



Llywodraeth Cymru  
Welsh Government

MEETING

# Tax Engagement Group meeting: 9 November 2020

Minutes of a virtual Teams meeting of the Tax Engagement Group on 9 November 2020.

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## Present

- Chair: Rebecca Evans MS, Minister for Finance and Trefnydd
- Ben Francis, Federation of Small Businesses Wales
- Leighton Reed, Institute of Chartered Accountants in England and Wales
- Councillor Anthony Hunt, Welsh Local Government Association
- Dr Victoria Winckler, Bevan Foundation
- Ben Lloyd, Wales Council for Voluntary Action
- Lakshmi Narain, Chartered Institute of Taxation
- Richard Selby, Institute of Directors (deputising for Robert Lloyd Griffiths)

## Apologies

- Robert Lloyd Griffiths - Institute of Directors
- Leighton Jenkins – CBI Wales
- Jonathan Davies – Law Society

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## External officials

- Lisa Hayward, Welsh Local Government Association

## Officials

- Andrew Jeffreys - Director, Welsh Treasury
- Anna Adams - Deputy Director, Tax Strategy, Policy and Engagement, Welsh Treasury
- Rob Hay - Deputy Head of Tax, Welsh Treasury
- Dyfed Alsop - Chief Executive, Welsh Revenue Authority
- Debra Carter - Deputy Director, Local Government Strategic Finance
- Andrew Hewitt - Welsh Treasury (presenter, item 2)
- Sarah Storey - Welsh Treasury (presenter, item 3)
- Richard Jones – Welsh Treasury (presenter, item 4)
- Ceri James - Tax Strategy, Policy and Engagement (note taker)

## Observers

- Liz Matthews - Private Secretary to the Minister for Finance & Trefnydd
- Rod Hough - Tax Strategy, Policy and Engagement
- Ruth Leggett - Tax Strategy, Policy and Engagement
- Sarah Carter – Welsh Treasury
- Charley Sealy – Welsh Treasury

## 1. Introduction

1. The Minister for Finance and Trefnydd welcomed attendees to the first meeting of the Tax Engagement Group.
2. Members agreed the terms of reference for the group.
3. The minister encouraged members' to contribute their views. The membership reflected a broad range of perspectives, which will help to ensure Welsh tax policy and administration is developed with the needs of people and businesses in Wales at its core.

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## 2. Land Transaction Tax: policy considerations

1. Andrew Hewitt, Welsh Treasury, gave a presentation on Land Transaction Tax (LTT), one of the two fully devolved taxes in Wales. He provided an overview of LTT and explained some of the previous decisions made in LTT policy.
2. Views were welcomed from members on the potential role of LTT in different policy areas, including the decarbonisation agenda, stimulating the housing market and in relation to the current debate around second homes in Wales.
3. Ben Francis (FSB) commented that the current data on the housing market suggested that, while the market is recovering after the lockdown in the spring, transactions are taking longer, particularly the receipt of searches and mortgage offers. The availability of some building materials and appliances has also been impacted by the pandemic. This may have implications for some new build property buyers aiming to complete before the LTT tax reduction period ends. On decarbonisation, it was important to align any proposals in respect of LTT with other related policy initiatives including those being taken forward at local authority level. Ben offered to provide further information on this following the meeting.
4. Lakshmi Narain (CIOT) cited the evidence of low take-up of the Stamp Duty Land Tax zero carbon homes relief initiative as highlighting the importance of ensuring policies are designed to address the policy intent and are workable.

## 3. Landfill Disposals Tax: policy considerations

1. Sarah Storey from Welsh Treasury, gave a presentation on Landfill Disposals Tax (LDT), the second fully devolved tax in Wales. Members considered the role of this tax as a policy lever to achieve wider environmental goals, and how best to engage with sectors as part of any review of the legislation.
2. The minister noted that Wales was the first country to introduce an unauthorised disposal rate, which helped address environmental concerns. Members observed that this was a positive policy commitment.
3. Members were keen to emphasise the importance of retaining the environmental focus of the tax, and that it should be aligned within the suite

of wider green policies. For example, some members supported the use of deposit return schemes and putting a premium on items such as plastic bottles, thereby encouraging closed loop recycling methods, positively changing behaviour, and transforming a problem into a commodity.

4. In terms of the issues around criminal activity and waste disposal, the group commented on other related issues such as fly-tipping in parts of Wales and that incentives play an important part of addressing this issue.
5. The minister highlighted the value of working with partners, including the Welsh Revenue Authority and Natural Resources Wales.

## 4. Welsh tax-base: challenges and opportunities

1. Richard Jones, Welsh Treasury, presented a paper examining the opportunities for and challenges to the Welsh tax-base including:
  - The projected decline in the working-age population in Wales
  - Having relatively few higher and additional rate taxpayers in Wales
  - The deterioration in labour market conditions since the beginning of 2020 and the potential long-term impact of COVID-19 pandemic, and
  - The close integration of the economy in Wales with the rest of the UK.
2. Members felt that the paper identified several important issues that should be part of future policy considerations including inward migration to Wales, 'family-friendly' policies and attracting higher and additional rate taxpayers to Wales.
3. The group suggested that other tax levers with different taxbases, could be explored. However, this raised some challenges given the relatively limited competency the Senedd has for tax which needed to be considered in light of the ongoing difficulties encountered in respect of proposals to devolve Vacant Land Tax to Wales.
4. The minister noted that developing the Welsh tax base would require engagement across the Welsh Government and cited the example of the National Development Framework as one important current policy area linking to the development of the Welsh tax base.

## 5. Any other business and close

1. The minister thanked the attendees for their contributions and encouraged members to email any further questions or comments after the meeting and suggest agenda items for discussion at future meetings.
2. The secretariat will be in touch regarding the date for the next meeting.

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