

Rebecca Evans AM/AC
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd



Llywodraeth Cymru
Welsh Government

Kathryn Bishop
Chair - Welsh Revenue Authority

2 April 2019

Dear Kathryn,

WELSH REVENUE AUTHORITY REMIT LETTER

I am grateful to all those involved in the Welsh Revenue Authority (WRA) for all their hard work since the introduction of land transaction tax and landfill disposals tax in April 2018. As a result, the WRA is now fully operational and is effectively collecting and managing our two new Welsh taxes that are contributing to the funding of high quality public services that we all want to see.

On 19 December 2017 Mark Drakeford AM, in his previous role as Cabinet Secretary for Finance, wrote to you to set out the Welsh Government's priorities for the WRA for its first planning period between April 2018 and March 2019. These were:

- 1) Devolved tax collection – enabling people to pay the right amount of tax at the right time;
- 2) Managing the devolved tax system to help deter and tackle tax evasion; and
- 3) Public service delivery – leading improvements to the administration of devolved taxation in Wales.

I am encouraged to learn about the progress made in delivering these priorities.

This letter sets out my expectations for the operation of the WRA over the period 2019-20 to 2021-22 and which I hope will help inform longer term planning. I would expect the WRA's forthcoming Corporate Plan to reflect these complementary expectations, including setting out how each will be delivered.

Ongoing Development of WRA

First and foremost I want the WRA to build on your achievements to date. As we approach the end of the WRA's first full financial year as an operational non-ministerial department, it is important to now reflect on the lessons identified and to start to consider the WRA's role looking ahead to the longer-term. I similarly recognise there will likely be new challenges and activities that the WRA have yet to undertake. I am grateful for the ongoing positive

conversations which take place between the WRA and my officials in the Welsh Treasury as well as the wider Welsh Government in this regard. More generally, I know that the WRA continue to recognise the importance of building high trust relationships with your full range of partners.

I am happy to endorse the overall purpose of the WRA to:

- Design and deliver Welsh national revenue services; and
- Lead the better use of Welsh taxpayer data for Wales.

As you will know, on the 27 February I published the Tax Policy Work Plan 2019. That plan includes a commitment to build a more effective and coordinated approach to tax across existing Welsh taxes and across the wider tax landscape. This includes by considering the case for taking a more strategic and joined-up approach to tax administration priorities over the medium term. Within that wider Welsh Government agenda, I am pleased that the WRA intends to develop its role in relation to:

- Making the most of **data** assets, including working with partners holding Welsh taxpayer data to improve the way that information is shared and analysed; and
- Working with the wider Welsh Government to, where appropriate, supporting the **design** of national Welsh revenue services.

I was encouraged to hear about the WRA's excellent Staff Survey Results which clearly show that members of staff feel that the WRA is a good place to work. I am obviously keen that the positive momentum and energy within the WRA can continue. This should provide for an even more effective organisation which continues to deliver a high quality service and focus on the customer.

I am also aware that the WRA is considering how it can increase its digital capability. Subject to wider budgetary considerations, I would support an approach that enables the WRA to have greater flexibility and resilience for developing digital services and the administration of future taxes.

Achieving Outcomes

We have discussed the importance of the WRA developing a suite of operational performance measures to identify how effectively the tax system in Wales is operating. As you know, I fully endorse the new approach adopted by the WRA that seeks to support people to pay the right tax at the right time.

The need to measure the performance of the WRA needs to be based on the tax authority's four strategic objectives:

- Making it **easier** for people to pay the right amount of tax;
- Ensuring the WRA is **fair** and consistent;
- Being more **efficient** in offering value for money and sustainability; and

- Enhancing **capability** within the WRA.

Within this approach I would wish the WRA to develop performance measures that move away from the traditional measurement of 'yield', that is the additional tax collected following investigations into submitted tax returns. While the WRA must, of course, still collect compliance yield, measuring successes in this way would simply focus on correcting returns that are incorrect.

While WRA should continue to publish the amount of tax collected, there is clearly unlikely to be any single measure how the WRA is achieving its strategic objectives. Instead, a narrative report should be developed detailing a wide range of activities undertaken. Whilst I want to avoid crude targets, I would still however still expect the performance measurement framework to specifically demonstrate:

- How WRA have reduced the scope for tax risk; and
- How people find dealing with WRA.

Although I accept that this is a different kind of performance measurement that will make it more difficult to directly compare performance with other tax authorities, I am confident that these better reflect the approach to tax we wish to promote in Wales and will drive the behaviours and outcomes we want to see.

Unauthorised Disposals

As you are well aware, Landfill Disposals Tax (LDT) is a behavioural tax that seeks to divert waste from landfill as well as penalising unauthorised disposals to tackle anti-social behaviour and improve our environment. Mark Drakeford said in his letter in December 2017 that the WRA was expected during its first full year of operation to gather and analyse data in relation to the type and scale of unauthorised disposals in Wales.

Based on the work that WRA and Natural Resources Wales (NRW) have done to date, I accept that there is a need to target your resources to focus on cases which:

- Address environmental impacts; and
- Adversely impact legitimate landfill and waste management businesses.

This is in keeping with the new approach to tax collection in Wales. I do not wish WRA to necessarily focus on cases that simply lead to the maximum amount of tax collected. Measuring success in this way would be contrary to the preventative approach that seeks to change behaviours.

I am grateful for the close work that you have undertaken with NRW. I know you intend to continue to prioritise this relationship to consider how you can continue to tackle waste crime in partnership. In addition, I welcome your intention to seek to strengthen partnership working with local authorities due their important role in tacking illegal dumping as well as the industry itself.

Whilst these are objectives over the next three years to provide greater stability, there is obviously a need for the WRA, like all organisations in the public sector, to maintain a degree of flexibility. For example, if the UK leaves the European Union the Welsh Government may potentially need to consider some form of fiscal intervention to address any economic consequences.

The annual nature of the WRA budget might also require us to revisit expectations. While a budget for 2019-20 of £6m has been agreed, I know that conversations are ongoing on the need for additional monies. My officials will write to Dyfed Alsop – Chief Executive detailing the final operation budget for the forthcoming financial year presently.

Whilst I intend to revisit and potentially write further in relation to these priorities on an annual basis, rest assured that we will continue to seek a collaborative approach between WRA and Welsh Treasury on agreeing objectives.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, slightly slanted style.

Rebecca Evans AM/AC
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

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