



Llywodraeth Cymru  
Welsh Government

Welsh Government  
**Welsh Tax Policy  
Report 2024**

December 2024

**gov.wales**

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## Foreword



This is the fourth annual report on the Welsh Government's Tax Policy Work Plan 2021-26, delivering on our commitment to report annually on progress in taking forward our tax policy priorities.

This report outlines key developments over the last year in line with our transparent approach to developing tax policy in Wales. This ensures partners, people and businesses 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.

Particular highlights include delivering on our Programme for Government commitment to reform council tax, through the enacting of the landmark Local Government Finance (Wales) Act 2024. This marks a significant step forward providing a more responsive local taxes framework enabling the Welsh Government to adjust systems in response to changing circumstances.

Another key milestone was the introduction into the Senedd last month of the draft Visitor Accommodation (Register & Levy) Etc (Wales) Bill. This delivers on another of our Programme for Government commitments.

In addition, this report details a number of other actions that have been taken forward this year, including engagement activities, public consultations and changes to our devolved taxes. 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.

A handwritten signature in blue ink that reads "Mark Drakeford".

**Mark Drakeford MS**  
**Cabinet secretary for Finance and Welsh Language**

## 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 Framework<sup>1</sup> underpins our work on taxes in Wales. We published our update to the Tax Policy Framework<sup>2</sup> 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 continue to embed sustainability, fairness and equality considerations in the way in which we address our priorities.
6. The Welsh Government published our Tax Policy Work Plan 2021-2026<sup>3</sup> in November 2021. The Tax Policy Work Plan is an important mechanism through which we seek to raise awareness among stakeholders and other interested

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<sup>1</sup> [Tax policy framework | GOV.WALES](#)

<sup>2</sup> [Tax policy framework update | GOV.WALES](#)

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

parties about what the Welsh Government is investigating, enabling them to engage with the tax agenda in Wales.

7. Further to enable stakeholders and partners to work collaboratively with the Welsh Government, 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 against the tax policy agenda in Wales. This is the fourth 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 2025-26.

## 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

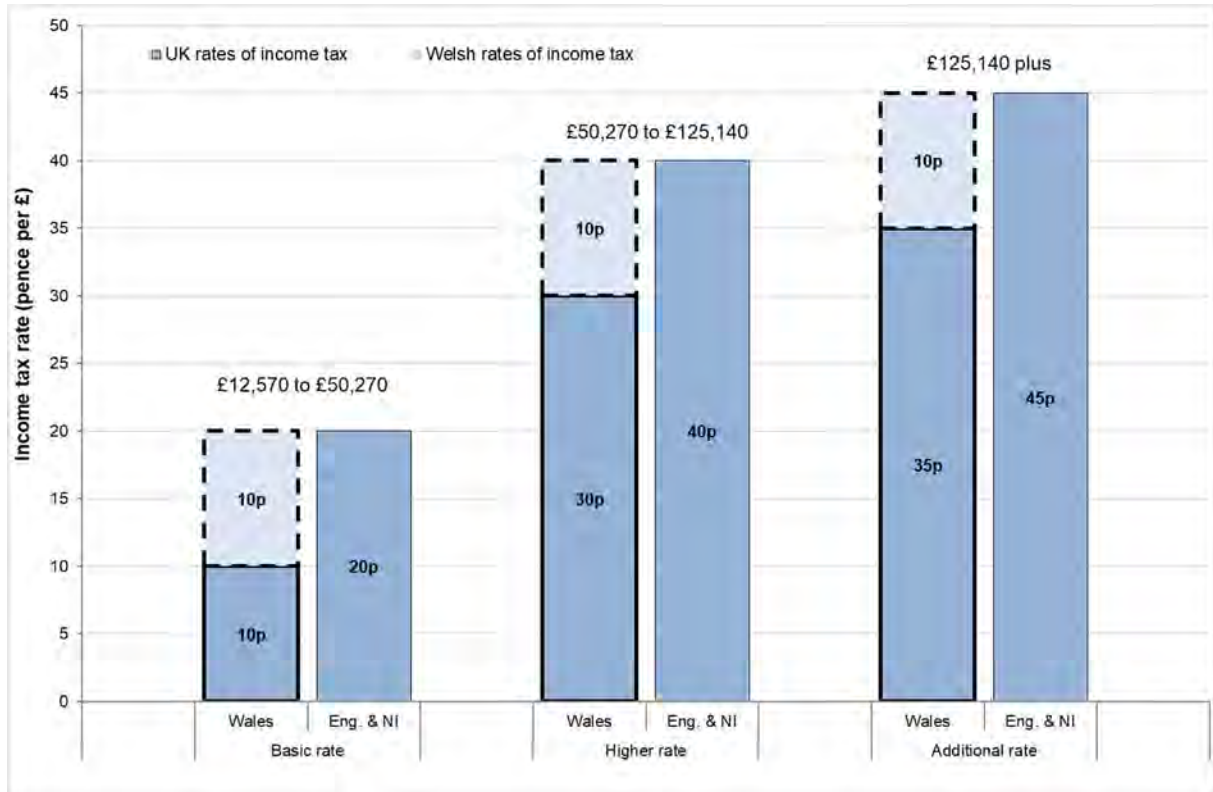
10. Income tax is partially devolved to Wales, which means that while the Welsh Government is able to vary the three income tax rates (basic, higher and additional) for Welsh taxpayers<sup>4</sup>, all other aspects of the tax remain the responsibility of the UK Government, and HMRC continues to administer 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. The Welsh Government intends to set the WRIT for 2025-26 at 10p, maintaining the current levels. This proposal must be confirmed by the Senedd, through a motion prior to the agreement of the final 2025-26 Budget.
13. Figure one shows the proposed rates and thresholds, based on the 2025-26 Income Tax thresholds and personal allowance.

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<sup>4</sup> 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, 2025-26**



## Land Transaction Tax

14. The LTT rates and thresholds are kept under review. The rates payable on higher residential rates transactions were increased by the 1 percentage point for each band with effect from 11 December 2024. This means the rates of LTT applying to the purchases of additional residential properties in Wales are comparable with the rates of the equivalent tax, stamp duty land tax, applying in England and Northern Ireland. It will also result in additional revenues being available to finance public spending in Wales.
15. No other changes to the rates and thresholds were made during this year. Previous permanent changes were made to the main residential rates in October 2022, and prior to that 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 until 10 December 2024)**

<b>Price threshold</b>	<b>LTT rate</b>
£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 residential higher rates (from 11 December 2024)**

<b>Price threshold</b>	<b>LTT rate</b>
£0 to £180,000	5%
More than £180,000 to £250,000	8.5%
More than £250,000 to £400,000	10%
More than £400,000 to £750,000	12.5%
More than £750,000 to £1,500,000	15%
£1.5m-plus	17%

**Table four: 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 five: 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

16. The 2025-26 Draft Budget proposes that the LDT standard rate increases to £126.15. In a break from the previous rate-setting approach, the rate will be set to better reflect changes in actual RPI in the period 2022 to 2024 after several years of being set on the basis of forecast RPI. This is also in line with the UK Government's increase in the standard rate of Landfill Tax and therefore limits the incentive for waste tourism. The unauthorised rate will be increased to maintain its rate at 150% of the standard rate.
17. Following the public consultation on the lower rate of LDT, the 2025-26 Draft Budget proposes that the LDT lower rate is increased to £6.30. This increase in the lower rate reflects the Welsh Government's policy intention of incentivising reuse, recycling and reduction of waste and to reduce any incentive to misdescribe waste.

**Table six: LDT rates (rate per tonne)**

Rate	From 1 April 2023	From 1 April 2024	From 1 April 2025
Standard	£102.10	£103.70	£126.15
Lower	£3.25	£3.30	£6.30
Unauthorised disposals	£153.15	£155.55	£189.25

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

### **1. Development of Welsh Rates of Income Tax**

#### **Purpose**

18. Continue to examine how potential changes to Welsh Rates of Income Tax (WRIT) could impact on Welsh taxpayers.

#### **Background**

19. 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.
20. 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.
21. 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.
  - Data for Welsh Government cash management.
  - The costs of delivering WRIT and recharging of HMRC costs.

## Evidence and analysis

22. The National Audit Office (NAO) independently audits HMRC's work to ensure good governance and value for money. The latest report<sup>5</sup>, published on 19 January 2024, reported that the NAO was satisfied with HMRC's administration of the Welsh rates of income tax and that the costs paid by Welsh Government are accurate and fair.
23. 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 Office of Budgetary Responsibility (OBR), the Scottish Fiscal Commission, and the Scottish Government.
24. 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.
25. In July 2024, HMRC published its latest set of outturn statistics relating to WRIT<sup>6</sup>. The outturn statistics showed that the revenue from WRIT in 2022-23 was £2,618 million, an increase of 10.8% from 2021-22. The reconciliation for 2022-23 and previous years and its impact for the Welsh Government's Budget and funding for 2025-26 were detailed in a joint statement with HM Treasury which was published on 3 October 2024<sup>7</sup>.
26. The WRIT forecast for 2025-26 is £3,462m. This is £201m higher than the corresponding block grant adjustment. Together with the reconciliation amounts from the outturn revenues for 2022-23 published earlier this year, WRIT will make a net positive contribution to the Welsh Government's budget of £253m in 2025-26.
27. Combined with equivalent figures of £44m for LTT and £19m for LDT, in total the devolved taxes are forecast to make a positive net budgetary contribution of £317m in 2025-26.

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<sup>5</sup> [Administration of Welsh rates of income tax 2022-23 – National Audit Office \(NAO\) report](#)

<sup>6</sup> [Welsh Income Tax Outturn Statistics: 2022 to 2023 - GOV.UK](#)

<sup>7</sup> [Welsh Rates of Income Tax outturn reconciliation for 2022-23 - GOV.UK](#)

28. 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.
29. The Welsh Government intends to set WRIT for 2025-26 at 10p per band. This proposal is due to be presented to the Senedd through a motion prior to the consideration of the final 2025-26 Budget.
30. To accompany the Draft Budget, we have published an updated Ready Reckoner<sup>8</sup> for WRIT. This provides estimates of the potential revenue impact from changes to each of the three Welsh Rates of Income Tax in 2025-26 and 2026-27.
31. This latest version of the Ready Reckoner takes account of HMRC's analytical work based on the longitudinal dataset, and the new elasticities from the Scottish study of migratory behaviours.

### **Outcome and next steps**

32. 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.
33. 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**

34. 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.

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<sup>8</sup> <https://www.gov.wales/welsh-rates-of-income-tax-ready-reckoner-2025-to-2026>

## Background

35. In our Programme for Government, 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.
36. 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 continue to support businesses with transitional relief.
37. The Local Government Finance (Wales) Act 2024<sup>9</sup> approved by the Senedd in July 2024 marks a significant step forward in our journey towards more effective local taxation. The Act provides a more flexible framework enabling the Welsh Government to adjust systems in response to changing circumstances and reduces our reliance on provisions in UK Government legislation to deliver local taxation changes for Wales in a timely way.

## Evidence and analysis

38. We maintain a website repository<sup>10</sup> 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 Findings<sup>11</sup> in 2021. This summary, which informed the Programme for Government, 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.
39. We have continued to supplement our evidence with additional in-depth analysis, including:

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<sup>9</sup> [Local Government Finance \(Wales\) Act 2024](#)

<sup>10</sup> [Evidence and research on council tax and non-domestic rates | GOV.WALES](#)

<sup>11</sup> [Reforming local government finance in Wales: summary of findings | GOV.WALES](#)

- A detailed assessment<sup>12</sup> by the Institute for Fiscal Studies on the Welsh Government's proposed approaches to creating a fairer and more progressive council tax.
  - A summary<sup>13</sup> of responses to the Welsh Government's Phase 2 consultation on a fairer council tax, which ran between November 2023 and February 2024.
  - Findings<sup>14</sup> from the 2024 wave of the Wales Omnibus Survey into people's attitudes to council tax will be published in due course.
  - Progressively developing the data we hold on non-domestic rates and council tax to inform policy choices.
  - An annual report<sup>15</sup> on our Council Tax Reduction Scheme.
40. We 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

41. The Local Government Finance (Wales) Act 2024<sup>16</sup> sets the future framework for council tax reforms in Wales as we work towards a fairer and more progressive system. The Act establishes five-yearly revaluation cycles starting from April 2028, ensuring council tax is updated on a more regular basis than it has been in the past, redistributing tax liability according to socioeconomic conditions. The Welsh Government's Phase 2 consultation published on 14 November 2023 sought views on a range of approaches we could take to designing the council tax bands in the future, ranging from Minimal and Modest approaches keeping the current nine bands and making them fairer, to an Expanded reform approach with twelve bands. These approaches were tested by the Institute for Fiscal Studies, and there is a detailed commentary available<sup>4</sup>

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<sup>12</sup> [Assessing the Welsh Government's consultation on reforms to council tax | Institute for Fiscal Studies](#)

<sup>13</sup> [A Fairer Council Tax – Phase 2 consultation | GOV.WALES](#)

<sup>14</sup> [Public attitudes to council tax | GOV.WALES](#)

<sup>15</sup> [Council Tax Reduction Scheme: annual reports | GOV.WALES](#)

<sup>16</sup> [Local Government Finance \(Wales\) Act 2024](#)

on the benefits and drawbacks. Following the conclusion of that work, the Welsh Government made a statement<sup>17</sup> on 15 May 2024 setting out the future plans.

42. Revaluing 1.5 million properties and redesigning the council tax system is a significant event for taxpayers and for our delivery partners, including the Valuation Office Agency, the Valuation Tribunal for Wales and local government. Working with data outputs from the Valuation Office Agency's internationally accredited Automated Valuation Model built for this purpose, we now have systems in place which provide comprehensive information about up-to-date property values to advance our path to delivery of a fairer system in 2028.
43. In addition to structural reforms to council tax bands, we are progressing a number of other actions which contribute towards our Programme for Government commitment to a fairer council tax. We are reviewing the suite of council tax discounts and reductions to ensure they remain fit for purpose from both an operational and policy perspective. We also plan to regulate by the end of this Senedd term to improve the appeals process so that it is streamlined, more effective and easier to navigate.

### **Non-domestic rates**

44. On 29 March 2022<sup>18</sup> 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 stronger Wales forms the basis of any potential changes to the non-domestic rates system.
45. 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.

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<sup>17</sup> [Written Statement: Update on council tax reform \(15 May 2024\) | GOV.WALES](#)

<sup>18</sup> [Oral Statement: Non-Domestic Rates Reform \(29 March 2022\) | GOV.WALES](#)

- Addressing issues of fraud and avoidance.
46. Following the publication of a summary of responses to the consultation<sup>19</sup> a further statement was made on 2 May 2023<sup>20</sup> reflecting the progress made so far, confirming our commitment to deliver non-domestic rates reform over the remainder of the Senedd term.
  47. The Local Government Finance (Wales) Act 2024, which received Royal Assent on 16 September 2024, provides the legislative basis required to implement meaningful non-domestic rates reform for Wales and also delivers on our commitment to conduct three-yearly revaluations.
  48. Our focus remains on delivering a rates system which is demonstrably better for Wales, not just different from the current system. In June 2024 we initiated a review of non-domestic rates relief schemes led by Alma Economics, and this review will report its findings in summer 2025. We also continue to explore ways of reducing fraud and avoidance within the tax system and look to utilise powers in the Local Government Finance (Wales) Act 2024 in a responsive way to make changes to reduce known avoidance in the system.
  49. 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, and the responses are informing further work in this area.
  50. The landmark Local Government Finance (Wales) Act 2024 enables a significant programme of work on local taxation which spans a number of years, delivering on our plans to ensure we have effective, flexible and responsive systems in place for households and businesses to contribute to funding local services.

### **Draft Budget 2025-26**

51. The draft budget confirms that the Welsh Government will cap the increase to the NDR multiplier in Wales to 1% for 2025-26. This is lower than the 1.7% (September CPI) increase which would otherwise apply from the default inflation of the multiplier in line with CPI. It is delivered at a recurring annual cost of £7m

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<sup>19</sup> Non-Domestic Rates Reform consultation - Summary of responses (February 2023) <https://www.gov.wales/sites/default/files/consultations/2023-02/wg46978-summary-responses.pdf>

<sup>20</sup> [Oral Statement: Update on Local Tax Reform \(2 May 2023\) | GOV.WALES](#)

from 2025-26 onwards. Subject to approval by the Senedd of the required legislation, the provisional multiplier for 2025-26 is 0.568.

52. Capping the increase to the NDR multiplier to 1% is the maximum level of support affordable using all of the consequential funding for Wales arising from decisions relating to the multiplier announced in the UK Government's Autumn Statement. It ensures all ratepayers who do not already receive full relief will benefit.
53. The draft budget also confirms the Welsh Government will be investing an additional £78m to provide a sixth successive year of support for retail, leisure and hospitality businesses with their non-domestic rates bills. Eligible ratepayers will receive 40% non-domestic rates relief for the duration of 2025-26, capped at £110,000 per business.
54. In total, these measures will provide £85m of additional support for 2025-26. Combined with the existing, fully-funded, permanent reliefs, which are worth £250m to businesses and other ratepayers every year, £335m will be invested in non-domestic rates support.

### **3. Development of a visitor levy**

#### **Purpose**

55. To introduce legislation permitting local authorities to raise a visitor levy as contained in the Welsh Government Programme for Government<sup>21</sup> (PfG).

#### **Background**

56. The PfG sets out our commitment to 'introduce legislation permitting local authorities to raise a tourism levy'. This work was previously progressed in collaboration with Plaid Cymru as part of the Co-Operation Agreement which ended in 2024.
57. 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

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<sup>21</sup> [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

stream for local areas to protect natural assets, reduce visitor impacts and to enhance or promote the tourism offer.

58. 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.
59. We received over 1,000 responses to the consultation from a range of stakeholders. The outcome of the consultation was published on 30 March 2023<sup>22</sup>. The then Minister for Finance and Local Government, Rebecca Evans MS, announced the intention to move forward with plans to develop visitor levy legislation<sup>23</sup>.
60. A joint written ministerial statement was issued by the Cabinet Secretary for Finance and Welsh Language and the Cabinet Secretary for Economy, Energy and Planning on the 12 November 2024. The written ministerial statement outlined that provision for a national registration scheme of visitor accommodation providers would be incorporated into the visitor levy bill.
61. The Visitor Accommodation (Register and Levy) Etc. (Wales) Bill was subsequently introduced to the Senedd on the 25 November 2024, delivering against the Programme for Government commitment 'to introduce legislation permitting local authorities to raise a tourism levy.'

## **Evidence and analysis**

62. 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 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 introduced<sup>24</sup>.
63. 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

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<sup>22</sup> [Discretionary visitor levy for local authorities | GOV.WALES](#)

<sup>23</sup> [Written Statement: Update on proposals for a discretionary visitor levy for Wales \(30 March 2023\) | GOV.WALES](#)

<sup>24</sup> [Visitor levy research: views of consumers and residents | GOV.WALES](#)

with lots of tourism in their area – in Wales (66%) and the UK (72%) with only 13% disagreeing.

64. Additional research from Bangor University considering the non-economic impacts of visitor levies in other jurisdictions was published on the 25 November alongside the bill.
65. The Welsh Revenue Authority (WRA) has conducted research on behalf of Welsh Ministers to understand how visitor accommodation providers currently operate and inform how a visitor levy would work in practice. User research has been conducted with a number of visitor accommodation providers across Wales. This work is helping us to understand the scale and range of visitor accommodation providers across Wales, and will aid our understanding in designing an efficient, user-friendly collection system.
66. The explanatory memorandum and regulatory impact assessment (EMRIA) was introduced alongside the legislative proposals on the 25 November. This outlines in detail the anticipated costs and benefits arising from the legislation. This includes the economic impact assessment which was produced by Professor Calvin Jones from Cardiff University using input output tables.
67. Impact assessments for the visitor levy were prepared and published on Welsh Government pages on the 25 November. These cover: Equalities, Economic, Children's Rights, Socio-Economic and Welsh Language impacts stemming from the legislative proposals.

### **Outcome and next steps**

68. The legislation will proceed through the Senedd for scrutiny. If passed, we estimate Royal Assent would take place in the latter half of 2025.
69. 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.

## **4. Progressing the case for clear and stable tax devolution**

### **Purpose**

70. Make the case for clear and stable tax devolution in Wales<sup>25</sup> whilst pursuing agreement with the UK Government on a fit for purpose mechanism for devolving new tax powers to Wales.

### **Background**

71. 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.
72. 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.
73. 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**

74. The process for devolution of new tax powers has taken a number of years, however, we welcome renewed engagement with the UK Government to discuss the Welsh Government's proposals for VLT.

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<sup>25</sup> [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

### **Outcome and next steps**

75. Officials will work together on the issue of devolving competence to introduce VLT and to reflect how the process could be improved for the future.

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

### **Purpose**

76. Continue to consider the opportunities and impact of environmental related taxes in existing devolved and reserved areas, as well as new taxation areas.

### **Background**

77. 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. 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**

78. We are working collaboratively with the UK and other devolved governments to develop and deliver 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, Carbon Emissions Trading Scheme and mandatory digital waste tracking.

### **Outcome and next steps**

79. We will also continue to work with key partners to understand the impact of 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**

80. 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**

81. 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.
82. LTT brings significant revenue to the Welsh Government. LTT generated revenue of £270 million in 2023-24 and is forecast to raise £319 million in 2024-25.
83. For 2025-26 and subsequent years, the LTT forecasts, as detailed in the Welsh Taxes Outlook published on 10 December, includes additional forecast revenues as a result of additional resources being invested in the Welsh Revenue Authority activity to identify and rectify where tax returns are submitted which seek to under report transactions and to then recover the resulting tax liability.
84. 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.
85. The independent review<sup>26</sup> looking at whether the objectives of the Land Transaction Tax Act have been achieved, and whether changes made as part of the Act remain appropriate was completed and the published in February

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<sup>26</sup> [Independent review: Land Transaction Tax and Anti-avoidance of devolved taxes \(Wales\) Act 2017](https://gov.wales/independent-review-land-transaction-tax-and-anti-avoidance-of-devolved-taxes-wales-act-2017)  
[| GOV.WALES](https://gov.wales)

2023. The review largely found that the policy intents behind the policy decisions made when introducing the LTT Act were largely met and remain appropriate. The approach to the implementation of the Act by the Welsh Revenue Authority was positively received. Two conclusions in the report will have an impact on the future development of LTT policy; that where policy objectives were originally designed based on market values applicable at the time of those decisions, those policy objectives must be periodically reviewed and, if necessary, adjusted in light of changes to market values (this largely relates to tax rates and bands); secondly, that, where possible, changes to LTT (both in the form of changes to rates and bands and to the underlying tax base) should not be ad hoc but rather announced in the context of a formalised and regular cycle and that cycle should be relatively infrequent.

### **Evidence and analysis**

86. The WRA publishes regular and timely LTT data, on a monthly and quarterly basis. From January 2024, the WRA began including annual data for a range of local areas in their quarterly data series, providing more timely access to that information.
87. In July 2023, the WRA began collecting information on the intended use of properties purchased in higher rates transactions. The WRA published the first year's data on 31 October 2024.
88. At a national level, the main data highlights of the statistical release for 2023-24, include:
  - A total of over 50,100 returns made by taxpayers.
  - £270 million tax in total due.
  - £140 million tax due for residential transactions. An additional £62 million was raised from higher residential rates.
  - £67 million tax due for non-residential transactions.
89. 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 £154,000. In September 2024 the average price was £217,000, and £188,000<sup>27</sup> for a first-time buyer. Both are below the starting threshold for the main residential rates

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<sup>27</sup> [UK House Price Index Wales: September 2024 - GOV.UK](#)

of LTT which is £225,000. Recent WRA data indicates that around 60% of residential transactions are for consideration below that threshold.

### **Outcome and next steps**

90. Amendments to the LTT three-year refund rules have been made (through regulations). The new rules 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 that former home was impacted by fire safety issues (e.g. unsafe cladding) which prevented the sale being completed more quickly. These new rules came into force on 12 July 2024.
91. Regulations making amendments the LTT rules to provide a relief from LTT in special tax sites (such as freeports) came into force on 26 November 2024. On that date the relief is only possible in sites designated by the UK government as part of the Celtic Freeport. The LTT relief is initially available until 30 September 2029. It is the Welsh Government's intention that the relief will be available until 30 September 2034, but the extension to that date will only occur following a review to see that the intended impacts of the special tax sites in Wales are being delivered.
92. On 10 December 2024 Regulations were laid in the Senedd to extend the relief to special tax sites designated by the UK government as part of the Ynys Môn Freeport. If further special tax sites are designated it will be necessary for further regulations to be made to extend the relief.
93. On 8 April 2024, the Welsh Government launched a consultation seeking views on proposals to abolish multiple-dwellings relief, and to extend an existing LTT relief available to registered social landlords to Welsh local authorities when purchasing property for social housing purposes. The Welsh Government also sought views on the option of amending the purchase of 6 or more dwellings in a single transaction rule which treats the transaction as a non-residential transaction, and options to review or amend other LTT reliefs. A summary of the consultation responses was published on 17 July 2024<sup>28</sup>.
94. Draft regulations will be laid in the Senedd early in the 2025 to make changes to the multiple dwellings relief. The changes being introduced are to ensure MDR claims would not be allowed where the Subsidiary Dwelling Exemption (SDE) is

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<sup>28</sup> [Welsh Government consultation: summary of responses \[HTML\] | GOV.WALES](#)

applied, so that taxpayers subject to the SDE would pay the main residential rates on the total consideration, without the benefit of MDR.

95. Alongside this change we will continue to monitor the use of MDR, with the aim of considering the role of MDR alongside other measures relating to the development of Welsh Government policy on housing supply including the potential for an LTT relief to local authorities purchasing property for social housing.
96. On 10 December 2024 the Welsh Ministers, through regulations introduced new rates for the higher residential rates that will come into force on 11 December 2024. The new rates have been made by regulations subject to the made affirmative procedure. Those regulations increase the rate charged for each band by one percentage point. To remain in force the Senedd must approve the regulations within 28 days from the date the regulations are made excluding, broadly, any recess day, with the vote to occur in mid-January 2025.
97. The Welsh Government notes the conclusion of the independent review of the Land Transaction Tax Act and seeks to implement the recommendations while ensuring LTT operates appropriately for Welsh taxpayers. Prior to the report's publication the LTT main rates and bands were amended in October 2022. The change was made in response to a UK fiscal event, and it was considered appropriate for the change to be made as close to the UK event as possible to provide certainty to Welsh taxpayers. Whereas the approach taken in December 2020 was for the Welsh Government, with Senedd approval, to make changes to the LTT rates and bands at the draft budget.
98. The regulations relating to the amendments to the three-year refund rules were made outside a Welsh fiscal event in order to provide the refund opportunity as soon as possible to affected Welsh taxpayers, rather than delay until the draft budget.
99. The initial regulations to introduce the special tax sites relief were also made outside a Welsh fiscal event. In this case it was important that the LTT relief, a key part of the freeports programme, was available as soon as possible, rather than, waiting for the appropriate draft, final, or supplementary budget event.
100. At the 2025-26 draft budget on 10 December 2024 the Cabinet Secretary for Finance and Welsh Language announced and made changes to the LTT higher residential rates and also announced proposed changes to the multiple dwellings relief rules. Therefore, the Welsh Government is adhering to the recommendations made in the independent report to both; keep the rates and

bands of LTT under review to respond to the price of property (especially residential property) and that where appropriate matters related to LTT are made, or announced, at the draft budget.

101. We will continue to keep the rates and bands, and the rules more widely, 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**

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

### **Background**

103. 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.
104. 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**

105. 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.

106. The findings of the independent review of LDT 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.
107. The review, however, also highlighted that for several waste streams the LDT rates did not act as a deterrent to landfill. Furthermore, the review reported that there was evidence that the gap between lower and standard LDT rates had contributed to the misclassification of waste.
108. We conducted a public consultation on the lower rate of LDT<sup>29</sup>, which closed in September 2024. The outcome of the consultation was published on 10 December 2024 alongside the Welsh Government's Draft Budget for 2025-26.
109. We will monitor the impact of the changes to the tax rates to ascertain if there is any discernible impact on the amounts of waste going to landfill and factor this into future years rate setting. Alongside this, we will work with the WRA, and with Natural Resources Wales on the classification of different types of waste following on from the responses to the public consultation.
110. 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 had worked closely with Natural Resources Wales to improve waste quantification methods and case referrals.

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<sup>29</sup> [Public consultation on the lower rate of Landfill Disposals Tax | GOV.WALES](#)

## **Outcome and next steps**

111. The Welsh Government's Draft Budget for 2025-26 sets out our intention to raise the standard rate of LDT by 22% on 1 April 2025. The increase reflects changes in actual Retail Price Index (RPI) in the period 2022 to 2024 after several years of being set on the basis of forecast RPI. This aims to incentivise alternative waste management methods and investment in circular economy infrastructure. This is also in line with the UK Government's increase in the standard rate of Landfill Tax and therefore limits the incentive for waste tourism.
112. The lower rate is to rise significantly above its rate for 2024-25 by making it equivalent to 5% of the standard rate.
113. Increasing the lower rate of LDT for 2025-26 by significantly more than RPI and diverging from the lower rate of LFT in England, reflects emerging evidence that the lower rate was not contributing as effectively to behaviour change. The lower rate will continue to be monitored to assess the effectiveness of the change of the rate in changing behaviours and contributing to wider environmental goals and we will reflect on that evidence ahead of next year's budget exercise.
114. We will also continue to evaluate other evidence collected through the consultation on the lower rate of LDT to assess the appropriateness of the materials that are qualifying materials for the lower rate, including an assessment of whether any materials currently not treated as qualifying materials should be.
115. We will continue to improve our understanding of key issues in relation to waste management and disposal through our 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. Developing the Welsh tax-base

### Purpose

116. 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

117. 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 demography and unique economic and social priorities.

118. 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.

### Evidence and analysis

119. The Office for National Statistics (ONS) estimates the population of Wales at mid-2023 was 3.2 million (3,164,400) an increase of 1.0% (+31,700) compared to mid-2022. As has been the case since 2015/16, there were more deaths than births over the year (37,100 v 27,600) but Wales' population is estimated to have grown due to net internal UK migration from the rest of the UK (+17,600) and net international migration (+23,600).<sup>30</sup>

120. ONS's principal population projections are for the Welsh population to continue to age over the next decade. The mean(median) age is projected to increase from 43.1(42.9) in 2024 to 44.4(44.0) in 2034. The number of pension age dependants per 1,000 persons of working age (16 to 64 years of age) is projected to increase from 329 in 2024 to 369 in the early 2040 before falling back later in the decade and then starting to increase again in the early 2050s.

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<sup>30</sup> This estimate will be revised within the next year as new data become available and improvements to the ONS's estimates of international migration continue to be made.

121. In 2023, the total fertility rate (TFR)<sup>31</sup> in England and Wales fell to 1.44 children per woman, its lowest value since records began in 1938; Wales and the North-West of England experienced the largest declines in TFR compared with 2022.
122. In 2023, the TFR in Wales was 1.39; below the rate needed to maintain Wales's population size, without migration, ('the replacement rate') of is 2.1 children per woman and is lower than all the English regions apart from London and the South-West.
123. Since the last tax policy report, the Wales Centre for Public Policy (WCPP) has published its review of the international evidence on the effectiveness of policies to address the issues arising from an ageing or declining population.<sup>32</sup>
124. A key driver of the strength of the Welsh tax base is the performance of the labour market in Wales. Care needs to be taken at present when assessing what is happening to the labour market in Wales due to the different data sources and their trends. The headline employment, unemployment and economic inactivity statistics are produced by the ONS from the Labour Force Survey (LFS). However, data from the LFS are particularly volatile at present, with some large changes between periods being exhibited. These may not be representative of what may be happening in the labour market at present.<sup>33</sup>
125. The best way of understanding the Welsh labour market is to consider longer term trends across a basket of indicators. This includes alternative sources such as the Annual Population Survey, HMRC real time information on paid employees, data on workforce jobs, and the claimant count.
126. Evidence from across a range of sources – such as the Annual Population Survey, HMRC data, Workforce Jobs, and the claimant count – all suggest that the labour market in Wales has followed similar trends to the UK since the pandemic. Administrative data from HMRC shows the number of paid

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<sup>31</sup> The Total Fertility Rate (TFR) is the average number of live children that a group of women would bear if they experienced the age-specific fertility rates of the calendar year in question throughout their childbearing lifespan.

<sup>32</sup> [WCPP-Population-ageing-and-decline-report-December-2023.pdf](#)

<sup>33</sup> The current labour market statistics are classified by the ONS as 'official statistics in development.' The ONS is continuing its work to improve its labour market estimates, with a more robust data source expected to be provided through its Transformed Labour Force Survey. An update on the Transformed Labour Force Survey is expected in early 2025.

employees has been generally increasing over the past few years with 1.32 million paid employees in Wales in August 2024.

127. The downward trend in the proportion of the working-age people in Wales who are neither in work nor looking for work ('the economically inactive') through the 2010s has stopped and has partially reversed since the start of the coronavirus pandemic. Analysis by the Office for Budget Responsibility shows that lower productivity and associated lower earnings are key drivers of the lower amount of income tax paid per person in Wales relative to the UK<sup>34</sup>. Trends in economic inactivity, productivity and earnings are analysed in more detail in the Wales Economic and Fiscal Report published alongside this report.<sup>35</sup>

### **Outcome and next steps**

128. The Welsh Government will continue to make the case for a migration system that recognises demographic and economic conditions in Wales. The previous UK Government implemented several changes to the immigration system, including prohibiting individuals on Health and Social Care Visas and Student Visas from bringing dependants. These changes were made without prior consultation or engagement with the devolved governments but could have an impact on devolved economies and responsibilities. The new UK Government has made a commitment to improve engagement with devolved governments on such areas.
129. The Welsh Government's Economic Mission sets out how it is helping to narrow the skills divide and support better jobs, with our Plan for Employability and Skills prioritising those most in need of help. This includes supporting people to stay in work and those further away from the labour market to find employment.
130. The Welsh Government is working closely with the Department of Work and Pensions to implement a range of measures aimed at economic inactivity across Wales.
131. The Welsh Government funded Communities for Work Plus which works in partnership with all twenty-two local authorities across Wales, to provide community-based mentoring, training, and financial support to address barriers to employment. Since its launch in April 2018 the programme has supported

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<sup>34</sup> [Publication of Working paper No. 21: Developments in devolved income tax - Office for Budget Responsibility](#)

<sup>35</sup> <https://www.gov.wales/wales-economic-and-fiscal-report-2024>

more than 62,000 people of which, over 27,000 have entered employment of more than 16 hours a week.

132. The Welsh Government also funds Jobs Growth Wales Plus which provides an individualised package of support to help young people reach their full potential and take their first steps into the world of work and as such avoids the potential drift into economic inactivity. Over 12,000 young people have accessed the programme since its launch in 2022.
133. The Welsh Government's Out of Work Service and In Work Support Service also directly supports those who are economically inactive. The Out of Work Service supports people into work if they are economically inactive, long term unemployed, not in education employment or training (NEET) and if they are recovering from mental ill-health and/or substance misuse. The In-Work Support Service provides support for those who are absent from work; or at risk of becoming absent from work due to physical or mental ill-health. It is aimed at employees of SMEs in the private and third sector. There is also support for businesses to adopt positive changes in Health & Wellbeing practices, policies, and guidance.
134. Since the creation of the Single Operating Model Programme earlier this year, the UK government has indicated its intention to devolve non-Jobcentre Plus employment support funding to the Welsh Government so we can shape a joined-up work, health, and skills offer for local people. As the Welsh Government begins its discussions with DWP on devolution it will bring together the Single Operating Model with the devolution of non-JCP employment support funding into one Programme.
135. The Welsh Government will continue to work with the Wales Productivity Forum, led by the University of Cardiff on the implementation of research insights and the design of practical business and policy interventions to increase productivity in Wales.<sup>36</sup>

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<sup>36</sup> [Wales Productivity Forum - The Productivity Institute](#)

## **9. Enabling changes to the Welsh Tax Acts**

### **Purpose**

136. 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**

137. 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 to respond to certain defined external circumstances that may impact on the Welsh Tax Acts.
138. 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.

### **Outcome and next steps**

139. 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 7 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).
140. 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 7 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 and engagement on the alternative mechanisms will start in the first half of 2025.
141. 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**

### **10. Managing Welsh taxes with our partners within a wider UK and international context**

#### **Purpose**

142. 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**

143. 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 by local authorities in Wales.

144. 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 consider a more strategic, coherent and distinct approach to the way taxes are administered in Wales.

#### **Evidence and analysis**

145. We have continued to build on 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.

146. Particularly important during this year has been the partnership work with the WRA to develop the design and delivery of the Visitor Levy. We are developing a national frameworks and administration which will support operation at the level of individual local authority which is novel. It creates opportunities as well as challenges which continue to be worked through drawing on the WRA's operational and technical experience in collecting and managing taxes.

### **Outcome and next steps**

147. Looking forward we will continue to strengthen the architecture underpinning our partnership arrangements with the WRA. As work on the Visitor Levy focuses more on delivery partnership with LAs, it is important to ensure that the implementation of this new service and the arrangements that underpin it are as smooth and effective as possible. Also, that we use these developments to build on the Welsh Way of Doing Tax reflecting the strengths and opportunities afforded to design our tax policy and delivery in Wales.

## **11. Increasing awareness and knowledge of taxes in Wales through wider engagement activities**

### **Purpose**

148. 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**

149. 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.
150. Engagement and collaboration with our key partners and stakeholders are vital to designing and developing existing and new taxes to ensure they are delivering against our tax principles and wider policy interests, recognising the particular characteristics and considerations associated with the tax.

## Evidence and Analysis

151. On 18 July we held our annual tax conference in Cardiff. This is our primary vehicle for engaging with the wide range of stakeholders with an interest in tax policy in Wales. We made a conscious decision this year to widen the coverage of the event to recognise tax within the wider fiscal framework. The event was attended by over 100 people with an interest in tax and fiscal policy, receiving a varied range of relevant presentations from speakers from Wales, the UK and internationally.
152. We continue to engage with key stakeholders including Local Authorities, the Chartered Institute of Taxation and relevant trade associations where there are particular areas of interest.
153. We issued two consultations during the course of the year to engage with relevant stakeholders on particular areas of taxation, firstly in relation specific reliefs relating to Land Transaction Tax and secondly on the lower rate of Landfill Disposals Tax. We published our responses to both consultations on the Welsh Government website<sup>37</sup>.
154. A particular focus for our work on awareness and engagement has been in relation to the plans for a Visitor Levy in Wales. 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 levy<sup>38</sup>.
155. 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.
156. Additionally, we have engaged with the tourism sector through the Visitor Economy Forum and Regional Tourism Fora. Subsequent engagement has taken place post-consultation through the Visitor Levy Working Group made up of local authorities, tourism sector organisations, tax experts and visitor

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<sup>37</sup> Summary report on the public consultation on land transaction tax reliefs [Welsh Government consultation: summary of responses \[HTML\] | GOV.WALES](#)  
[Lower rate of Landfill Disposals Tax | GOV.WALES](#)

<sup>38</sup> [Visitor levy research: views of consumers and residents | GOV.WALES](#)

accommodation providers. We will be consulting them on proposed guidance once all the details of the Bill have been published.

157. We are collaborating with colleagues, academic experts and other stakeholders to assess the potential economic impacts, as well as broader environmental, social and cultural impacts, of implementing a visitor levy in Wales.
158. Alongside engagement activities in relation to our devolved taxes we have also engaged proactively with the UK Government on Welsh interests in relation to non-devolved taxes. These taxes have a direct impact on the lives of all UK citizens and are therefore important to Wales as well as the rest of the UK.
159. The Welsh Treasury has a constructive and proactive working relationship with HMRC and HM Treasury, 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.
160. We have been working collaboratively to ensure that:
  - the interests of Welsh taxpayers are considered in UK-wide legislation.
  - Welsh taxpayers are not inadvertently disadvantaged by any new UK reserved tax legislation.
  - Welsh Government initiatives are afforded parity of tax treatment with equivalent initiatives in the rest of the UK.
161. This approach has helped to ensure parity with the rest of the UK for the VAT treatment in Wales of cladding and other building remediation work and that welfare initiatives introduced by the Welsh Government are tax-free where appropriate, and where similar local initiatives are exempt from tax in England.
162. Welsh Treasury has two X channels, @WelshTreasury and @TrysorlysCymru and publishes content on the Cabinet Secretary'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 8,040 followers and @TrysorlysCymru approximately 1,750 followers.

## **Outcome and Next Steps**

163. We will:

- Continue to use key fiscal events, such as the publication of the Draft Budget on 10 December 2024, to raise awareness of how money is raised and spent in Wales.
- Draw on the feedback from our most recent tax conference to consider the planning for our next event.
- Continue to work constructively with HMRC and HMT on reserved tax matters.
- Maintain our key relationships with counterparts in the UK Government, Scottish Government and Northern Ireland Executive.
- Consider devolved taxes as a potential lever for long term fiscal planning and capability, through the work of the Welsh Spending Review.

## Annex 1: Abbreviations

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
ONS	Office for National Statistics
PfG	Programme for Government
RPI	Retail Price Index
SDLT	Stamp Duty Land Tax

SLA	Service Level Agreement
VOA	Valuation Office Agency
VLТ	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:

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