section 605(2) of Corporation Tax Act 2010³ (“**CTA 2010**”) rather than to section 133(6) Finance Act 2013⁴ (the annual tax on enveloped dwellings legislation) for the definition of ‘excluded rents’ for Welsh special tax sites. The Welsh Ministers also intend for the definition to include rents from a caravan site (class 1 of section 605(2) CTA 2010), and the receipt of dividends from a real estate investment trust (“**REIT**”) (class 7 of section 605(2) CTA 2010). In both cases it is considered appropriate to exclude receipt of these types of income from the qualifying purposes for which land may qualify for LTT special tax site relief. This is a change to the SDLT relief as that regime uses the more limited definition of ‘excluded rents’ for the annual tax on enveloped dwellings.

3.20 The relevant provisions are set out at paragraph 4(6), of the proposed Schedule 21A.

Q10	Do you agree that the provisions as drafted work as intended in defining the meaning of “ excluded rents ”?			
	Please tick one of the following:	Agree	Undecided	Disagree
If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.				

Q11	Do you agree that the definition of “ excluded rents ” should be widened to include rents from a caravan site and the receipt of dividends from a REIT? Will the widening of the definition have any negative impact on the delivery of the special tax sites?			
	Please tick one of the following:	Agree	Undecided	Disagree
If you disagree, please explain?				

Q12	Do you consider that the definition of “ excluded rents ” should also be widened to include income arising out of an interest in a limited liability partnership where section 1273(4) of CTA 2009 (winding up) (class 8 of section 605(2) CTA 2010) applies?			
	Please tick one of the following:	Agree	Undecided	Disagree
If you agree or disagree, please explain why?				

³ [Corporation Tax Act 2010 \(legislation.gov.uk\)](http://legislation.gov.uk)

⁴ [Finance Act 2013 \(legislation.gov.uk\)](http://legislation.gov.uk)

Relief period

- 3.21 The Autumn Statement announced that the SDLT relief and the non-devolved reserved tax reliefs incentives will be extended for both freeports and IZs to 10 years in England, with discussions to take place with the Welsh Government about extending them in Wales. A decision regarding the extension of the LTT relief will be a matter for the Welsh Government and is currently being considered. A decision on the relief period will be made before the statutory instrument is laid for consideration by the Senedd.
- 3.22 The Welsh Government has previously agreed to propose the relief will be available for qualifying transactions with an effective date falling within a specified period of up to five years, running from the coming into force date of the designation of the special tax site legislation and where possible to coincide with the special tax site designation date.
- 3.23 The relevant time period is set out in paragraph 5 of the proposed Schedule 21A.

Full Relief

- 3.24 Where all other relevant conditions are met, the Welsh Government intends that full relief from LTT would be available where 100% of the chargeable consideration within the special tax site (as defined in Chapter 4 of Part 2 of the LTTA 2017) is given for qualifying Welsh special tax site land. It should be noted the partial relief rules include provision where at least 90% of the consideration for the land within the tax site is for qualifying land that the taxpayer will, albeit through the partial tax relief rules, be able to claim relief on 100% of the consideration given for the land within the tax site (see company C example below).

Example – Company A:

- a. Company A enters into a qualifying transaction with an effective date of 1 May 2025. For the purposes of this example, the effective date falls within the specific period where relief is available and all of the land is within the special tax site.
- b. They acquire a lease for premises situated within a designated tax site. All of the chargeable consideration relates to space that is to be used in a qualifying manner.
- c) As all of the chargeable consideration is attributable to qualifying transaction land Company A is entitled to full relief.
- d) Company A must submit a LTT return, including the claim to relief within 30 days beginning with the day after the effective date of the transaction, in this case, by 31 May 2025.

- 3.25 The relevant provisions are set out in paragraph 6 of the proposed Schedule 21A.

Q13

Do you agree that the provisions as drafted achieve the policy intent of providing full relief for qualifying transactions only where all of the land is within the designated tax site and all of the chargeable consideration for that land is for land to be used in a qualifying manner?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.

Partial Relief

- 3.26 The Welsh Government`s intent is that, when all other relevant conditions are met, where less than 100% but more than 10% of the chargeable consideration given for land within the designated special tax site is for land to be used in a qualifying manner that partial relief will be available to the taxpayer.
- 3.27 Relief will be given in relation to the relevant proportion of the consideration given on a just and reasonable basis. This is discussed in more detail in paragraphs 3.30 – 3.32 below. Those claiming the relief must be able to evidence the basis for any just and reasonable apportionment carried out.
- 3.28 This approach broadly aligns with the SDLT relief already available in freeports in England and will help to ensure that the relief is properly targeted and allocated.

Example – Example Company B:

- a. Company B enters into a qualifying transaction with an effective date of 1 May 2025. All of the consideration given is for land inside the designated special tax site.
- b. 60% of the chargeable consideration relates to the lease of premises situated within a designated tax site that is to be used in a qualifying manner, whereas 40% relates to the lease of land that is not to be used in a qualifying manner.
- c. As more than 10% but less than 100% of the chargeable consideration for land within the designated special tax site is attributable to land that is to be used in a qualifying manner Company B may claim partial relief.
- d. This is proportionate to the amount of chargeable consideration given for qualifying land or property situated within the designated special tax site. In this case, relief on 60% of the LTT liability may be claimed.
- e. Company B must submit an LTT return including their claim to the amount of relief within 30 days beginning with the day after the effective date of the transaction, in this case, by 31 May 2025. Company B must also pay the LTT liable on the 40% consideration given by the same date.

Example – Company C:

- a. Company C enters into a qualifying transaction with an effective date of 1 May 2025. For the purposes of this example, the effective date falls within the specific period where relief is available and all of the land is within the special tax site.
- b. They acquire a lease for premises situated within a designated tax site. 95% of the chargeable consideration relates to space that is to be used in a qualifying manner.
- c. As 90% or more of the chargeable consideration is attributable to qualifying transaction land Company C is entitled to relief on all of the LTT arising (albeit through a claim to partial relief) due to the rule at paragraph 8(3) of the proposed Schedule 21A.
- d. Company C must submit a LTT return, including the claim to relief within 30 days beginning with the day after the effective date of the transaction, in this case, by 31 May 2025.

3.29 The relevant provisions are set out at paragraph 7 (and paragraph 8(3)) of the proposed Schedule 21A.

Q14

Do you agree that the provisions as drafted achieve the policy intent for partial relief where less than 100% but more than 10% of the chargeable consideration for land within the designated special tax site is attributable to qualifying land?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.

Q15

Are there any other specific scenarios that you consider the Welsh Government should give partial relief?

Land transactions including land within and outwith the designated tax site

3.30 The Welsh Ministers wish to ensure that the relief given closely relates to the proportion of the consideration given for land that they consider should qualify for relief. Therefore, in all cases where there is land outside the special tax site no relief will be available for the purchase of that land. This is the case even where the consideration given that meets the qualifying conditions for the relief is at least 90% of the consideration given for the transaction.

3.31 However, once the consideration given for the land outside the special tax site has been established, the Welsh Ministers wish for the consideration given for the land inside the special tax site to qualify for either the full or partial relief based on the rules applying to just the land within the special tax site. Therefore, if consideration given for land within and outwith the special tax site is, on a just and reasonable

basis, evenly split, the taxpayer should be able to claim relief on that element within the special tax site (if at least 10% of that land is to be used in a qualifying manner). The example below sets out the position in greater detail using a scenario where partial relief may be claimed for the consideration given on the land within the special tax site.

Example – Company D:

- a. Company D enters into a qualifying transaction with an effective date of 1 May 2025. Consideration given, on a just and reasonable basis, for land outwith the special tax site represents 30% of the total consideration given. 70% of the consideration given is for land within the special tax site. Of the consideration given for land within the special tax site 80% is for land that will meet the conditions for special tax site relief to be claimed.
- b. Having established the consideration given for the land inside and outside the special tax site the consideration given for the land inside the special tax site is then considered to establish if any of the special rules at paragraph 8(3) or (4) of the proposed Schedule 21A apply. In this case neither do, therefore only 80% of the consideration given is for land within the tax site will qualify for relief.
- c. The relief on the 70% of the consideration given for the land within the special tax site is therefore calculated by multiplying the tax liability for all of the land (within and outwith the special tax site) absent a claim to special tax site relief by (the proportion of the consideration given for land within the special tax site multiplied by the proportion of the land qualifying for relief). If the tax on the transaction is assumed to be £1,000,000, the amount of tax relief will be $£1,000,000 \times (0.7 \times 0.8) = £560,000$, leaving the taxpayer to pay £440,000.
- d. Company D must submit an LTT return including their claim to relief within 30 days beginning with the day after the effective date of the transaction, in this case, by 31 May 2025. Company D must also pay the LTT of £440,000 by the same date.

3.32 The relevant provisions are set out paragraphs 7 and 8 of the proposed Schedule 21A.

Q16

Do you agree that the provisions as drafted achieve the policy intent that land outside the special tax site will not receive any LTT relief?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.

Q17

Do you agree that the provisions as drafted achieve the policy intent that a claim to special tax site relief, where there is land within and outwith the special tax site, will provide a fair amount of partial relief?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.

Alternative property finance arrangements

- 3.33 The rules concerning alternative finance arrangements are a complex part of the LTT legislation. The rules are within Schedule 10 to the LTТА 2017⁵, and the WRA guidance can help with understanding these rules⁶. Where a transaction is entered into using an alternative property finance arrangement, special tax site relief will be determined by the circumstances of the person granted an interest in land under the ‘second transaction’, rather than the financial institution purchasing the major interest in land under the ‘first transaction’. However, the liability to LTT for the first transaction will remain with the financial institution. Relief under the alternative finance relief (and not the special tax site relief) will be available to claim on the second transaction.
- 3.34 Withdrawal of relief will be determined by the circumstances or actions of the person granted an interest in the land under the second transaction. Accordingly, if the special tax site relief is withdrawn, the financial institution will be responsible for making the further return and paying any LTT arising from that withdrawal. This is the position that currently exists for alternative finance arrangements where a claim for relief based on the person entering into the arrangements results in the first transaction being relieved from LTT. The Welsh Ministers have chosen to maintain the use of the same rules as currently exist for the withdrawal of relief, rather than make the ‘relevant person’ (that is the buyer in the second transaction) liable for the return required if the special tax site relief is withdrawn. Therefore, in the event that the relevant person no longer qualifies for relief the financial institution will be required to send in a further return.
- 3.35 The relevant provisions are set out at paragraph 13 of the proposed Schedule 21A. The provisions allow relief to apply to the ‘first transaction’, where all relevant conditions have been met, by providing that references to the buyer are to be treated as references to the person who has been granted an interest in land under the ‘second transaction’.

⁵ [Land Transaction Tax and Anti-avoidance of Devolved Taxes \(Wales\) Act 2017 \(legislation.gov.uk\)](https://legislation.gov.uk/2017/1/schedule/10/welsh) [Cymraeg link - [legislation.gov.uk/anaw/2017/1/schedule/10/welsh](https://legislation.gov.uk/2017/1/schedule/10/welsh)]

⁶ [Land Transaction Tax alternative property finance reliefs: technical guidance | GOV.WALES](#) [Cymraeg link - [Treth Trafodiadau Tir rhyddhadau cyllid eiddo arall: canllawiau technegol | LLYW.CYMRU](#)]

Q18

Do you agree that the existing rules in relation to alternative finance arrangements and the withdrawal of the relief are suitable for the LTT special tax site relief?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why?

Claiming the Relief

- 3.36 As with all reliefs, the Welsh Government intends for relief to be claimed via the LTT return. Relief must be claimed in the first LTT return made in relation to a transaction, or an amendment to that return within the permitted statutory timeframe. Section 30(4)⁷ LTTA 2017 sets out these time limits and regulation 2(2) of the Draft Regulations sets out the amendments to section 30 LTTA 2017 to include both the full and partial special tax site relief provided by the proposed Schedule 21A.

Q19

Do you agree that the provisions as drafted achieve the policy intent and will enable taxpayers to claim special tax site relief?

Please tick one of the following:	Agree	Undecided	Disagree
--	-------	-----------	----------

If you disagree, please explain why the drafting does not achieve the intended outcome and what amendments are required.

Disposal of substantially all of the economic interest of qualifying special tax site land during control period

- 3.37 The Welsh Government is proposing that the LTT special tax site relief will have provisions so that the withdrawal rules will not apply where the person who has claimed relief has disposed of substantially all their economic interest in the land bought in the transaction during the control period. In this case the Welsh Ministers intend that where the remaining interest has a market value of less than £40,000 that any withdrawal of relief will not be triggered if the person to whom substantially all of the economic interest was sold ceases to use the land in a qualifying manner. The figure of £40,000 ties in with the notification limits for LTT.
- 3.38 Relevant provisions are set out at paragraph 11 (and especially subparagraphs 11(3) and (4)) of the proposed Schedule 21A.

⁷ [Land Transaction Tax and Anti-avoidance of Devolved Taxes \(Wales\) Act 2017 \(legislation.gov.uk\)](https://legislation.gov.uk)

Q20	Do you consider that such a rule will be helpful in simplifying the obligations placed on taxpayers? Additionally, is the market value of £40,000 reasonable to achieve this simplification?		
	Please tick one of the following:	Agree	Undecided
If you disagree, please explain why?			

Q21	Do you consider that any avoidance opportunities will be created by the provision of this rule?		
	Please tick one of the following:	Yes	Undecided
If yes, please explain why and how the drafting can be improved to remove those opportunities?			

Cases where assignment of lease treated as grant of lease

- 3.39 When a lease is granted, the buyer must pay tax both on any premium paid and on the net present value of the rents due under the terms of the lease. On any assignment of that lease the new buyer will pay tax on any premium paid but normally would not need to pay any tax on the net present value of any rents that remain payable on the term of the lease. That is a fair and appropriate outcome as the person who has been granted the lease has already paid the tax on the rent payable for the full term of the lease (and any extensions that they may have been granted up to the date of the assignment).
- 3.40 However, where a relief can be claimed, then the tax payable will be calculated in accordance with that relief (be that full relief or partial relief). This will mean, when the lease is subsequently assigned, the rent payable under the lease would not result in a tax charge as the relieved transaction on the grant of the lease had already included the full amount of the rents liable to tax. That would clearly create avoidance opportunities and unfairness when a lease is assigned as the rents payable by the new lessee will not have been taxed and the previous claim to relief by the former lessee is clearly not relevant to the new lessee. The Welsh Ministers have sought to address this situation. Similar rules exist for other relief claims (sale and leaseback relief, group relief etc.)⁸ where the assignment of a lease will be treated as though it were the grant of a lease (thereby bringing the remaining rents under the term of the lease back into charge). The Welsh Ministers therefore intend that this rule should apply to the LTT special tax site relief following this established principle.
- 3.41 The relevant provisions are set out at regulation 2(4) of the draft regulations and make amendments to Schedule 6 to the LTTA 2017 to include, at paragraph 22(4) of that Schedule, the proposed Schedule 21A. Furthermore, regulation 2(4) provides rules so that where the claim to special tax site relief has been withdrawn prior to the

⁸ See paragraph 22 of Schedule 6 to the LTTA 2017 - [Land Transaction Tax and Anti-avoidance of Devolved Taxes \(Wales\) Act 2017 \(legislation.gov.uk\)](#)

assignment of the lease that the rents on assignment do not become liable to charge (because they become chargeable on the person to whom the withdrawal of the relief provisions apply).

Q22	Do you agree that the assignment of a lease treated as a grant of lease rules should apply to the LTT special tax site relief as they do to other reliefs?			
	Please tick one of the following:	Agree	Undecided	Disagree
If you disagree, please explain why?				

Q23	Do the draft regulations achieve the intended outcome that the special tax site relief is brought within the assignment of lease treated as grant of lease rules in a manner consistent with the other reliefs?			
	Please tick one of the following:	Yes	Undecided	No
If no , please explain why the drafting does not achieve the intended outcome and what amendments are required.				

Welsh language considerations

Q24	What, in your opinion, would be the likely effects of the legislation on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.			
	Do you think that there are opportunities to promote any positive effects? Do you think that there are opportunities to mitigate any adverse effects?			

Q25	In your opinion, could the legislation be formulated or changed so as to:			
	<ul style="list-style-type: none"> - have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or - mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English. 			

General considerations

Q26	We have asked a number of specific consultation questions. If you have any related issues which we have not specifically addressed, please use the space below to raise them.
------------	---

4.0 What are the next steps following the consultation?

- 4.1 All the responses to this consultation will be analysed and considered and the Welsh Government will subsequently make a decision about whether or not to implement the proposed changes to secondary legislation.

Annex A:

Freeport Programme in Wales: bidding prospectus

[Freeport Programme in Wales: bidding prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

“Land Transaction Tax Relief

3.2.2 The Welsh Government proposes to offer a specific Land Transaction Tax (LTT) relief on relevant land transactions within qualifying tax sites in Wales where that property is to be used for qualifying commercial activity.

3.2.3 Legislation to provide for this is required to be laid before the Senedd and subsequently approved before any relief can be made available. As such, the timing for this is subject to confirmation.

3.2.4 Further details on the Welsh Government’s proposals will be provided in due course, but for planning purposes the UK Government’s relief for its equivalent tax is available for a period of up to five years.

3.2.5 Where relief is available, clawback provisions will apply in the event that land, or property, is not used for a qualifying purpose within a control period which will be set out in the legislation.

3.2.6 Applicants should note that as LTT policy is devolved, the details of relief may differ from the Stamp Duty Land Tax relief, based on the specifics of the Welsh approach.”

Annex B: Draft Legislative Provisions

Draft Regulations laid before Senedd Cymru under section 79(2) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017, for approval by resolution of Senedd Cymru.

DRAFT WELSH STATUTORY INSTRUMENTS

202[4] No. (W.)

LAND TRANSACTION TAX, WALES

The Land Transaction Tax (Relief for Special Tax Sites) (Wales) Regulations 202[4]

Made ***

Laid before Senedd Cymru ***

Coming into force ***

The Welsh Ministers, in exercise of the powers conferred by sections 30(6) and 78 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017⁽⁹⁾, make the following Regulations.

Title and commencement

1.—(1) The title of these Regulations is the Land Transaction Tax (Relief for Special Tax Sites) (Wales) Regulations 202[4].

(2) These Regulations come into force on [...].

Relief for special tax sites

2.—(1) The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 is amended as follows.

(2) In section 30 (reliefs)—

(a) in subsection (1), after “Schedule 21 (compulsory purchase relief and planning obligations relief);” insert—

⁽⁹⁾

- “Schedule 21A (relief for special tax sites);”;
- (b) in subsection (2), after “paragraphs 1(1) and 2(1) of Schedule 21 (compulsory purchase relief and planning obligation relief);” insert—
- “ paragraph 6 of Schedule 21A (relief for special tax sites);”;
- (c) in subsection (3), after “paragraphs 6 and 8 of Schedule 18 (partial charities relief in certain circumstances)” insert—
- “paragraph 7 of Schedule 21A (partial relief for special tax sites)”.
- (3) In section 49 (further return where relief is withdrawn)—
- (a) after subsection (1)(e) insert—
- “(f) Schedule 21A (relief for special tax sites), other than in a case to which paragraph 13 of that Schedule applies (alternative finance arrangements).”;
- (b) after subsection (3)(e) insert—
- “(f) in relation to the withdrawal of relief for special tax sites under Schedule 21A, the last day in the control period (within the meaning of that Schedule) on which the land ceases to be used exclusively in a qualifying manner (within the meaning of that Schedule) in circumstances where the exceptions in sub-paragraphs (2), (3) and (4) of paragraph 10 do not apply.”.
- (4) In Schedule 6—
- (a) in paragraph 22(4), after paragraph (f), insert—
- “(g) Schedule 21A (relief for special tax sites).”;
- (b) in paragraph 22(5), for “or charities relief” substitute “, charities relief or special tax sites relief”;
- (c) in paragraph 22(6), after paragraph (c) insert—
- “(d) in relation to the withdrawal of relief for special tax sites under Schedule 21A, the last day in the control period (within the meaning of that Schedule) on which the land ceases to be used exclusively in a qualifying manner (within the meaning of that Schedule) in circumstances where the exceptions in sub-paragraphs (2), (3) and (4) of paragraph 10 of that Schedule do not apply.”
- (5) After Schedule 21 insert—

“SCHEDULE 21A
RELIEF FOR SPECIAL TAX SITES

PART 1

Key terms

Meaning of transaction land

1. In this Schedule, “transaction land”, in relation to a land transaction, means land a chargeable interest in which is the subject matter of the transaction.

Meaning of special tax site

2. In this Schedule, “special tax site” means the area designated by [reference to regulations that designate area in Wales a special tax site] as made on [date].

Meaning of qualifying land

3. For the purposes of this Schedule, transaction land is “qualifying land” if, on the effective date of the land transaction—

- (a) it is situated in a special tax site, and
- (b) the buyer intends it to be used exclusively in a qualifying manner.

Meaning of qualifying manner

4.—(1) For the purposes of this Schedule, transaction land is used in a qualifying manner if it is used in one or more of the following ways—

- (a) used by the buyer or a connected person in the course of a commercial trade or profession;
- (b) developed or redeveloped by the buyer or a connected person for use (by any person) in the course of a commercial trade or profession;
- (c) exploited by the buyer or a connected person, in the course of a commercial trade or profession, as a source of rents or other receipts (other than excluded rents and other receipts).

(2) But transaction land is not used in a qualifying manner to the extent that it is—

- (a) used as a dwelling or as the garden or grounds of a dwelling (including any building or other structure on such land),
- (b) developed or redeveloped to become residential property,

(c) exploited as a source of rents or other receipts payable by a person using the land as a dwelling or as the garden or grounds of a dwelling, or

(d) held (as stock of the business) for resale without development or redevelopment.

(3) Despite sub-paragraph (2), land is used in a qualifying manner to the extent it is used as a dwelling or as the garden or grounds of a dwelling that is provided to an individual and the individual's family for the better performance of the individual's employment duties as caretaker of any part of the transaction land or as a member of the security staff for any part of the transaction land.

(4) For the purposes of this paragraph, use of land in the course of a commercial trade or profession includes use of land for a purpose that is ancillary to the use of other land which—

(a) is situated in a special tax site, and

(b) is being used, or developed or redeveloped, in the course of a commercial trade or profession.

(5) The references in this paragraph to doing something in the course of a commercial trade or profession include doing something in the course of a property rental business.

(6) In this paragraph—

“commercial” (“*masnachol*”) in relation to a trade or profession, means carried on—

(a) on a commercial basis, and

(b) with a view to profit;

“excluded rents and other receipts” (“*rhenti wedi eu heithrio a derbyniadau eraill*”) means income within any of classes 1 to 7 in the table in section 605(2) of the Corporation Tax Act 2010 (c. 4);

“property rental business” (“*busnes rhentu eiddo*”) has the same meaning as a “property business” in the Income Tax (Trading and Other Income) Act 2005 (c. 5) (see section 263(6) of that Act).

PART 2

The Relief

Meaning of relief period

5. In this Part, the “relief period”, in so far as the reference relates to the special tax site mentioned in paragraph [cross-reference to regulations mentioned in paragraph 2], means the period beginning with [...] and ending with [...].

Full relief

- 6.—(1) This paragraph applies if—
- (a) 100% of the chargeable consideration for a land transaction is attributable to qualifying land, and
 - (b) the effective date of the transaction is within the relief period.
- (2) The land transaction is relieved from tax.

Partial relief

- 7.—(1) This paragraph applies if—
- (a) the proportion of the chargeable consideration for a land transaction attributable to qualifying land (“the relevant proportion”) is less than 100% but at least 10%, and
 - (b) the effective date of the transaction is within the relief period.
- (2) The tax chargeable in respect of the land transaction is reduced by a proportion equivalent to the relevant proportion.

Attributing chargeable consideration to land

- 8.—(1) For the purposes of this Schedule, the consideration attributable to qualifying land must be determined on a just and reasonable basis.
- (2) Sub-paragraphs (3) and (4) apply if less than 100% of the chargeable consideration attributable to transaction land situated in a special tax site (“the tax site consideration”) is attributable to land that satisfies the condition in paragraph 3(b).
- (3) If at least 90% of the tax site consideration is attributable to land that satisfies the condition in paragraph 3(b), then, for the purposes of this Schedule, all of the tax site consideration is to be treated as being attributable to qualifying land.
- (4) If less than 10% of the tax site consideration is attributable to land that satisfies the condition in paragraph 3(b), then, for the purposes of this Schedule, all of the tax site consideration is to be treated as not being attributable to qualifying land.

Contract completed by transfer after the end of the relief period

- 9.—(1) This paragraph applies if—
- (a) a land transaction is treated as effected under section 10(4) (contract substantially performed without having been completed by a transfer),
 - (b) that transaction is relieved from tax under paragraph 6 or 7 of this Schedule, and

- (c) the contract (that is treated as effecting the land transaction under section 10(4)) is subsequently completed by a transfer after the end of the relief period.

(2) Tax is not chargeable on the transaction mentioned in sub-paragraph (1)(c) by virtue of section 10(5)(b) if the sole reason that tax would have been chargeable by virtue of that section (but for this paragraph) is that the transaction occurred after the end of the relief period.

(3) In this paragraph, “completion”, “contract” and “transfer” are to be interpreted in accordance with section 10(10).

PART 3

Withdrawal of relief

Withdrawal of relief

10.—(1) Relief under Part 2 of this Schedule is withdrawn if, at any time during the control period, the qualifying land is not used exclusively in a qualifying manner.

(2) But the relief is not withdrawn where, because of a change in circumstances that is unforeseen and beyond the buyer’s control, it is not reasonable to expect the qualifying land to be used exclusively in a qualifying manner at that time.

(3) Where, at a time during the control period, the use of all or part of the qualifying land in a qualifying manner has not yet begun, that land, or that part of the land, is to be treated as being used exclusively in a qualifying manner if reasonable steps are being taken to ensure that it is used in that manner.

(4) Where, at a time during the control period, the use of all or part of the qualifying land in a qualifying manner has ceased, that land, or that part of the land, is to be treated as being used exclusively in a qualifying manner if reasonable steps are being taken—

- (a) to ensure that it is used in that manner, or
- (b) to dispose of all chargeable interests in that land, or that part of the land, that are held by the buyer and connected persons in a timely manner.

The control period

11.—(1) In this Schedule, the “control period”, in relation to a land transaction, means the shorter of—

- (a) the period of 3 years beginning with the effective date of the transaction, and

- (b) the period beginning with the effective date of that transaction and ending with the effective date of the final transaction.

(2) For the purposes of this paragraph, a land transaction is the final transaction if, immediately after the effective date of the transaction neither the buyer nor a connected person holds a chargeable interest in the qualifying land (whether as a result of that transaction alone or as a result of that transaction and other land transactions).

(3) For the purposes of sub-paragraph (2), the buyer or any connected person is treated as not having a chargeable interest in the qualifying land if the market value of the chargeable interest in the qualifying land that the buyer or any connected person holds is less than £40,000, unless sub-paragraph (4) applies.

(4) This sub-paragraph applies if—

- (a) the buyer and any connected person hold between them more than one chargeable interest in the qualifying land, and
- (b) the total market value of those chargeable interests is £40,000 or more.

Disposal of interest in part of qualifying land during control period

12.—(1) This paragraph applies where the buyer ceases to hold a chargeable interest in part of the qualifying land during the control period.

(2) The references in paragraphs 10 and 11 to the qualifying land are to be treated as references only to the part of the qualifying land in relation to which the buyer still holds a chargeable interest (whether the chargeable interest acquired in the land transaction relieved from tax under Part 2 of this Schedule or another chargeable interest).

Alternative Property Finance

13.—(1) This paragraph applies where either of the following applies—

- (a) paragraph 2(1) of Schedule 10 to this Act (land sold to financial institution and leased to person), or
- (b) paragraph 3(1) of Schedule 10 to this Act (land sold to financial institution and re-sold to person).

(2) This paragraph applies for the purposes of determining—

- (a) whether relief can be claimed under Part 2 of this Schedule for the first transaction, and
- (b) whether relief for the first transaction is withdrawn under Part 3 of this Schedule.

(3) For those purposes, this Schedule has effect as if—

(a) references to the buyer were references to the relevant person, and

(b) the reference in paragraph 4(2)(d) to land held (as stock for the business) for resale without development or redevelopment were a reference to land held in that manner by the relevant person.

(4) The first transaction does not qualify for relief under Part 2 of this Schedule except where it does so by virtue of this paragraph.

(5) In this paragraph—

“the first transaction” (“*y trafodiad cyntaf*”) has the same meaning as in paragraph 2 or 3 of Schedule 10 (as appropriate);

“the relevant person” (“*y person perthnasol*”) means the person, other than the financial institution, who entered into the arrangements mentioned in paragraph 2 or 3 of Schedule 10 (as appropriate).”.

DRAFT