



Llywodraeth Cymru
Welsh Government

Welsh Government
**Welsh Tax Policy
Report 2023**

December 2023

gov.wales

OGL © Crown copyright 2023, Welsh Government, WG48917, Digital ISBN 978-1-83577-150-1

Mae'r ddogfen hon ar gael yn Gymraeg hefyd / This document is also available in Welsh

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg / We welcome correspondence and telephone calls in Welsh

Contents

Foreword	3
Background	4
Welsh tax rates	6
Background	6
Welsh Rates of Income Tax.....	6
Figure one: Proposed Income Tax rates in Wales, 2024-25	7
Land Transaction Tax.....	8
Table one: LTT residential main rates (from 10 October 2022).....	8
Table two: LTT residential higher rates (from 22 December 2020)	8
Table three: LTT non-residential main rates (from 22 December 2020).....	9
Table four: LTT non-residential lease rent rates (from 22 December 2020).....	9
Landfill Disposals Tax.....	10
Table five: LDT rates (rate per tonne)	10
A. Delivery of strategic government objectives including Programme for Government commitments	11
1. Development of Welsh Rates of Income Tax.....	11
2. Reforming local government finance.....	13
3. Development of a visitor levy	17
4. Progressing the case for clear and stable tax devolution.....	19
5. Consider the case for developing new environmental taxes for Wales, working where appropriate with the UK Government.....	20

B. Ongoing policy review and implementation of our existing taxes and other related policy areas	22
6. Development of land transaction tax policy	22
7. Development of landfill disposals tax policy	24
8. Land transaction tax review	26
9. Landfill disposals tax review.....	27
10. Developing the Welsh tax-base	29
11. Enabling changes to the Welsh Tax Acts.....	33
C. Continued focus on working with partners and citizens to embed our distinct Welsh tax approach and raise awareness of Welsh taxes	35
12. Managing Welsh taxes with our partners within a wider UK and international context	35
13. Increasing awareness and knowledge of taxes in Wales through wider engagement activities	36
Annex 1: Abbreviations.....	40
Annex 2: Contact details.....	42

Foreword

This is the third annual report against the Welsh Government Tax Policy Work Plan 2021-26, and it delivers on my commitment to report annually on progress in taking forward our tax policy priorities.

This Report outlines the key developments over the last year in line with our transparent approach to developing tax policy in Wales. This ensures our stakeholders are able to identify where, when, and how they can best engage with our tax agenda and work collaboratively with us to co-deliver our tax policy priorities for Wales.

The Report outlines the progress made on our tax related Programme for Government commitments, including major consultations issued in the areas of local government finance reform, and the visitor levy.

In relation to the existing devolved taxes, the Report covers some key milestones delivered this year including the publication of the two independent reviews of our two fully devolved taxes, fulfilling the commitment for the two taxes to be reviewed within six years of their respective Acts receiving Royal Assent.

I hope you find this report useful. You are welcome to input, contribute your ideas, and forward your views on any of the subjects covered in this report by contacting the Welsh Treasury through one of the channels listed at the end of the document.



Rebecca Evans MS

Minister for Finance and Local Government

Background

1. There are three devolved Welsh taxes – Land Transaction Tax (LTT), Landfill Disposals Tax (LDT), and Welsh Rates of Income Tax (WRIT).
2. These three taxes generate revenue directly for the Welsh Government, with the remainder coming from the UK Government in a block grant.
3. It is essential the devolved Welsh taxes – together with the two local taxes, council tax and non-domestic rates – are operated efficiently and effectively to generate the revenue needed to fund Wales' vital public services, such as health, social services, education, and transport infrastructure.
4. Our Tax Policy Framework¹ underpins our work on taxes in Wales. We published our update to the Tax Policy Framework² in November 2021 which includes our five tax principles and our 'tax policy approach'. Our tax principles bring consistency and coherence to the way in which we develop and deliver tax policy in Wales and affirm that Welsh taxes should:
 - Raise revenue to fund public services as fairly as possible.
 - Deliver Welsh Government policy objectives.
 - 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.
5. The Tax Policy Framework update sets out how we will ensure we continue to embed sustainability, fairness and equality considerations in the way in which we address our priorities.
6. The Welsh Government published its Tax Policy Work Plan 2021-2026³ in November 2021. The Tax Policy Work Plan is an important mechanism through

¹ [Tax policy framework | GOV.WALES](#)

² [Tax policy framework update | GOV.WALES](#)

³ [Tax policy work plan 2021 to 2026 | GOV.WALES](#)

which we seek to raise awareness among stakeholders and other interested parties about what the Welsh Government is investigating, enabling them to engage with the tax agenda in Wales.

7. To further enable stakeholders and partners to work collaboratively with the Welsh Government to develop and deliver tax policy that reflects Welsh needs and priorities, consultation and other tax policy specific engagement activity is undertaken as appropriate. In addition, we host an annual tax conference to provide the opportunity to explore some of the work streams and other tax issues in more detail.
8. This Tax Policy Report presents progress with the tax policy agenda in Wales. This is the third report since the publication of the Tax Policy Work Plan 2021–2026 and forms part of the package of documents published to accompany the Welsh Government Draft Budget for 2024-25.

Welsh tax rates

Background

9. LTT and LDT were introduced on 1 April 2018 and are collected and managed by the Welsh Revenue Authority (WRA). WRIT was introduced on 6 April 2019 and is collected and managed by His Majesty's Revenue and Customs (HMRC).

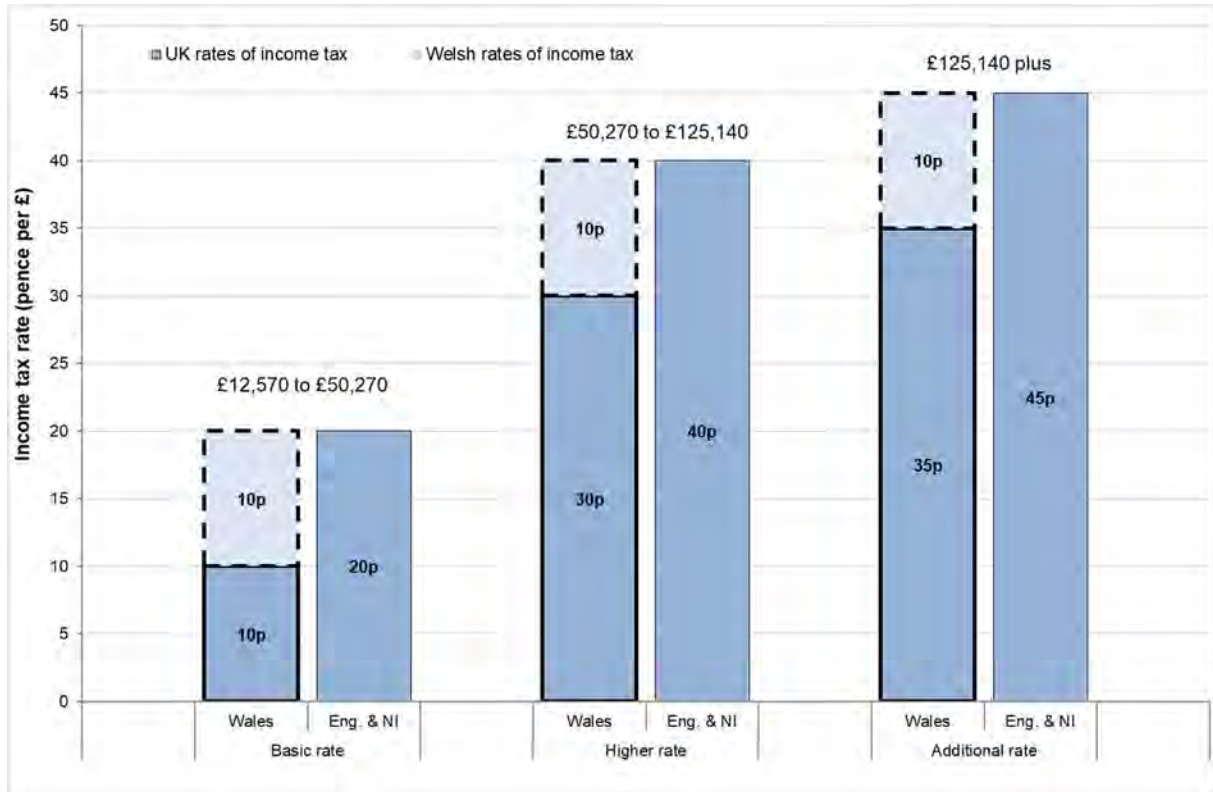
Welsh Rates of Income Tax

10. Income tax is partially devolved to Wales, which means that while the Welsh Government is able to vary the three income tax rates (basic, higher and additional) for Welsh taxpayers⁴, all other aspects of the tax remain the responsibility of the UK Government, and HMRC continues to administer income tax in Wales.
11. The process involves the UK Government reducing each of the three UK income tax rates for Welsh taxpayers by 10p and making a corresponding reduction to the Welsh block grant, which funds devolved public services in Wales. Through a vote at the Senedd, the Welsh Government decides whether to set WRIT at 10p, thereby retaining parity between Welsh and English taxpayers, or to set different rates.
12. In line with its commitment not to take more in WRIT from Welsh taxpayers for at least as long as the economic impact of coronavirus lasts, the Welsh Government intends to set the WRIT for 2024-25 at 10p, maintaining the current levels. This proposal must be confirmed by the Senedd, through a motion prior to the agreement of the final 2024-25 Budget.
13. Figure one shows the proposed rates and thresholds, based on the 2024-25 Income Tax thresholds and personal allowance.

⁴ In most cases, Welsh taxpayers are defined as people who live in Wales; however, a full definition is provided under s.8 of the Wales Act 2014:

<http://www.legislation.gov.uk/ukpga/2014/29/section/8/enacted>

Figure one: Proposed Income Tax rates in Wales, 2024-25



Land Transaction Tax

14. The LTT rates and thresholds are kept under review. No changes to the rates and thresholds were made during this year. The last change was made to the main residential rates in October 2022, and prior to that the last permanent changes were made in December 2020.

Table one: LTT residential main rates (from 10 October 2022)

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £400,000	6%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1,500,000	10%
£1.5m-plus	12%

Table two: LTT residential higher rates (from 22 December 2020)

Price threshold	LTT rate
£0 to £180,000	4%
More than £180,000 to £250,000	7.5%
More than £250,000 to £400,000	9%
More than £400,000 to £750,000	11.5%
More than £750,000 to £1,500,000	14%
£1.5m-plus	16%

Table three: LTT non-residential main rates (from 22 December 2020)

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £250,000	1%
More than £250,000 to £1,000,000	5%
£1m-plus	6%

Table four: LTT non-residential lease rent rates (from 22 December 2020)

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £2,000,000	1%
£2m-plus	2%

Landfill Disposals Tax

15. The 2024-25 Draft Budget proposes that the LDT rates increase in line with Retail Price Index (RPI) inflation, as forecast by the Office for Budget Responsibility (OBR), with effect from 1 April 2024. This continues the policy of maintaining consistency with the UK Government's approach to Landfill Tax rates and increasing in line with forecast inflation at the start of each financial year.

Table five: LDT rates (rate per tonne)

Rate	From 1 April 2022	From 1 April 2023	From 1 April 2024
Standard	£98.60	£102.10	£103.70
Lower	£3.15	£3.25	£3.30
Unauthorised disposals	£147.90	£153.15	£155.55

A. Delivery of strategic government objectives including Programme for Government commitments

1. Development of Welsh Rates of Income Tax

Purpose

16. Continue to examine how potential changes to Welsh Rates of Income Tax (WRIT) could impact on Welsh taxpayers. The Welsh Government has committed⁵ to not take more in WRIT from Welsh taxpayers for at least as long as the economic impact of coronavirus lasts.

Background

17. WRIT was introduced on 6 April 2019. The UK rates on non-savings, non-dividend income were reduced by 10p in each band for Welsh taxpayers and the Welsh rates were set at 10p. Maintaining the Welsh rates at this level in each band, means Welsh taxpayers will pay the same overall income tax rates as those in England and Northern Ireland.

18. Welsh Government has a Service Level Agreement (SLA) with HMRC for the collection of WRIT on behalf of Welsh Ministers. The WRIT Board, chaired jointly by the Welsh Government and HMRC, oversees the SLA between Welsh Government and HMRC. The SLA sets out requirements and performance measures for the operation of WRIT. The SLA is reviewed annually.

19. As set out in the SLA, HMRC is required to report annually on its delivery of WRIT. The report provides information about HMRC's administration of WRIT, covering:

- Compliance activity (including address assurance).
- The collection of, and accounting for, revenues.
- Customer service and support.
- Data for rate setting and forecasting.

⁵ [Welsh Government Programme for Government: Update \[HTML\] | GOV.WALES](#)

- Data for Welsh Government cash management.
- The costs of delivering WRIT and recharging of HMRC costs.

Evidence and analysis

20. The National Audit Office (NAO) independently audits HMRC's work to ensure good governance and value for money. The latest report⁶, published on 19 January 2023, specifically looked at HMRC systems and processes to ensure they are fit for purpose and indicated the NAO is satisfied with the arrangements which HMRC has in place for administering WRIT, and is also satisfied that the governance arrangements and costs paid by Welsh Government are accurate and fair.
21. A devolved income tax analytical working group oversees the analysis of devolved income tax statistics, including the outturn publications. This group comprises officials from HMRC, the Welsh Government, the OBR, the Scottish Fiscal Commission, and the Scottish Government.
22. The income tax outturn statistics provide both WRIT revenues and the equivalent revenues for the rest of the UK. These figures are used to calculate the Welsh Government's block grant adjustment - the reduction in funding from the UK Government to take account of revenues the Welsh Government receives directly from the devolved taxes.
23. In July 2023, HMRC published its latest set of outturn statistics relating to WRIT⁷. The outturn statistics showed that the revenue from WRIT in 2021-22 was £2,384 million, an increase of 11.4% from 2020-21. In November 2023, the OBR published its revised population estimates, making it possible to calculate the reconciliation amounts in respect of the 2021-22 income tax outturn statistics. The details of this were published in a joint statement with HM Treasury on 6 December 2023.
24. The WRIT forecast for 2024-25 is £244m higher than at the final budget in February. This accords with the more general increase in tax revenues in the OBR's latest forecast, reflecting higher inflation and earnings than previously expected.

⁶ [Administration of Welsh rates of income tax 2021-22 - National Audit Office \(NAO\) report](#)

⁷ [Welsh Rates of Income Tax Annual Report 2022 - GOV.UK \(www.gov.uk\)](#)

25. The overall net position between devolved tax revenues and block grant adjustment generates £154m in 2024-25 excluding the reconciliation amounts for 2021-22. Including the reconciliation amounts increases the net position by £107m to £261m.
26. The OBR produces forecasts of devolved tax revenues, including WRIT, for the Welsh Government. Its latest *Welsh Taxes Outlook* is published alongside the Welsh Government's Draft Budget.
27. The Welsh Government intends to set WRIT for 2024-25 at 10p. This proposal is due to be presented to the Senedd, through a motion prior to the consideration of the final 2024-25 Budget.
28. To accompany the Draft Budget, we have published an updated Ready Reckoner for WRIT. This provides estimates of the potential revenue impact from changes to each of the three Welsh Rates of Income Tax in 2024-25 and 2025-26.

Outcome and next steps

29. The ongoing management of WRIT will continue to take place through the WRIT Board, with reference to the SLA between the Welsh Government and HMRC.
30. This process will be informed by our Programme for Government (PfG) commitments as well as tax forecasts and the wider economic and fiscal outlook.

2. Reforming local government finance

Purpose

31. To improve local government finance and local taxation systems so that they are fairer, more progressive, sustainable and accurate, while continuing to support vital local services such as education, social care, housing, local transport, policing and community safety. We will also make changes which contribute to delivering our wider ambitions for a stronger, greener and fairer Wales.

Background

32. In our PfG and the Cooperation Agreement we commit to a fairer and more progressive council tax. Our programme also contains commitments which are relevant to local government finance and to non-domestic rates, including making the case for clear and stable tax devolution for Wales, strengthening the autonomy

and effectiveness of local government to make them more effective in delivering services, and reducing the administrative burden on local government.

33. On non-domestic rates, we continue to invest significant amounts of support in targeted relief for small businesses, the retail, leisure and hospitality sectors, charities, high streets, and childcare premises. We delivered a revaluation exercise and new appeals process in 2023 to update and maintain the integrity of the non-domestic tax-base for Wales and we are supporting this with transitional relief.

Evidence and analysis

34. We maintain a website repository⁸ where we publish research related to the local taxes. The phased reforms we have outlined for council tax and non-domestic rates are underpinned by a detailed evidence base published in a Summary of Findings⁹ in 2021. This summary applied new information about the particular socioeconomic circumstances of Wales to a range of ideas, from incremental changes in the short to medium term, to options for alternative arrangements over a longer timeframe.

35. We have continued to supplement our evidence throughout 2023 with additional in-depth analysis, including:

- Findings¹⁰ from the 2023 wave of the Wales Omnibus Survey into people's attitudes to council tax.
- A summary¹¹ of responses to the Welsh Government's Phase 1 consultation on a fairer council tax.
- Progressively developing the data we hold on non-domestic rates and council tax to inform policy choices.
- An annual report¹² on our Council Tax Reduction Scheme.
- Commissioning analytical insights into council tax reform approaches from the Institute for Fiscal Studies¹³.

⁸ [Evidence and research on council tax and non-domestic rates | GOV.WALES](#)

⁹ [Reforming local government finance in Wales: summary of findings | GOV.WALES](#)

¹⁰ [Public attitudes to council tax: 2023 | GOV.WALES](#)

¹¹ [A Fairer Council Tax | GOV.WALES](#)

¹² [Council Tax Reduction Scheme: annual reports | GOV.WALES](#)

¹³ [Institute for Fiscal Studies: 2023](#)

36. We have continued to proactively engage on our plans with partners in local government, the Valuation Office Agency (VOA), the Valuation Tribunal for Wales (VTW), and a range of other key stakeholders, including Citizen’s Advice Cymru and business communities.

Outcome and next steps

A fairer council tax

37. The Phase 1 consultation on a fairer council tax in 2022 outlined an ambitious programme of reforms as the starting point towards a fairer system. We sought views on creating an updated and less regressive council tax structure; committing to regular updates in the future; undertaking a review of all the discounts and reductions; as well as modernisation of the service to taxpayers and improvements in transparency. These elements of the work are in train.

38. The Phase 1 consultation drew clear support from a wide range of stakeholders. The evidence and experts agree it is unfair to continue basing council tax bills on property valuations from twenty years ago, and the tax structure places a higher burden, relatively, on lower value properties.

39. After carefully considering the responses, the Minister for Finance and Local Government provided an update¹⁴ on local tax reforms to the Senedd on 2 May 2023. We have continued working with the Valuation Office Agency, local government, the Institute for Fiscal Studies and various representative organisations. The VOA has started initial preparations to undertake a revaluation of properties, developing a world-leading Automated Valuation Model technology. We are now using detailed information to narrow down the reforms we could deliver in the future. More information about the potential future approaches to a fairer and more progressive council tax in Wales can be found in the Phase 2 consultation¹⁵ published on 14 November.

Non-domestic rates

40. On 29 March 2022¹⁶ we set out a programme of non-domestic rates reform that will be delivered over this Senedd term. Our ambition for a fairer, greener and

¹⁴ [Oral Statement: Update on Local Tax Reform \(2 May 2023\) | GOV.WALES](#)

¹⁵ [Fairer Council Tax: Phase 2 Consultation \(14 November 2023\)](#)

¹⁶ [Oral Statement: Non-Domestic Rates Reform \(29 March 2022\) | GOV.WALES](#)

stronger Wales forms the basis of any potential changes to the non-domestic rates system.

41. We launched a 12-week consultation later in 2022 seeking views on reforming non-domestic rates in Wales. The consultation covered a wide range of proposed changes to the non-domestic rates system including:

- More frequent revaluations.
- The potential to vary the multiplier.
- Improved information flows.
- Reviewing the existing package of reliefs and exemptions.
- Addressing issues of fraud and avoidance.

Following the publication of a summary of responses to the consultation¹⁷, our focus remains on delivering a rates system which is demonstrably better for Wales, not just different from the current one.

42. A further statement was made on 2 May 2023¹⁸ reflecting the progress made so far, confirming our commitment to deliver non-domestic rates reform over the remainder of the Senedd term. The Local Government Finance (Wales) Bill¹⁹, which was introduced into the Senedd on 20 November, will provide the legislative basis required to implement meaningful non-domestic rates reform for Wales and also delivers on our commitment to conduct three-yearly revaluations.

43. As with council tax, alternative approaches to non-domestic rates remain under consideration for the longer term. The consultation on rates reforms sought views on the possibility of a local land value tax: the responses will be used to inform further work in this area.

44. Together with our plans for a fairer council tax, our plans for the reform of non-domestic rates comprise a significant programme of work which will span a number of years. The changes will have an extensive impact on the £10bn local government finance system and will affect household and business finances in a

¹⁷ [Reforming non-domestic rates in Wales | GOV.WALES](#)

¹⁸ [Oral Statement: Update on Local Tax Reform \(2 May 2023\) | GOV.WALES](#)

¹⁹ [Local Government Finance \(Wales\) Bill \(Senedd Wales\)](#)

very direct way. We must, therefore, be able to assess the full impact of any proposals before making further changes.

3. Development of a visitor levy

Purpose

45. To introduce legislation permitting local authorities to raise a visitor levy as contained in the Welsh Government Programme for Government²⁰ (PfG).

Background

46. The PfG sets out our commitment to ‘introduce legislation permitting local authorities to raise a tourism levy’. This work is proceeding in collaboration with Plaid Cymru as part of the Co-Operation Agreement.

47. Levies are used across many countries to support sustainable tourism, with funds reinvested into local infrastructure and services which are integral to the visitor experience. Where they are used, they provide an important revenue stream for local areas to protect natural assets, reduce visitor impacts and to enhance or promote the tourism offer.

48. The formal consultation closed on 13 December 2022. A series of consultation events were held across each region in Wales, involving a range of stakeholders.

49. We received over 1000 responses to the consultation from a wide range of stakeholders. The outcome of the consultation was published on 30 March 2023²¹. The Minister for Finance and Local Government, Rebecca Evans MS, announced the intention to move forward with plans to develop visitor levy legislation²².

Evidence and analysis

50. Alongside the public consultation, consumer research was commissioned by Welsh Government and undertaken by BVA BDRC to obtain the views of Welsh residents and UK domestic holiday consumers on the potential visitor levy. It

²⁰ [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

²¹ [Discretionary visitor levy for local authorities | GOV.WALES](#)

²² [Written Statement: Update on proposals for a discretionary visitor levy for Wales \(30 March 2023\) | GOV.WALES](#)

explored opinions on whether visitors should contribute via a levy, are willing to pay a levy and if they would change their behaviour if a levy was introduced²³.

51. More than 2,500 respondents completed the survey; 1,005 lived in Wales. Those surveyed broadly supported the principle of a visitor levy. A majority (58%) of respondents agreed that tourists should contribute towards the costs of maintaining and investing in the destinations they stay in, rising amongst people with lots of tourism in their area – in Wales (66%) and the UK (72%) with only 13% disagreeing.
52. The Welsh Revenue Authority (WRA) has conducted research on behalf of Welsh Ministers to understand how accommodation providers currently operate and inform how a visitor levy would work in practice. User research has been conducted with a number of accommodation providers across Wales. This work is helping us to understand the scale and range of accommodation providers across Wales, and will aid our understanding in designing an efficient, user-friendly collection system.

Outcome and next steps

53. The First Minister announced the legislative programme for the next Senedd term on 27 June 2023. Legislation for the visitor levy will be introduced into the Senedd by Autumn 2024.
54. We are working with experts to assess the potential economic impacts, as well as the broader environmental, social and cultural impacts, of implementing a visitor levy in Wales and have recently commissioned research to consider and review the non-economic impacts of levies in overseas destinations. This work will be carried out by Bangor University. We will produce a Regulatory Impact Assessment which will outline the potential impacts of any proposed legislation. This will accompany the draft bill when it is introduced to the Senedd in Autumn 2024.
55. Officials from the Welsh Treasury and the WRA will continue to work with the tourism sector to consider the implementation impacts and requirements for a visitor levy in Wales.

²³ [Visitor levy research: views of consumers and residents | GOV.WALES](#)

4. Progressing the case for clear and stable tax devolution

Purpose

56. Make the case for clear and stable tax devolution in Wales²⁴ whilst pursuing agreement with the UK Government on a fit for purpose mechanism for devolving new tax powers to Wales.

Background

57. Devolved taxation can be a powerful lever for influencing behaviour change, as well as generating revenue to support public spending to meet the needs of Wales and enabling us to develop more progressive taxes. It also allows us to develop a more strategic approach to central and local taxation in Wales, ensuring it is better able to meet the needs and priorities of citizens, businesses and communities.

58. Since 2018, the Welsh Government has been seeking new tax powers for a potential new devolved tax 'on land suitable for development', – a 'vacant land tax' (VLT). The purpose of a VLT would be to help bring about the development of land which already has permissions or is within the local development plan but is not currently being developed. The new tax would be focused on incentivising behaviour change rather than raising revenue.

59. The Welsh Government has given careful consideration to the suitability of a VLT bringing an additional tax lever to incentivise early development thereby helping to achieve our housing and regeneration ambitions. Pursuing the power will also test the mechanism in the Government of Wales Act 2006 through which new tax powers can be devolved.

Evidence and analysis

60. The limited progress that has been made with the UK Government since it was agreed that proposals were sufficiently developed, and a formal request for the powers to be transferred was made in 2020, has made clear that the process for the devolution of new tax powers is not fit for purpose. If the process cannot deliver the devolution of a relatively small, narrow and targeted tax which is closely aligned to devolved responsibilities, it is difficult to envisage a scenario whereby the Welsh

²⁴ [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

Government could successfully make the case for further tax competence under existing arrangements.

Outcome and next steps

61. We continue to proactively engage with UK Government to seek powers for a VLT as well as making the case to the UK Government for the review and reform of the process for the devolution of new tax powers.

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

Purpose

62. 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 opportunities and impact of other environmental related taxes in existing devolved and reserved areas, as well as new taxation areas.

Background

63. Our tax policy presents a potentially important lever through which to support wider government objectives. This is particularly the case in respect of considering the case for developing new environmental taxes for Wales, and as a means through which we can support wider efforts to tackle the climate and nature emergency. However, we have been careful to adopt a clear strategic and evidence-based approach, working with stakeholders to determine where to focus efforts to achieve policy objectives and maximise any impact, particularly in establishing lasting behavioural changes.

Evidence and analysis

64. UK-wide legislation to introduce a plastics packaging tax came into force on 1 April 2022, providing a clear economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging. We are also working collaboratively with the other UK governments to develop and deliver a number of other initiatives to support our transition to a circular economy and accelerate our progress to achieving a zero waste, net zero carbon Wales. These include the development of an Extended Producer Responsibility Scheme for packaging, a Deposit Return Scheme and mandatory digital waste tracking.

Outcome and next steps

65. We remain committed to working collaboratively with the UK Government in relation to any impact evaluation of the plastics packaging tax in Wales. We will also continue to work with key partners to understand the impact of other UK-wide environmental initiatives. This evidence will help us determine what other opportunities might exist with regard to the development of other environmental related taxes in existing devolved and reserved areas, as well as new taxation areas.

B. Ongoing policy review and implementation of our existing taxes and other related policy areas

6. Development of land transaction tax policy

Purpose

66. To ensure Land Transaction Tax (LTT) continues to meet the Welsh Government's policy aims, while achieving its primary purpose to raise revenue to support delivery of public services in Wales.

Background

67. LTT is a tax on the purchase or lease of land and buildings that is primarily designed to raise revenues to help pay for Welsh Government spending. It can also potentially support other Welsh Government policy aims through, for example, reliefs or adjusting the rates charged.

68. LTT brings significant revenue to the Welsh Government. LTT generated revenue of £372 million in 2022-23 and is forecast to raise £314 million in 2023-24.

69. LTT higher residential rates are charged on additional residential properties bought by individuals who already own a residential property, for example second homes, buy-to-let properties, and on the purchase of any dwelling where the buyer is not an individual, such as a company.

Evidence and analysis

70. The WRA publishes regular and timely LTT data, on a monthly and quarterly basis. It also publishes annual data, with the fifth annual statistical release for LTT covering the period 2022-23, providing a range of information about residential and non-residential property transactions by different geographical areas, including national, local authority, and constituency.

71. At a national level, the main data highlights of the statistical release for 2022-23, include:

- A total of over 59,500 returns made by taxpayers.
- £372 million tax in total due.
- £278 million tax due for residential transactions. This included £82 million additional revenue raised from higher residential rates.

- £94 million tax due for non-residential transactions.

72. The Office for National Statistics house price index shows that the average house price when LTT rates first came into effect in April 2018 was £159,000. In September 2023 the average price was £215,000, and £185,000²⁵ for a first-time buyer. This is below the starting threshold for the main residential rates of LTT which is £225,000. The LTT data indicates that around 60% of residential transactions are for consideration below that threshold.

Outcome and next steps

73. In support of the Programme for Government (PfG) commitment to “Develop further effective tax, planning and housing measures to ensure the interests of local people are protected” the Welsh Government continues to explore how changes to the higher rates of LTT could help give an advantage to people buying homes for permanent occupation. We are continuing to work with local authorities to develop a national framework within which they can request for increased LTT rates for second homes and holiday lets to be applied in their local area.

74. At the 2024-25 Draft Budget the Welsh Government published a consultation on draft regulations to allow extensions to the three-year LTT higher residential rates refund and exception from higher residential rates period where certain circumstances apply. The changes will allow taxpayers to claim a refund of the higher residential rates where they are replacing their main residence and have sold their previous main residence more than three years after purchasing the new home, if impacted by fire safety issues (e.g. unsafe cladding) which prevented the sale being completed more quickly. The consultation on the proposed amendments will close in March 2024.

75. A separate consultation on legislative amendments to provide a relief from LTT for qualifying transactions within a designated special tax sites as part of Freeports Programme in Wales was also published at the 2024-25 Draft Budget and will close in February 2024.

76. The special tax site 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. It is anticipated the tax reliefs will need to be in place once the relevant business cases

²⁵ [UK House Price Index - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

are approved and the tax sites are designated by UK Government which is currently projected to take place in early 2024.

77. We will continue to keep the rates and bands under review to ensure LTT continues to meet the Welsh Government's policy aims and generate revenue for our important public services.

7. Development of landfill disposals tax policy

Purpose

78. Ensure Landfill Disposals Tax (LDT) policy is operating as intended and consider opportunities for the tax to support wider government policy objectives.

Background

79. The Landfill Disposals Tax (Wales) Act 2017 introduced a standard and lower rate of tax which applies to disposals at authorised landfill sites. The lower rate applies to materials that meet the conditions set out in the LDT Act and the standard rate applies to all other materials. In addition, the LDT Act introduced a third rate of tax for waste disposed at places other than authorised landfill sites, known as the unauthorised disposals rate.

80. The WRA has been collecting and managing the LDT successfully since its introduction in April 2018. To date, LDT rates have matched those of the Landfill Tax (LFT) in England and Northern Ireland. Setting rates that are consistent with LFT has ensured Wales continues to benefit from tax revenue, while ensuring the risk of the movement of waste across borders is reduced. This approach is reviewed each year as part of the annual rate-setting process where consideration is given to the benefits and dis-benefits of changing the rates in the future to advance wider environmental objectives. While LDT raises revenue to support public services, it is, primarily, a behavioural tax, with its key objective being to reduce the amount of materials being sent to landfill in Wales, thus supporting a shift to a more circular economy where resources are kept in use and waste avoided. As behaviour changes, revenues are expected to fall, as less waste is landfilled.

Evidence and analysis

81. The approach to setting LDT tax rates is guided by the Welsh Government's tax principles and the objective to reduce landfill disposals in Wales. Delivering stability and certainty for taxpayers and the wider waste industry has also been a key factor

in setting the rates to date. Our approach has been for tax rates to only diverge from those of the predecessor tax rates as much as is required to reflect Welsh circumstances and priorities and the principle of raising revenues to support public services as fairly as possible. The Welsh Government's Draft Budget for 2024-25 includes plans to raise LDT rates to ensure consistency with UK LfT. We will continue to work with the WRA to monitor the implementation of LDT to ensure its effective operation.

82. The LDT unauthorised disposals rate is set at 150% of the standard rate of LDT to deter unauthorised disposals which have an increased likelihood of negatively impacting the environment and our communities. It promotes a level playing field for legitimate operators and accounts for the enforcement costs for the WRA. It should encourage illegal operators to manage their waste more sustainably and, as a minimum, take it to an authorised landfill site and pay a fair share of tax, which supports public services in Wales. The WRA has charged tax on several cases of unauthorised disposals and is also working closely with Natural Resources Wales to improve waste quantification methods and future case referrals.
83. The findings of the independent review of LDT (see chapter 9) have helped inform our understanding of the impact of LDT rates on behaviours to date. The review found LDT to be well-aligned with Welsh Government environmental policies and priorities and noted its role as part of a package of policy measures that are collectively driving waste away from landfill and up the waste hierarchy.

Outcome and next steps

84. Maintaining our approach to LDT rates for 2024-25 will continue to complement wider environmental policy initiatives and allow them to work alongside each other to continue to incentivise behaviour change and drive forward the Welsh Government's environmental goals.
85. Our approach to the administration of LDT will continue to be to ensure we make the most efficient and effective use of the resources available to support the delivery of LDT. The independent review of LDT has been useful in identifying key areas for further consideration and we will continue to improve our understanding of key issues in relation to waste management and disposal by strengthening relationships across the Welsh and UK Governments and with our key partners in the WRA and Natural Resources Wales. This will support the ongoing development of LDT to ensure it continues to contribute towards achieving our objective of a zero waste Wales.

8. Land transaction tax review

Purpose

86. To undertake an independent review to evaluate the effectiveness of LTT and Anti-Avoidance of Devolved Taxes (Wales) Act 2017 (hereafter referred to as LTTA).

Background

87. There was a statutory obligation for Welsh Ministers to make arrangements for an independent review of LTT to be carried out within six years of the LTTA receiving Royal Assent. The six-year deadline was May 2023.

88. The independent review was undertaken by Alma Economics and focused on the specific changes made when the LTTA was introduced when compared to SDLT in England. In particular, it considered whether the policy intent behind the specific changes has been achieved and whether those changes are still appropriate for Wales.

Evidence and analysis

89. The review considered whether the policy intents of the changes and variations made to the LTT regime relative to its predecessor tax, Stamp Duty Land Tax (SDLT), at the time of introduction of the Act had been achieved. Furthermore, the review also established whether those changes are still appropriate. The review addressed sixteen areas of the LTTA where changes to, or variations from, the pre-existing SDLT law were made.

Outcome and next steps

90. The review was published on 15 February 2023²⁶. The Minister for Finance and Local Government also published a Written Statement²⁷.

91. The primary conclusion of the report was that the policy intents have been met and the changes made remain appropriate.

²⁶ [Independent review: Land Transaction Tax and Anti-avoidance of devolved taxes \(Wales\) Act 2017 \(summary\) | GOV.WALES](#)

²⁷ [Written Statement: Independent Review of the Land Transaction Tax \(15 February 2023\) | GOV.WALES](#)

92. The report and key findings will inform future policy decisions.

9. Landfill disposals tax review

Purpose

93. To undertake an independent review to evaluate the effectiveness of the Landfill Disposals Tax (Wales) Act 2017.

Background

94. A commitment was made by the former Cabinet Secretary for Finance, during the Stage 3 plenary debate on the Landfill Disposals Tax (Wales) Bill, for an independent review of LDT to be undertaken within six years of the LDT legislation receiving Royal Assent.

95. Following a full and open procurement exercise, Enomia Research and Consulting was commissioned by the Welsh Government to undertake the review and assess the effectiveness of the legislation as well as consider any lessons which can be learned since its implementation. The review covered the period September 2017 to March 2023 and focussed on two key questions:

1. What impact have LDT rates had on behaviours in the waste sector (including unauthorised disposals)?
2. To what extent has the LDT legislation (i.e. other than tax rates) influenced behaviours?

96. The report²⁸ and executive summary²⁹ were published on 6 July 2023.

Evidence and analysis

97. The review found LDT to be well-aligned with Welsh Government environmental policies and priorities and concluded that it had made a positive contribution towards waste management priorities. However, disentangling the impact of LDT from other factors in the policy landscape was difficult. The report concluded that, while LDT is making a contribution, it is likely that other factors are playing a greater

²⁸ [An Independent Review of the Landfill Disposals Tax \(Wales\) Act 2017 \(gov.wales\)](#)

²⁹ [An independent review of the Landfill Disposals Tax \(Wales\) Act 2017: summary | GOV.WALES](#)

role in encouraging the reuse and recycling of waste materials and the uptake of alternative technology.

98. Regarding the impact of LDT rates, the review found that:

- Between 2018-2023, there had been an increase in recycling and reuse, and in the use of alternative technologies. LDT was likely to have contributed to these changes, but other factors were likely to have had a greater impact. Data were inconclusive as to whether LDT rates were aligned with the environmental impact of different waste streams.
- There were several waste streams where LDT rates were not acting as a deterrent to landfill.
- Within the current context, where LDT rates have remained aligned with those of LFT, the evidence did not indicate that LDT rates were influencing waste tourism and cross-border flows of waste.
- There was evidence that the gap between lower and standard LDT rates had contributed to the misclassification of waste. Further work would be needed to understand the extent of misclassification.
- The unauthorised disposals rate was sensible but there were some questions about its effectiveness as a deterrent for waste crime due to a perceived lack of visibility and enforcement.

99. The review stopped short of providing recommendations, but it did come to the following key conclusions, based on the evidence gathered from stakeholders:

- LDT is a vital part of a package of policy measures that is collectively driving waste away from landfill and up the waste hierarchy (i.e. towards prevention, re-use, recycling and recovery).
- Suggested improvements to the tax included:
 - Introducing multiple rates or a middle rate of tax to account for the different environmental burdens of individual materials and the issue of misclassification.
 - Changing the rates for which certain materials are taxed to ensure LDT has the desired effect.

- Reducing the administrative burden that LDT places on landfill site operators.
- Assigning a proportion of the tax revenue to improving and increasing LDT associated regulation.

Outcome and next steps

100. While the review findings and conclusions have been helpful in terms of supporting our understanding of the impact of LDT rates on behaviours to date, we recognise that the specialised nature of the review, and relatively small sample size of stakeholders participating in it, means the findings cannot be said to be representative of broader opinion. However, the review has been useful in highlighting several key areas for further consideration to support the further development of LDT.

101. We will continue to work with key partners and stakeholders to determine what action might be taken over the longer term to ensure LDT continues to contribute effectively towards our wider environmental goals.

10. Developing the Welsh tax-base

Purpose

102. To ensure the Welsh Government's policies are developed with consideration to the short, medium, and long-term impacts on the Welsh tax-base.

Background

103. The tax base plays a vital role in the economic well-being and fiscal stability of Wales. It is a cornerstone for generating revenue, fostering economic development, and supporting public services. Developing our tax base and increasing our fiscal autonomy allows Wales to make decisions that align with its unique economic and social priorities, rather than relying solely on funding from the UK government.

104. The Programme for Government (PfG) sets out a commitment to consider new ways to grow our tax-base and consider the funding implications of any recommendations from the Constitutional Commission.

105. In addition, the Co-operation Agreement sets out a commitment to work with the Wales Governance Centre, and OBR and others to develop greater

understanding of the prospects for devolved public finances and the future needs of the Welsh public services, looking for new ways to address any funding gaps identified and grow our tax base.

Evidence and analysis

106. In October 2023, the Office for Budget Responsibility published an analysis of the evolution of the amount of income tax paid per person in Scotland and Wales relative to the UK as a whole³⁰.

107. The analysis concludes that the 30 per cent widening in the income-tax-per-person gap between Wales and the UK between 2007/08 and 2020-21 was largely driven by employment income (which accounts for over 70% of the widening). This was mainly the result of declines in employment income tax per taxpayer relative to the UK. Since 2015/16 there have been more deaths than births in Wales, however, the Welsh population has continued to increase due to net migration, with UK internal net migration somewhat larger than international net migration. If inward migration falls there is risk of a contraction in the Welsh income tax base.

108. Moreover, based on past trends, the Welsh population is projected to have a growing share of the elderly, a slowly decreasing share of working-age people, and a decreasing share of the young, increasing the risk of further contraction in the Welsh income tax base³¹.

109. Recognising this risk, the Welsh Government commissioned the Wales Centre for Public Policy (WCPP) to review the international evidence on the effectiveness of policies to address the issues arising from an ageing or declining population. The final report will be published very shortly.

110. The review focuses on three responses to potential population ageing and population decline:

- Enabling and encouraging fertility.
- Retaining people, especially young and skilled workers.

³⁰ [Working paper No.21: Developments in devolved income tax \(obr.uk\)](#)

³¹ The risk to the tax base would need to be considered alongside the potential benefits from a smaller population and other well-being goals.

- Attracting inward migrants, especially young and skilled workers.

111. The report found:

- There is strong evidence to suggest pro-family policies, such as more generous childcare and parental leave, are associated with increased fertility.
- There is less strong evidence for policies targeting retention and attraction of people. A range of factors appear to drive population retention and immigration, including work, education and training, housing, public services, transport, and connectivity. Job opportunities appear to be the most important factor for retaining and attracting working-age people.

112. The contribution of international net migration in the growth in the Welsh population means that while immigration remains a 'reserved' matter, it has an impact on many of the responsibilities of the Welsh Government and on the lives of Welsh people. The Welsh Government and stakeholders understand that investment in, and the development of, the UK's domestic labour force should take priority, rather than seeing migrant labour as the solution to recruitment difficulties. At the same time, demographic and economic conditions in Wales are very different from those in other parts of the UK and consideration of those should be reflected in the Points Based Immigration System (rural depopulation exacerbated by cessation of free movement, post covid increase in labour inactivity, aging, fewer births are all good examples).

113. The Welsh Government responded to the Migration Advisory Committee's (MAC) review of the Shortage Occupation List (SOL). In October, the MAC published its latest review of the SOL³². Ministers have written to the MAC to acknowledge the publication of the report and will continue to make the case for a migration system that recognises demographic and economic conditions in Wales.

Outcome and next steps

114. In November 2023, the Minister for Economy announced the Welsh Government's Economic Mission priorities for a stronger economy³³, which set out

³² [Review of the shortage occupation list 2023](#)

³³ [Priorities for a stronger economy | GOV.WALES](#)

how it is going to deliver against the 2021 Economic Mission Aims. The four priority areas will be to enable:

- A just transition and Green Prosperity. Realising the enormous Net Zero opportunities across Wales from its natural environment to support business growth and engaging with businesses and people to move towards a just transition.
- A platform for young people, fair work, skills and success. Backing young people to achieve the ambitious futures in Wales. Prioritising their skills and creativity. We will target resources where they are most needed with help for those furthest from the labour market.
- Stronger partnerships for stronger regions and our everyday economy. Work with each region to agree a smaller set of urgent priorities. This will include joint working to boost the case for UK decisions that crowd in investment and support fair, unionised jobs in areas including Nuclear, Offshore Wind and Tech. We will work together in difficult financial circumstances to prepare for the potential return of post EU funds and back the everyday economy to retain more value and tackle poverty.
- Investing for Growth. We will work in partnership to focus on our comparative strengths to boost investment and growth that promotes fair work and long termism. Our new mission-based Innovation Strategy will target new investment in a post EU landscape, supporting commercialisation, R&D and entrepreneurship.

Developing the evidence base

115. We will continue to work with the Office for National Statistics (ONS) as it progresses its proposals to transform its approach to producing population, migration, and social statistics. The Welsh Government has submitted a formal consultation response to the ONS's consultation on the future of population and migration statistics in England and Wales³⁴ and the Minister for Finance and Local Government has written to the UK's National Statistician outlining the key user requirements for the Welsh Government. The UK Statistics Authority is expected

³⁴ [Consultation on the future of population and migration statistics in England and Wales - Office for National Statistics - Citizen Space](#)

to make a recommendation in 2024. The Welsh Government will then decide next steps based on the recommendation.

116. We will work with stakeholders to agree the next steps for the Wales Fiscal Analysis programme. Since 2019, the Welsh Government has provided funding to support the work of Wales Fiscal Analysis (WFA) at Cardiff University. In the last five years, WFA has produced a range of research reports and held and presented at numerous events, appeared at Welsh and UK Parliament Committees and regularly contributed to television and newspaper reporting of fiscal issues in Wales³⁵. We will work with academics and other stakeholders to agree the best way to build on this work.

11. Enabling changes to the Welsh Tax Acts

Purpose

117. Establishing a long-term architecture for the Welsh Ministers and Senedd to effect changes to the Welsh Tax Acts. with regulation making powers to respond to external circumstances that impact on the Welsh Tax Acts.

Background

118. The Senedd passed the Welsh Tax Acts etc. (Power to Modify) Act 2022 in July 2022. It received Royal Assent in September 2022. The Act provides the Welsh Ministers with the right tools in place to respond to certain defined external circumstances that may impact on the Welsh Tax Acts.

119. The Act enables the Welsh Ministers to use regulation making powers to address unexpected events, such as court judgments, loopholes or changes in equivalent reserved taxes that operate in England, which could have a significant impact on the liabilities of individuals and on our revenues. Whilst providing the Welsh Ministers with a flexible way of responding to the Senedd's role of scrutinising and approving those regulations.

Outcome and next steps

³⁵ Wales Fiscal Analysis' publications can be found at <https://www.cardiff.ac.uk/wales-governance-centre/publications/finance>

120. Several amendments were made during the Bill Stages. Most significantly a sunset clause was introduced. It applies five years after the Act came into force (the day after the Act received Royal Assent). Therefore, new regulations cannot be made using the power provided by the Act after 8 September 2027. The Welsh Ministers may lay regulations that extend the time that regulations using the power in the Act can be made, up to a maximum date of 30 April 2031 (the end of the Seventh Senedd term).
121. Furthermore, the Act was amended to include an obligation on the Welsh Ministers to review the operation and effect of the Act and to publish the conclusions of that review. The conclusions of the review must be published by 8 September 2026. That review must also “include an assessment by the Welsh Ministers of alternative legislative mechanisms for making changes to the Welsh Tax Acts and regulations made under any of those Acts”. The Welsh Government has started planning the work to support the Welsh Ministers in their review.
122. There are no other direct impacts or implementation required from the Act receiving Royal Assent. The Act operates to enable changes to be made to the Welsh Tax Acts through regulations in response to certain external circumstances. The power provided by the Act has not yet been used by the Welsh Ministers.

C. Continued focus on working with partners and citizens to embed our distinct Welsh tax approach and raise awareness of Welsh taxes

12. Managing Welsh taxes with our partners within a wider UK and international context

Purpose

123. Establish a distinct Welsh approach to the way Welsh taxes are managed which reflects the full spectrum of responsibilities and activities that tax administrators undertake at both national and local levels whilst recognising inter-relationships with the UK-wide tax system.

Background

124. In Wales there are five taxes in operation with some degree of devolved responsibility, which are collected by different tax authorities:

- The two fully devolved taxes, LTT and LDT, are collected and managed by the WRA.
- Partially devolved income tax, WRIT, is collected by HMRC on behalf of the Welsh Government.
- The two local taxes – council tax and non-domestic rates – which are collected and spent by local authorities in Wales.

125. Although the different tax collection authorities have developed differently, being supported and shaped by a range of different structures, processes, requirements and therefore, ways of working, there is an opportunity to develop a strategic, coherent and distinct approach to the way taxes are administered in Wales.

Evidence and analysis

126. We have continued to develop our policy partnership with the Welsh Revenue Authority (WRA). The policy partnership recognises the importance and value of developing tax policy aligned with the approach to how we collect and manage devolved taxes in Wales. This is a key element of developing the Welsh Way of Doing Tax (WWoDT), ensuring that the considerations around policy and delivery of taxes in Wales are built into the approach to planning and development from the

outset. During this year, this has been exemplified through the WRA's work to understand how accommodation providers currently operate and inform how a visitor levy would work in practice.

Outcome and next steps

127. We will continue to strengthen the architecture underpinning our partnership arrangements with the WRA. Through this and our collective engagement with local authorities we look to build on our efforts to establish the WWoDT drawing on the strengths and opportunities afforded to developing tax policy and delivery in Wales.

13. Increasing awareness and knowledge of taxes in Wales through wider engagement activities

Purpose

128. To raise awareness of devolved taxes and the relationship with the Welsh Government's Budget considerations and processes and other Welsh fiscal policy events.

Background

129. We take a coordinated and strategic approach to communications and engagement, ensuring activity aligns with Ministerial objectives, which are agreed with the Minister for Finance and Local Government at the start of each Senedd term. Engagement and collaboration with our key partners and stakeholders continue to be a priority, particularly given the ongoing difficult financial situation.

Evidence and Analysis

130. We have continued to take forward work to engage and raise awareness of devolved taxes in Wales and our role more broadly in supporting Welsh interests in tax related matters.

131. On 9 November we held our tax conference in Cardiff. This annual event was the first since 2019 to be held as an in-person event. This is our main vehicle for engaging with the wide range of stakeholders with an interest in tax policy in Wales. The event heard from a number of speakers on a varied range of topics related to current issues and future plans relating tax policy in Wales.

132. We have again this year included questions in one of the quarterly Wales Omnibus Surveys to monitor the level of awareness amongst the public in Wales of Welsh Rates of Income Tax. The latest update from the Wales Omnibus Survey conducted in June 2023 indicated public awareness that the Welsh Government is able to set different income tax rates in Wales has risen to 38% in (from 32% last year) which is good news.
133. We continued to publish written statements to highlight publication of the SLA with HMRC underpinning the operation of WRIT and HMRC's annual report on the operation of WRIT and the NAOs review each year of the operation of WRIT.
134. The WRA published its Annual Report and Accounts for the latest year on 14 September 2023.
135. Considerations relating to devolved taxes have also featured within engagement on the wider budget process including round-table meetings with stakeholders such as Local Authorities, Statutory Commissioners, Third Sector organisations and Social Partners. These discussions have provided the opportunity for the Minister for Finance and Local Government to discuss the spending challenges and related funding considerations, as we work collectively to respond to the current context and tackle longer term challenges.
136. Work to engage with young people to improve budget literacy including the role of reserved and devolved taxes has also been progressed this year. Members of the Children in Wales Youth Board have presented their initial work on the young person's version of the Budget Improvement Plan to the Minister for Finance and Local Government and the Chairs of the Finance Committee and Children, Young People and Education Committee at an event in the Senedd in September 2023. The final product will be launched in early 2024.
137. Welsh Treasury has two Twitter channels, @WelshTreasury and @TrysorlysCymru and publishes content on the Finance Minister's position on fiscal matters, Welsh Budget, Welsh Taxes, collaboration with other devolved governments and Welsh Government policy and spending announcements. Followers have increased over the past year with @WelshTreasury having approximately 8.3k followers and @TrysorlysCymru approximately 1,5k followers.
138. The Welsh Government also seeks to have a constructive working relationship with UK Government, in particular HMRC and HMT, and regularly engages with them on a wide range of reserved tax issues. Our objective is to understand the UK Government's taxation plans and ensure that the interests of Wales are taken into consideration. Against the backdrop of a cost-of-living crisis we have

highlighted to the UK Government any perceived unfairness or inconsistency in the tax system, for example in regard to welfare payments. We also pressed for the UK Government to introduce an Energy Windfall Levy so that the significant profits made by energy companies are fairly taxed to help support the wider economy.

139. We have ensured Welsh Government cost of living initiatives to help vulnerable individuals and families are not subject to tax deductions. These include working with HMRC on recent legislation to exempt free school meal payments in Wales. Without this new statutory tax exemption, free school meals payments to families would mean 20% tax deductions at source, undermining the policy intent of putting more money in the hands of the most vulnerable. We have also secured HMRC agreement to introduce legislation to exempt payments made under the Jobs Growth Wales (JGW) scheme. Without this statutory exemption, JGW payments would have been taxable at the basic rate, reducing the incentive for young people in Wales to learn new skills.

140. We have also worked closely with HMRC to put in place a bespoke tax system for the Basic Income pilot for care leavers in Wales, and an agreed methodology for recipients who are not liable to pay tax to receive appropriate refunds. The pilot is unique in the UK and required a bespoke system to account for tax deductions, but also to allow recipients to claim tax refunds from HMRC at the end of the tax year.

141. Through working with HMRC we have also ensured VAT legislation has been amended to enable Corporate Joint Committees in Wales to benefit from the same VAT exemptions as Combined Authorities in England.

Visitor levy consultation

142. A particular focus for our work on awareness and engagement has been in relation to the plans for a Visitor Levy in Wales. Alongside the public consultation, which closed on 13 December 2022, bespoke consumer research was commissioned to obtain some insight into the views of both Welsh residents and UK consumers of domestic holidays. More than 2,500 respondents completed the survey. Those surveyed broadly supported the principle of a visitor levy³⁶.

³⁶ [Visitor levy research: views of consumers and residents | GOV.WALES](#)

143. In July 2023, officials hosted workshops with each regional area, to review the visitor levy governance and delivery model, in the continued spirit of collaboration and co-creation of policy with local authorities.

144. Additionally, we have previously engaged with the tourism through the Visitor Economy Forum. Subsequent engagement has taken place post-consultation through the regular regional tourism fora and tourism roadshows arranged by Visit Wales.

145. We are collaborating with colleagues and academic experts to assess the potential economic impacts, as well broader environmental, social and cultural impacts, of implementing a visitor levy in Wales.

Outcome and Next Steps

146. We will:

- Continue to use key fiscal events, such as the publication of the Draft Budget on 19th December 2023, to raise awareness of how money is raised and spent in Wales.
- Work through the feedback from our most recent tax conference to consider the planning for our next event.
- Explore more opportunities for working with children and young people in Wales to engage on tax and budget matters including launching the young person's version of the Budget Improvement Plan in 2024.
- Maintain our key relationships with counterparts in the UK government, Scottish Government and Northern Ireland Executive.

Annex 1: Abbreviations

CJC	Corporate Joint Committee
HMRC	His Majesty's Revenue and Customs
HMT	His Majesty's Treasury
JGW	Jobs Growth Wales
LDT	Landfill Disposals Tax
LfT	Landfill Tax
LTT	Land Transaction Tax
LTTA	Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017
NAO	National Audit Office
NDR	Non-Domestic Rates
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Cooperation and Development
ONS	Office for National Statistics
PfG	Programme for Government

RPI	Retail Price Index
SDLT	Stamp Duty Land Tax
SLA	Service Level Agreement
SOL	Shortage Occupation List
VOA	Valuation Office Agency
VLT	Vacant Land Tax
VTW	Valuation Tribunal for Wales
WRA	Welsh Revenue Authority
WG	Welsh Government
WRIT	Welsh Rates of Income Tax
WWoDT	Welsh Way of Doing Tax

Annex 2: Contact details

Further information about Welsh taxes is available on the Welsh Government's website:

<https://gov.wales/welsh-taxes>

<https://llyw.cymru/trethi-cymru>

You can contact us:

via the Welsh Treasury twitter accounts:

@WelshTreasury

@TrysorlysCymru

or by email:

WelshTreasury@gov.wales

TrysorlysCymru@llyw.cymru