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Public understanding of tax devolution: 2020 update report

Executive Summary

1. Background

- 1.1 The Welsh Government and the National Assembly for Wales are responsible for a range of taxes in Wales, including Land Transaction Tax, Landfill Disposals Tax and, more recently, Welsh Rates of Income Tax which was partially devolved in April 2019. These devolved taxes, along with council tax and non-domestic rates, are expected to contribute funding of around £5bn annually in Wales to spend on Welsh public services. The Wales Act 2014 also provides the Welsh Government with new powers to create new taxes in areas of devolved competence subject to the approval of the National Assembly and Parliament.
- 1.2 To help monitor the effectiveness of awareness raising campaigns and where to target engagement, information is required on public awareness and understanding of tax devolution in Wales. To meet these evidence needs, the Welsh Government included questions in the National Survey for Wales (2016-17; 2017-18; and 2018-19)¹ and commissioned additional questions in the June 2018, March 2019 and June 2019 waves of the Wales Omnibus Survey (conducted by Beaufort Research Ltd)².

¹ Questions were asked of a representative sample of 2,544 adults in 2016-17, 1,856 adults in 2017-18 and 1,926 adults in 2018-19.

² Questions were asked of a representative sample of 1,006 adults in June 2018, 1,001 adults in March 2019 and 1,025 adults in June 2019.

- 1.3 This report presents findings from which changes in public awareness and understanding of tax devolution in Wales are being monitored, with findings compared to the baseline study (Owens and Jones, 2019) where possible. The analysis will also be used to inform how communications are targeted among different groups of the population.

2. Control over taxes paid in Wales

The majority of respondents said the UK Government has the most control over the taxes they pay in Wales.

- 2.1 Similar to previous years, around two thirds of respondents to the National Survey for Wales in 2018-19 said the UK Government had most control over the taxes they pay in Wales (66 per cent), while one out of ten (10 per cent) said the Welsh Government did.
- 2.2 The proportion saying they 'don't know' who has most control over taxes they pay tended to be higher among respondents:
- aged 16 to 34 years; and
 - with no qualifications.

3. Awareness of different taxes

There is lower public awareness of tax on air travel and tax on waste that is sent to landfill compared with other taxes.

- 3.1 Following a similar pattern to previous years, almost all respondents to the National Survey for Wales in 2018-19 had heard of Income Tax (96 per cent), Value Added Tax (94 per cent) and Council Tax (97 per cent), while around eight out of ten had heard of tax you pay when you buy a house (78 per cent) and tax on alcohol (81 per cent).
- 3.2 In comparison, less than half of respondents had heard about tax on air travel from Wales (46 per cent) and tax on the waste that is sent to landfill (42 per cent).

4. Devolution of taxes

Most respondents did not know that the Welsh Government has been able to set some taxes in Wales from April 2018.

- 4.1 Respondents to the National Survey for Wales³ were told that: ‘from April 2018, the Welsh Government has been able to set the levels for some taxes in Wales that were previously set by the UK Government’. The respondents were then asked: ‘Which of these taxes do you think have come under the control of the Welsh Government?’.
- 4.2 In 2018-19, around one third of respondents (34 per cent) correctly said that the tax you pay when you buy a house⁴ would come under Welsh Government control, increasing from 30 per cent in 2017-18, although this change was not statistically significant.
- 4.3 Around half of all respondents in 2018-19 (49 per cent) correctly said that Landfill Disposals Tax had come under Welsh Government control, which was a statistically significant increase from 40 per cent in 2017-18.
- 4.4 Following the devolution of these taxes, around a third of respondents (35 per cent) to the March 2019 wave of the Wales Omnibus Survey said they were aware that the Welsh Government already sets some taxes in Wales, namely the Land Transaction Tax (which replaced Stamp Duty in Wales) and the Landfill Disposals Tax (which replaced Landfill Tax in Wales). This was a slight decrease from the corresponding figure in the previous wave in June 2018, although the change was not significant.
- 4.5 The proportion correctly saying that land transaction and landfill taxes would come under Welsh Government control tended to be higher among respondents:
 - aged 55 years and above; and
 - from ABC1 socio-economic groups.

5. Welsh Rates of Income Tax

There was a significant increase in awareness that the Welsh Government is able to set different Income Tax rates in Wales.

- 5.1 Around four out of ten respondents to the June 2019 wave of the Wales Omnibus Survey (38 per cent) said they were aware that from April 2019 the Welsh Government is able to

³ Excluding the small number of respondents who had not heard of any of the taxes mentioned.

⁴ Formerly known as Stamp Duty Land Tax and now known as Land Transaction Tax (LTT) in Wales.

set different Income Tax rates in Wales, increasing significantly from 24 per cent of respondents in the June 2018 wave.

5.2 Awareness of the introduction of Welsh rates of Income Tax tended to be higher among respondents:

- aged 55 years and above;
- from ABC1 socio-economic groups; and
- living in mid and west Wales

5.3 Of the respondents to the March 2019 wave who were aware that the Welsh Government is able to set different Income Tax rates in Wales, around four out of ten (39 per cent) said they became aware of this through TV, while around one third (34 per cent) said they found out through a letter sent to Welsh tax payers from HMRC.

6. Control over specific taxes

Respondents were less likely to correctly identify who has responsibility for setting levels of tax you pay when you buy a house in Wales and tax on waste that is sent to landfill compared with other taxes.

6.1 The National Survey for Wales included questions which sought to determine respondents' views on who had most control of a range of taxes (local councils, Welsh Government or UK Government). These questions were asked prior to the devolution of Welsh rates of Income Tax.

6.2 Between 2016-17 and 2018-19, the proportion of respondents who said that the Welsh Government had most control over setting levels of tax you pay when you buy a house in Wales increased significantly from 11 per cent to 18 per cent. However, a clear majority of respondents in 2018-19 (66 per cent) still said that the UK Government has most control over setting levels since the tax has been devolved.

6.3 There was a considerable split as to who respondents thought had the most control over setting levels of tax on the waste that is sent to landfill in Wales, with almost four out of ten respondents (36 per cent) in 2018-19 correctly saying Welsh Government, and the same proportion of respondents saying UK Government. There was little change observed between survey years despite the tax on landfill being devolved from April 2018.

- 6.4 More than four out of ten respondents (45 per cent) in 2018-19 correctly said local councils have the most control over setting levels of Council Tax in Wales, while around one third (32 per cent) said the Welsh Government had most control.
- 6.5 In 2018-19, a majority of respondents correctly identified that the UK Government had most control over Income Tax (70 per cent), VAT (79 per cent) and tax on alcohol (78 per cent).
- 6.6 The picture was less clear for tax on air travel from Wales, with nearly half of respondents in 2018-19 (47 per cent) correctly saying that the UK Government has most control over setting this tax, although around a third (34 per cent) said that the Welsh Government had most control.
- 6.7 Since the baseline report was published, there are fewer instances of regional differences in awareness of who has most control over different taxes but differences by age and education level remain. Across most of these taxes, respondents aged 35-54 years and qualified to degree level or above tended to be more likely than other respondents to correctly identify who had most control over the specific taxes.

7. Link between tax revenue and public services in Wales

Almost three quarters of respondents to the Wales Omnibus Survey (73 per cent) would expect all or most of the money raised from Welsh taxes to go towards public services in Wales.

- 7.1 The proportion correctly saying that all of the money raised from Welsh taxes would go towards public services in Wales was highest among those aged 55 years and above (30 per cent) and lowest among those aged 16-34 years (16 per cent).

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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