

## Agenda – Finance Committee

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Meeting Venue:	For further information contact:
Video Conference via Zoom	<b>Bethan Davies</b>
Meeting date: 8 July 2021	Committee Clerk
Meeting time: 09.30	0300 200 6565
	<a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>

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**On 2 July 2021, the Committee resolved to exclude the public from today's meeting in accordance with SO 17.42.**

- 1 Introductions, apologies, substitutions and declarations of interest**  
(09.30)
- 2 Welsh Government First Supplementary Budget 2021–22: Consideration of draft report**  
(09.30–10.10) (Pages 1 – 25)  
Supporting papers:  
FIN(6)–02–21 P1 – Draft report
- 3 Welsh Government Draft Budget scrutiny 2022–23: Consideration of approach**  
(10.10–10.35) (Pages 26 – 32)  
Supporting papers:  
FIN(6)–02–21 P2 – Approach to budget scrutiny  
FIN(6)–02–21 P3 – Letter from the Minister for Finance and Local Government: Budget timetable – 5 July 2021
- 4 Finance Committee procedures and ways of working**  
(10.35–11.05) (Pages 33 – 58)  
Supporting papers:  
FIN(6)–02–21 P4 – Strategic approach to Finance Committee remit



FIN(6)-02-21 P5 – Early Finance Committee activity

[Fifth Senedd Legacy Report – Chairs’ Forum](#) (PDF, 564KB)

[Fifth Senedd Legacy Report – Finance Committee](#) (PDF, 1MB)

## **5 Land Transaction Tax (LTT) – Independent review**

(11.05–11.15)

(Pages 59 – 61)

Supporting papers:

FIN(6)-02-21 P6 – Letter from the Minister for Finance and Local

Government: Land Transaction Tax (LTT) – Independent review – 1 July 2021

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# Agenda Item 3

By virtue of paragraph(s) ix of Standing Order 17.42

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Rebecca Evans AS/MS  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref

Peredur Owen Griffiths MS  
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5 July 2021

Dear Peredur

I would like to take this opportunity to congratulate you on your election as chair of the Finance Committee, and I look forward to continuing the constructive working relationship which has developed between the committee and Welsh finance ministers.

I wish to set out the timetable for publishing the 2022-23 annual budget. Under Standing Order 20, the minister with responsibility for Senedd business is required to write to the Business Committee two weeks before the end of the summer term to set out a timetable for when the draft budget will be laid and the annual budget motion will be tabled. The Minister for Rural Affairs and North Wales, and Trefnydd has now written to the chair of the Business Committee. It has been my practice to write to the Finance Committee at the same time to explain our thinking behind the intended publication dates as I would also welcome your support on this matter.

The Chancellor of the Exchequer has indicated his intention to conduct a multi-year comprehensive spending review, which means we will not know our budget settlement until the CSR concludes in the Autumn. As a result, we will not be able to follow the budget timetable employed in years without a spending review, where we publish our draft budget in early October. As in 2019 and 2020, it will be necessary to publish our draft budget later in the year.

Publishing a draft Budget when learning details of our Budget settlement at such a late stage and, hopefully, providing a multi-year settlement, brings a number of challenges. The Budget Protocol was developed with deliberate flexibilities to recognise such exceptional circumstances including a UK Spending Review. On this basis I am proposing to publish our draft budget, once again, at the start of the Christmas recess, as in the two previous years.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I believe this will ensure we can effectively undertake our budget preparations and provide an appropriate level of detail in our budget documentation, while also ensuring the maximum available time for scrutiny in the Senedd.

We are providing a budget timetable based on publishing the Draft Budget on the latest possible date prior to the Christmas recess, however while unlikely, we cannot preclude at this stage the UK Government publishing a spending review at such a late date it significantly impacts our budget timetable. Should this be needed Standing Order 20.6 does make provision for the Committee to make changes to the timetable at the request of the Government. Subject to this, and on the understanding we will provide a firm timetable as soon as possible after the UK Government has made an announcement regarding the spending review and its Budget, I wish to indicate now that we are planning to publish the outline and detailed draft Budgets together on 20 December, and the final Budget on 1 March 2022.

In proposing these dates I am mindful of both Standing Order 20.5 and the arrangements agreed between the Welsh Government and the Welsh Parliament with regard to the period provide for scrutiny. Standing Order 20.5 provides, in 'normal' circumstances, for the Finance Committee to be given 8 weeks to report on the outline budget proposals and five weeks for committees to consider the detailed Budget proposals. Whilst this cannot be termed a 'normal' year, I remain committed to ensuring the fullest possible scrutiny of our spending proposals. As a result, the timetable I have set out would enable 7 weeks for scrutiny of the draft Budget, comprising 4 sitting weeks and 3 non-sitting weeks.

In these circumstances, I should be grateful for confirmation that you would support a change to the dates set out above in line with the provision set out in Standing Orders.

I am grateful for the committee's understanding and I hope these arrangements are acceptable given the circumstances, which are once again driven by external factors beyond our immediate control.

Yours sincerely,



**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government

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Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Eich cyf/Your ref  
Ein cyf/Our ref

Llywodraeth Cymru  
Welsh Government

Peredur Owen Griffiths  
Chair  
Finance Committee  
Welsh Parliament  
Cardiff Bay  
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1 July 2021

Dear Peredur

### Land Transaction Tax Independent Review

Section 77<sup>1</sup> of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 places a statutory obligation upon the Welsh Ministers to make arrangements for an independent review of land transaction tax (LTT) to be carried out, within 6 years of section 77 coming into force. The deadline for completing the review is therefore 24 May 2023.

I am setting out here the proposed scope of the Independent Review for the Committee to be aware and to have an opportunity to comment.

The scope of the review will have the following key principles at its core, to ensure:

1. The scope of the review is clear, meaningful and offers good value for money.
2. The review does not duplicate work being undertaken by interested/affected parties unnecessarily, and does not fetter future policy work which may be being developed in tandem or before the review is completed.
3. The review is focussed on the operation of the legislation as opposed to the administration of the tax by the Welsh Revenue Authority (WRA).

To ensure the review is targeted, we are not proposing that the review considers the totality of the LTT legislation. This would potentially be very expensive, take a considerable amount of time and could potentially only be able to superficially consider all areas with no

<sup>1</sup> [Land Transaction Tax and Anti-avoidance of Devolved Taxes \(Wales\) Act 2017 \(legislation.gov.uk\)](https://legislation.gov.uk)

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in-depth analysis. This would undermine the three principles guiding the overall approach to this review. The review will, therefore, focus on the specific changes made when the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 was introduced and subsequently compared to the predecessor tax, stamp duty land tax<sup>2</sup> (SDLT). Feedback during the development of LTT emphasised that there was, especially amongst the tax professional, and estate agency communities, a good understanding of SDLT and a desire not to make changes unnecessarily. The Cabinet Secretary for Finance, at that time, noted these desires and took the approach of 'no change for change's sake'.

The review will therefore consider whether those changes, which differed from SDLT and approved by the National Assembly for Wales (at the time) were and are still appropriate for Wales.

I anticipate the review to focus on the most significant changes made to the legislation to ensure it is appropriate for Wales. These changes include:

Intended improvements compared to SDLT which include:

- Changes in layout and language
- Deferral rules
- Rules for higher rates residential property transactions
- Rules for leases
- Greater clarity in operation of the reliefs

Changes made to make the legislation appropriate for Wales which include:

- Rent element of newly granted residential leases is not chargeable to LTT
- Rules related to situations where a non-residential lease is granted and both rents and a premium are paid

Opportunities for improvement:

- A comparison of LTT with the current Scottish and English and Northern Ireland equivalents to see if there are any lessons learnt from the current arrangements where changes would be beneficial to Wales.

Operational Practicalities:

- When considering SDLT and LTT, what are the cross-border issues?

I would be grateful for your views on the proposed scope of the Independent Review of LTT before summer recess. The process of procuring an independent person/organisation to undertake the Review is planned to commence during the summer.

Separately, I will be commissioning an independent review of the landfill disposal tax (LDT) to meet a similar, but non-statutory, commitment during the LDT legislation progress through the National Assembly for Wales (at the time). I will write to you in due course to seek your views on the planned scope of that review.

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<sup>2</sup> SDLT legislation is predominantly found in Finance Act 2003

Yours sincerely,

*Rebecca Evans.*

**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government