

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Kathryn Bishop
Welsh Revenue Authority Chair

Dear Kathryn,

19 December 2017

WELSH REVENUE AUTHORITY REMIT LETTER

Following the establishment of the Welsh Revenue Authority (WRA) on 18 October, I am writing with details of the WRA's remit for its first planning period covering 1 April 2018 – 31 March 2019. I expect WRA to express how it will deliver these objectives through its corporate plan, which should be produced in advance of April 2018.

Over the course of the next three years, the WRA will be responsible for collecting around £1bn in devolved tax revenues, which will contribute to the funding of public services in Wales. I therefore see the WRA having a vital role to play in Wales, now and in the future.

For the first year of devolved tax collection, I would like the WRA to consider three key Welsh Government priorities, which I have set out in order of priority below.

Priority one: devolved tax collection - enabling people to pay the right amount of tax at the right time

The vast majority of people will, with appropriate support, voluntarily pay any taxes due on a timely basis. Tax revenues can nevertheless be lost through accidental non-payment, misinterpretation of the tax consequences of complex transactions and insufficient care being taken during transactions, as well as more deliberate tax avoidance and evasion.

Reducing the risk of these happening and enabling voluntary compliance is therefore the Welsh Government's top priority for the WRA. Helping people to file and pay on time, in Welsh or in English, and having transparent and effective systems and guidance in place will be central to this aim. I therefore look to the WRA to find ways to establish and maintain high standards of customer service and support. Furthermore, the WRA should seek to learn from experience and respond to feedback to improve and simplify its processes and the information it provides to customers.

Priority two: managing the devolved tax system to help deter and tackle tax evasion and tax avoidance

Experience elsewhere shows us that a small minority of taxpayers may seek to make use of tax avoidance schemes or attempt to evade paying tax. Where this occurs, it gives people

an unfair advantage over those who pay their tax. It also reduces the overall amount of funding available for public services.

In the first year of operation, I look to the WRA to prepare a risk-based strategy to help deter devolved tax evasion and avoidance, building and using customer risk profiles and appropriate targeted compliance measures for both land transaction tax (LTT) and landfill disposals tax (LDT).

Partnership working with the other UK tax authorities and other bodies including the Land Registry will be essential for the WRA. I look to the WRA to develop strong links with HMRC and Revenue Scotland, especially where there are areas of shared policy and operational interest.

For example, in relation to LTT, effective working relationships with HMRC and Revenue Scotland will be particularly important in collecting the LTT higher rate for second homes. The higher rate takes into account properties owned anywhere in the world, so a relationship to enable compliance cross-checking will be vital.

Our approach to LTT rates and bands requires careful consideration of the impact of policy on prices and affordability, informed by the best possible evidence. To begin to consider the impact of the higher rate on additional properties in Wales, it will be important to first have data on its operation across the country. For that reason, the Welsh Government's tax policy work-plan includes a commitment for the WRA to "analyse land transaction tax data in relation to the higher rate surcharge on a local authority basis". By April 2019, a full year of data will have been collected and therefore I look to the WRA to analyse the data in line with the tax work plan commitment.

Our landfill disposals tax will be charged on unauthorised disposals of waste, strengthening the financial deterrent to undertaking illegal waste activity and tackling a potential source of tax evasion. I therefore expect the WRA to gather and analyse data to build a comprehensive picture of unauthorised disposals in Wales, so the tax due can be accurately assessed and action taken to collect any tax owed.

Priority three: public service delivery - leading improvements to the administration of devolved taxation in Wales

In meeting these priorities the WRA is expected to work across the wider Welsh public service to contribute towards and work to further the aims of the Well-being of Future Generations (Wales) Act 2015.

A tax policy process has been established to ensure proposals to use tax as a policy lever are considered robustly, in line with the Welsh Government's principles. Over the coming year, I look to the WRA to contribute proactively to the Welsh Government's tax policy work plan, considering the operational implications of any new tax proposal and testing understanding. The tax policy partnership arrangements we are establishing and the joint framework document we agree will help us to forge a productive working relationship. It will, however, be important to keep these arrangements under close scrutiny during the course of tax devolution to ensure that they enable clear and effective contributions to the tax policy process.

The WRA will be a new organisation within the tax landscape in Wales, and I expect it to work collaboratively on compliance, information-sharing, appeals, fraud and avoidance. There is an opportunity to ensure it works closely with other Wales-based tax collection organisations, sharing best practice and the data to support effective compliance.

Measures

In addition to consideration of the above priorities I know that the WRA intend to develop a comprehensive set of performance measures as part of your corporate planning arrangements. Areas where I think it would be particularly important to have measures include:

- i. monthly profile and actual revenue raised by LTT and LDT;
- ii. the timeliness of tax returns and payments;
- iii. the volume and impact of compliance work;
- iv. customer service standards;
- v. complaints disputes and resolution;
- vi. data security;
- vii. use of digital services.

I look forward to discussing these measures.

Operational budget

The Welsh Government has set the following operational budget for the WRA. These reflect the additional duties associated with collection of the second home supplement and the implications of operational independence of the Authority.

Funding allocation	
2017-18 (from October 18th)	
	£m
Revenue	1.5
Total Funding	1.5
2018-19	
	£m
Revenue	6
Total Funding	6

Payment is conditional on providing the agreed financial information requirements to the Welsh Government and an agreed corporate plan covering the first planning period April 2018 – March 2019, by 31 March 2018.

Monitoring progress

We should meet at least quarterly to consider the WRA's progress and to assess how the partnership with the Welsh Treasury is evolving. I hope to meet the full WRA Board at least annually. In the meantime, I would be very happy to meet to discuss any aspect of this

letter with you and would appreciate your submission of your draft corporate plan as soon as is practicable.

Yours sincerely

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail on the 'd'.

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance

CC: Permanent Secretary of the Welsh Government; WRA Chief Executive; Director, Welsh Treasury