



Llywodraeth Cymru
Welsh Government

Tax policy work plan 2020

Foreword

The latest work plan sets out the areas of tax policy where the Welsh Government will be focusing its attention over the course of 2020-2021. It is intended to inform people, businesses, and other organisations about the ideas we are developing, and provide an opportunity to ask questions or contribute ideas. This approach remains consistent with our established ways of working with our partners and stakeholders and remains increasingly important in this Covid-19 era. As we channel our efforts into the wider stabilisation and reconstruction of our economy, we will ensure we develop Welsh tax policy to deliver the needs of Wales.

Last year saw the completion of the process of tax devolution begun by the Wales Act 2014. In addition to local taxes (council tax and non-domestic rates), Wales now has rate-varying powers over Income Tax (Welsh Rates of Income Tax), and two fully devolved taxes – Land Transaction Tax and Landfill Disposals Tax, which are administered and collected by the Welsh Revenue Authority. The introduction of Welsh taxes in recent years has represented a big change to the way public services are funded in Wales, and it is important we continue to review how we use the tax powers. All of these taxes, including the local taxes, feature in the work plan.

The Wales Act 2014 confers the technical ability to create new devolved taxes, however the process for seeking approval for devolution of a new Welsh tax remains challenging. We will continue to pursue the establishment of a fit for purpose mechanism to support our devolved tax powers as we take forward our current work. This includes exploring with stakeholders how these might operate, identifying issues which require further consideration, and helping to ensure we address potential unintended consequences.

We will continue to develop our ideas for raising awareness of taxes and tax policy in Wales, in particular through the use of social media. It is important that all of us - those who pay taxes, those who design and set taxes, and the practitioners, academics and other experts who contribute their skills and knowledge, have a clear understanding of what we are trying to achieve. This includes understanding and recognising where there may be opportunities to further our policy aspirations and vision for Wales, for example, by decarbonising our society to address the climate emergency; and where we will need to strive forward in the face of constraints such as Covid-19 and of course the UK's exit from the EU. In developing our response to EU exit, we will ensure implications of policy choices on the Welsh tax base are fully considered.

I welcome comments and contributions to the work plan, and I will report on progress before the end of the current Senedd.



Rebecca Evans

**Minister for Finance
and Trefnydd**

September 2020

Introduction

Over £5 billion for Welsh public services is now funded through Welsh taxes - Land Transaction Tax, Landfill Disposals Tax, Welsh Rates of Income Tax – and local taxes (council tax and non-domestic rates).

The Welsh Government has published a Tax Policy Framework to explain our approach to taxes, seeking a strategic, integrated, effective approach to Welsh taxes, with a clear direction of travel for the longer term, underpinned by the following principles.

Welsh taxes should:

- **Raise revenue to fund public services as fairly as possible;**
- **Deliver Welsh Government policy objectives, in particular supporting jobs and growth;**
- **Be clear, stable and simple;**
- **Be developed through collaboration and involvement;**
- **Contribute directly to the Well-Being of Future Generations Act goal of creating a more equal Wales.**

The coronavirus pandemic has necessitated the re-examination and appraisal of our established policy objectives. Our tax policy work is no different. The work plan would ordinarily have been published in March but was delayed due to resources being deployed to responding to the pandemic. This delay has provided time to reflect on the strategic, longer-term direction we may want to develop for tax policy in Wales. We will take the opportunity where available, to ensure our tax principles and strategic direction for tax policy in Wales continue to reflect and further our strategic priorities for Wales.

Since 2017, we have issued annual work plans to show what we are currently examining, and to enable anyone who is interested to contribute. The latest plan will apply until the Senedd Cymru / Welsh Parliament elections in May 2021. It will focus on the following three themes:

- A. Develop tax policy as fairly as possible, aligned with Welsh Government policy priorities, and in collaboration with stakeholders.
- B. Operate and develop Welsh taxes within a UK context.
- C. Increase knowledge and understanding about taxes in Wales.

As this latest work plan takes us to the end of the current Senedd, a report on progress will be published closer to that time.

A. Develop tax policy as fairly as possible, aligned with Welsh Government policy priorities, and in collaboration with stakeholders

1. Strengthen the Welsh tax base.

Continue to take action to support growth in the Welsh tax base, and develop the means to monitor progress.

2. Continue to keep Land Transaction Tax and Landfill Disposals Tax under review.

Ensure the devolved taxes are operating as intended, and consider opportunities for the taxes as levers to support wider policy objectives. This includes considering the impact of the temporary changes to the Land Transaction Tax residential rates in response to the effects of the coronavirus pandemic.

3. Progress a Vacant Land Tax.

Continue to seek powers for a Vacant Land Tax, to allow the Welsh Government to consider tax options to support the policy objective of bringing idle land back into productive use.

4. Identify options for paying for social care in the future.

Consider how taxation may be used to pay for social care in Wales. This includes developing an understanding of the collection, administration, distribution and implementation considerations associated with any proposals.

5. Consider the case for developing new environmental taxes for Wales, working where appropriate with the UK Government.

Continue to work with the UK Government on the development and implementation of a UK wide Plastic Packaging Tax, and develop an evidence base to better understand the impact of other environmental related taxes.

6. Examine the case for enabling local authorities to introduce a Tourism Tax.

Continue to gather evidence and to discuss and assess with a range of stakeholders and experts whether there is a case for providing permissive powers to local authorities to implement a tourism tax (this would not be for this Senedd term). This will include consideration of the ongoing implications of COVID-19 on the tourism industry.

7. Complete the published programme of short and medium-term improvements to the local taxes.

The update on Reforming Local Government Finance in Wales, published in November 2019, sets out the actions to be taken over the next year to complete the work to improve council tax and non-domestic rates in line with the commitments in our Programme for Government.

B. Operate and develop Welsh taxes within a UK context

8. Examine how the Welsh Government could respond if there is a need to make changes to the Welsh Tax Acts.

Consider the responses to the consultation: Tax Devolution in Wales: enabling changes to the Welsh Tax Acts which explores a range of scenarios for the two fully-devolved taxes, Land Transaction Tax and Landfill Disposals Tax, including the impact of adjustments to the block grant as a result of measures introduced by the UK Budget to the UK predecessor taxes (stamp duty land tax and landfill tax).

9. Develop a more strategic approach to the ways taxes operate in Wales.

Engage with partners to co-produce a collective agreement about the expectations for how existing and future taxes should operate from the perspective of people and businesses.

10. Assess the case for further tax devolution to Wales.

As the conditions and implications of the UK's departure from the EU and Covid-19 become clearer, identify new and existing UK taxes, which should be devolved to Wales, and make the case to the UK Government.

C. Increase knowledge and understanding about taxes in Wales

11. Examine how potential changes to Welsh Rates of Income Tax could variously impact on Welsh taxpayers.

Examine the financial impacts on income tax payers of increases and decreases in Welsh Rates of Income Tax, according to their income, gender, age group, industry, and where they live in Wales.

12. Share good practice on tax strategy and policy.

Work with the UK Government, the devolved administrations, and international governments and organisations, to exchange good practice, collaborate on shared challenges and promote Wales's approach to tax policy.

13. Raise awareness and understanding of Welsh tax policy.

Using a variety of methods, including social media and an annual tax conference, seek to better inform Welsh tax payers and stakeholder groups about developments in tax policy.

Further information and contact details

Information about Welsh taxes is available on the Welsh Government's website: gov.wales/welsh-taxes

You can contact us via the Welsh Treasury twitter account @WelshTreasury: <https://twitter.com/WelshTreasury> and @TrysorlysCymru: <https://twitter.com/trysorlyscymru> or by email: WelshTreasury@gov.wales TrysorlysCymru@llyw.cymru