

Inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework

Digital Engagement Summary Note

November 2020

To supplement the evidence gathering for the inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework, the Finance Committee conducted a digital campaign during the autumn term. The objective of this campaign was to identify public understanding, knowledge and opinion of fiscal devolution and taxation in Wales.

A digital approach was implemented to ensure the Committee could engage with a substantial audience, while ensuring the inquiry was accessible during a time of shifting Covid-19 restrictions.

Data gathering

The data within this summary note has been collated from a series of Twitter and LinkedIn polls hosted on the Senedd Finance Committee Twitter feed and the Senedd's LinkedIn account. The polls directed audiences towards a survey where they could choose to engage in more detail should they wish. The Committee recognises that this engagement exercise is limited in scope as the sample was self-selecting and not based on a representative sample of the population.

The summary note outlines the key themes from quantitative and qualitative questioning. Analysis of a complete data set was conducted; all data can be sourced to individual responses and further analysis can be undertaken by reviewing the final results.

The total number of people who have contributed to this data include a combined number of **2,524** votes from all polls and **692** survey respondents.

This summary note illustrates the discussion with the public around, **the development of fiscal powers, borrowing powers** and **rethinking income tax**.

As a result of this method, four other key issues arose from consistent themes. Quotes have been selected on the basis that they demonstrate the reoccurring themes and therefore summarise the overall comments from the responses. All quotes are from survey respondents or social media comments and have been non-attributed.

Data sample

The survey, open from 20 September – 4 November 2020, was designed for the public to share their views on the topic of Fiscal Devolution – including the Fiscal Framework which is the agreement between the Welsh Government and UK Government on Welsh taxes and the borrowing powers that are devolved to Wales.

A total of **692** respondents completed the survey. Completion rate was 80%

Survey respondents came from across Wales with representatives from all five Senedd regions. The number of respondents from each county was between 11-94 people. Cardiff was where most people came from, closely followed by Rhondda Cynon Taf, Conwy, Gwynedd and Powys.

34% of respondents wanted to receive updates about the inquiry. The average completion time for the survey was six minutes.



Facebook advertising was used to encourage engagement of citizens living near the Wales / England border. 12% of respondents said that they lived within 10 miles of the border.

Alongside the survey, eight polls were posted on Twitter and LinkedIn. A comprehensive set of polling results can be found in Appendix 1.

Knowledge, awareness and importance of Fiscal Devolution

Survey respondents were asked to identify which of the taxes in the list below they thought Welsh Government has control over.

Type of Tax (and who controls it):	% of respondents that were correct
Inheritance Tax (UK Government)	93%
Air Passenger Duty (UK Government)	81%
Welsh Rates of Income Tax - WRIT (Welsh Government)	62%
Non-Domestic Rates (Welsh Government)	50%
Land Transaction Tax (Welsh Government)	49%
Landfill Disposals Tax (Welsh Government)	48%
Council Tax (Local Authorities in Wales)	31%
Average of result of respondents who completed the quiz	57%

More than half of the respondents weren't aware that Non-Domestic Rates (or sometimes referred to as Business rates), Land Transaction Tax and Landfill Disposal Tax are controlled by Welsh Government. If we look only at the survey respondents who said that they pay these taxes regularly or have done in the last two years, as you might expect, the percentage of those who were correct increases; Land Disposal Tax to 71%, Non-Domestic Rates to 65% and Land Transaction Tax to 75%.

Examining the results for the Welsh Rates of Income Tax (WRIT) and council tax, for which 73% of survey respondents said they pay regularly, it seems fair to say knowledge may be lacking around who controls these core taxes - 38% of survey respondents didn't realise Welsh Government control WRIT and 69% didn't

realise council tax is controlled by their local authority. Some people appeared quite shocked to learn this about these taxes;

"It should state clearly in payslips the tax that is paid as Welsh tax"

"I wasn't aware of this. I have lived on Wales for 2.5 years. Is this applied automatically by HMRC?"

"I don't think all the people of Wales fully know and understand the role and power of the Welsh Government and how our actual tax is spent"

When tested by the online polls on social media, poll respondents did relatively well identifying which Government sets certain taxes.

93% of respondents knew the UK Government sets Value Added Tax (VAT) on consumer items.

78% of respondents knew the UK Government sets Air Passenger Duty.

However **24%** of respondents were unable to identify that Welsh Government sets Land Transaction Tax.

When it came to WRIT, **57%** of respondents knew that Welsh Government had 'some' control over income tax rates. With **62%** of respondents saying that they were aware that Welsh Government is able to vary the rates of income tax paid by Welsh taxpayers. Also **66%** of respondents correctly identified that 10 pence in every £1 of income tax goes directly to Welsh Government.

The survey respondents were very clear that it was important to them that Welsh Government has powers over taxation. Of the 568 respondents who answered a question on this topic:

72% of people said it was important or very important that Welsh Government have powers over taxation:

"I think our taxes should be put towards Wales only and, hopefully, our government will have increased taxation powers. Keep improving Wales and the lives of all who live here"

Opinions on Fiscal Devolution

The development of financial powers

Land Transaction Tax

When asked if the variation between Land Transaction Tax (in Wales) and Stamp Duty Land Tax (in England) would affect a survey respondents decision on where they would choose to live, **25%** said “Yes,” **46%** said “No” and **29%** said it wasn’t applicable to them or they skipped the question.

70 survey respondents said they live within 10 miles of the Wales / England border. For this data sample **33%** said “Yes”, **53%** said “No” and **14%** said it wasn’t applicable to them. Presumably the proximity to the border would allow for more flexibility if they were faced with this decision.

59 survey respondents said they had paid Land Transaction Tax in the last two years, or they pay it regularly. For this data sample, **39%** said “Yes”, **47%** said “No” and **14%** said it wasn’t applicable to them.

More powers on taxation for Welsh Government

566 respondents answered questions about Welsh Government being given more powers over taxation.

61% of respondents said they thought Welsh Government should have power over more taxes.

Respondents said they wanted Welsh Government to have control over a range of other taxes and argued that without this the nation of Wales would be worse off:

“I believe that Wales can only make meaningful changes in areas like health and the economy if it has greater taxation powers, because these areas are all inter-linked. I can’t see how we can make robust, considered policy in areas like health, education, planning and the economy without increased taxation powers”

Borrowing powers

This topic generated a split in opinion. Currently Welsh Government can borrow up to £1 billion from either the UK Government, through a commercial loan from a bank or other lenders or issuing government bonds. This borrowing can be used to invest in Welsh infrastructure, for example to pay for schools or roads. Respondents were asked about Welsh Government's borrowing powers:

54% said Welsh Government should have an unrestricted limit on this type of borrowing. **39%** were opposed this idea and **7%** said they didn't know.

The online polls showed a slightly different picture; **72%** of respondents said Welsh Government should be able to borrow more than £1 billion.

In the survey, the reasoning for those who felt Welsh Government should have an unrestricted limit on this type of borrowing was down to respondents feeling that the people governing Wales would have a better idea about what infrastructure projects would be required here and where the need was:

"The money presumably would not be lent if it could not be repaid. The decision as to whether it should be borrowed is entirely a Welsh affair"

"It will give the Welsh government more levers to react to crisis like the global pandemic. It can invest in infrastructure spending that could provide an overall boost for the economy"

"I feel as though a limit is incredibly restrictive, obviously, but prevents us from doing things we may need to do for the good of our people"

"Wales should not be as dependent on Westminster for funding through the Barnett formula esp after inadequate funding for train electrification to Swansea/tidal lagoon while massive funding for HS2 is supplied without any increase in money to Wales"

"Dylai Cymru fod mewn rheolaeth o wariant yng ngwlad ein hunan. Mae'r gallu i fenthg yn hanfodol i alluogi Cymru i gyrraedd ei photensial er mwyn ariannu prosiectau hir dymor. - Wales should be in control of spending in our own country. The ability to borrow is essential to enable Wales to reach its potential to fund long-term projects"

“If the Senedd sees it necessary to borrow more to improve the services and infrastructure here in Wales then it should be able to”

Many respondents that were opposed to the idea of increased borrowing seemed to indicate they felt uneasy about Welsh Government having no restrictions at all:

“Mi ddylai fod gyfyngiad, ond un sydd wedi cael ei osod gan Senedd Cymru nid gan San Steffan / There should be a restriction, but one that has been set by the Welsh Parliament not by Westminster”

“The Welsh Parliament and an independent “taxpayer value for money” group should have a say on Welsh Government borrowing over a specified limit to ensure taxpayers are getting value for their loan repayments”

“I think as a nation it should have borrowing powers to a limit that would not put the country into financial trouble in the future, so it could be more than the £1B but not unrestricted”

Other issues arose around regional distribution of extra funds, competency of spending as well as a concerns that borrowing now could have an impact on future generations:

“I believe this money would only be spent to benefit Cardiff and South Wales, Very rarely would it be spent to benefit or improve life in Powys”

“Their failure to agree to proceed with the M4 relief road, is proof to me they do not possess the required skills to make the right major infrastructure decisions”

“I lack confidence in the elected parties so far to develop our country’s economy sufficiently to ensure the running of a tax system that has community consent”

“The debt will increase and be passed on to the public”

“We should not gain our today’s for our children’s tomorrows”

Those that said they didn’t know mainly explained that they felt they aren’t qualified enough to make these decisions:

“Finances are always complicated and I don’t feel I have the knowledge to give a clear answer. I also feel it SHOULD NOT be down to people like me to

make financial decisions of this magnitude. I'd like experts to be trustworthy and be in place to sort out this kind of thing"

Rethinking income tax

When survey respondents were asked if they would be happy paying more income tax in Wales than those in England if this extra tax was collected in Wales and spent on Welsh services:

59% said "Yes, I'd be happy to pay more income tax in Wales than those in England"

36% said "No, I wouldn't be happy to pay more than in England"

5% said they didn't know.

70 survey respondents said they live within 10 miles of the Wales / England border. For this data sample **47%** said "Yes", **43%** said "No" and **10%** said they didn't know.

68 survey respondents said they had paid Landfill Disposal Tax and Non-Domestic Rates in the last two years, or they pay it regularly now. We could identify this data sample as current or recent business owners. For this sample, **52%** said "Yes", **42%** said "No" and **6%** said they didn't know.

For all respondents who said they'd be happy to pay more tax, they identified which services they'd like to see the additional funds allocated to. It was little surprise that health was at the top of this list:

Options:	Percentage of respondents that selected this option – please note respondents could chose more than one option
Health Services	69%
Education	59%
Economy and Transport	55%
Environment, Energy and Rural Affairs	52%
Councils and Housing	50%
International Relations and Welsh Language	41%

Other	133 respondents
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Of the respondents that selected *Other* they made suggestions that additional funds went to social care services, infrastructure projects and the policing and justice system especially to support young offender rehabilitation schemes.

“Please be brave and have a national conversation about funding for social care and ensuring commissioners pay providers enough for higher wages. Social care wages are significantly below NHS wages and these structural issues cause harm”

However of those who didn't want to see taxes raised they made a strong plea not to increase taxes and stated that may even lead to them leaving Wales:

“Don't raise taxes as this isn't favourable and people will leave”

“Wales has a long border with England and if the Welsh Government tax the affluent, they will vote with their feet by moving a few miles to the east”

“I will leave wales if I end up paying more tax then the rest of the UK”

“Whilst we live in Wales I do not think it appropriate that our taxes should be different to England”

“Please please please do not put taxes up in Wales people will leave”

“I worry that if the Welsh gov increases taxes, Westminster will use that as an excuse to reduce the Barnett formula money we receive”

Additional Key Issues

Distribution of spending

Survey respondents commented on issues around even distribution of funds across Wales, especially to support infrastructure in rural areas.

"I don't trust Cardiff to spend it in Mid Rural Wales, as 9 out of the last 10 years, Powys had had the lowest amount out of the County Councils, we get overlooked time after time"

"I think Wales must use its money well. North Wales is underfunded. All the money goes to South Wales!!!!"

"Unfortunately I live in the county that receives the lowest funding per capita for schools and my son attends the school that has the lowest funding per head. WA seems to think the M4 corridor should fund the rest of Wales"

"Too Cardiff and valleys centric and spending should be equally shared across all of Wales"

"I am happy to pay taxes in Wales if it benefits the whole of Wales and not just Cardiff, Swansea and Newport. More needs to be done for valleys communities"

Education on devolved powers in relation to tax

There were calls for better education about devolved tax. Some respondents believed that all taxes are taken from Wales and then 'given' to UK Government with Wales receiving funds at the UK governments discretion:

"I think I would be happier if there was more transparency and less wastage [...] Better communication is needed so that people see they are getting value for money"

"Helping the public to understand more about devolved taxes should hopefully increase public awareness of the work of devolved institutions and why they should vote in Senedd elections"

"Welsh taxes should be used in Wales not to send over the border for them to decide what we can have back to spend"

Trust, transparency and innovation

Confidence in Welsh Government spending and openness around value for money arose many times in the respondents comments and there were calls for innovation and a rethink of how to change taxes in future:

“Transparency is key for trust and if there is any increase in taxes people will protest unless they see a tangible improvement as to where it is spent”

“I'd be happy to pay more tax, as would many in my work and social circles. Some people's agreement is qualified by, 'if I could see the benefit locally' - And so I think that participatory budgeting could have a key role to play in raising taxes in a way that is acceptable to a wider audience. This is already happening on a very small scale in Wales, including the town in which I live. The annual PB event here is very popular”

“Personally, I have never objected to paying my fair share of tax, in order to maintain and improve public services, however I am aware that others do not share this view. I think that any taxes raised in Wales for the benefit of Wales, need to be absolutely transparent, with a very clear trail of how they are used to benefit public services in Wales. The core of the problem though, is the lack of watertight tax regulation around large corporations and offshore investment”

“I'd encourage Welsh Government to investigate alternatives to the current Council Tax system, whether those are piecemeal changes to the banding system or something more radical”

“Regardless of how much money we raise in Wales through taxes, we should still receive money as 'top up' from UK Govt, as we are a poorer area of the UK. Although, Barnett should be reformed so that more money comes to Wales”

“We need to make a tax system that supports younger people (25 - 35) to get an education and to purchase a house. That currently feels like it's not an option to many younger people which is absolutely appalling”

“Ensure that big businesses pay their share”

“The charge for changing house or property names should be set at £25,000. Too many Welsh properties are being stripped of Welsh language names”

“Remove inheritance tax relief on all farm acreage over 250 acres, creating more opportunities for young farmers”

A number of people proposed the idea to develop a tourist tax:

“Bring in a tourism tax. They are common in many countries. Use revenue to protect the environment, mountains, beaches, rivers of Wales”

“Wales should introduce a city visitor tax along the lines of Italy, the money should be spend locally on street cleaning, etc. This should include all holiday lets whether caravans, airbnb, hotel rooms or other”

“I would suggest that all Welsh Councils charge normal C/Tax levels to their residents and charge other taxes for say a visitors tax as they do in Europe which would raise more money and this would be fair. Everyone who visited Wales as a non-householder, would pay the visitors tax”

Some contrasting opinions were shared around second home tax:

“More council tax on holiday homes, 500%. [...] Holiday homes drive up the price of housing, and hollow out communities, and prevent Welsh people getting on the housing ladder”

“I would argue that 300% council tax would be fair. Not only does second home ownership take houses away from local people it also harms the local hospitality and hotel markets. If you can afford the house you can afford the tax”

“The second home premium is a discriminating tax and should not be allowed”

“Council Tax for second home owners, currently at an extra 50%, is unfair. Second home owners spend fresh money helping local businesses and supporting local tradesmen”

Another layer of bureaucracy or full blown independence?

A considerable number of comments appeared in the data around if there was a need for what some members of the public feel is just another layer of bureaucracy. Countering those comments were people enthusiastic for an independent Wales. Feelings were extremely mixed and comments were passionate:

"The Welsh Gov is not needed it is an expensive tier of Admin. That we shouldn't have to pay for"

"Many of us want less taxation and fewer tiers of government"

"Don't raise taxes to pay AMs. They're a waste of time. Leave government in Westminster"

"Taxes should be under Welsh Government control. It is absurd that what we can and can't do is decided by another government"

"Wales needs to be able to control its own finances to be able to invest in itself as a country. Taxes are an important part of that. If Wales was an independent country we wouldn't have to essentially beg London to be able to do this. It's about time Wales became a proper country"

"Dylai'r Senedd cael power dros pob treth yng Nghymru - Parliament should have power over all taxation in Wales"

Appendix 1 - Poll Results

The following eight polls were run on Twitter and LinkedIn over a period of 24 hours. (Please note, where the result appear as zero, the poll was run but no one took part):

Poll 1 Are you aware that the Welsh Government is able to vary the rates of Income Tax paid by Welsh taxpayers?										
	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
Yes	65%	118	57%	91	66%	19	67%	14	242	62%
No	35%	64	44%	70	34%	10	33%	7	151	38%
Votes		182		161		29		21	393	

Poll 2 How much control do you think the Welsh Government has over income tax rates in Wales?										
	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
All	24%	29	14%	39	11%	3	11%	6	77	16%
Some	60%	72	53%	141	75%	21	66%	35	269	57%
None	16%	20	33%	88	14%	4	23%	12	124	26%
Votes		121		268		28		53	393	

Poll 3 When buying your shopping some of the amount you pay is VAT (Value Added Tax). Who do you think sets this tax?										
	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
UK Gov	93%	164	94%	127	92%	24	0%	0	315	93%
Welsh Gov	7%	12	5%	7	8%	2	0%	0	21	6%
Retailers	0	0	1%	1	0	0	0	0	1	1%
Votes		176		135		26		0	337	

Poll 4 When buying a house in Wales over a certain price you'll pay something called Land Transaction Tax. Who do you think sets this tax?

	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
UK Gov	23%	26	23.9%	44	6%	1	16.6%	3	74	22%
Welsh Gov	76%	87	73.9%	136	94%	15	77.9%	14	252	76%
Local Council	2%	2	2.2%	4	0%	0	5.5%	1	7	2%
Votes		115		184		16		18	333	

Poll 5 When flying on holiday outside the UK you pay a tax called Air Passenger Duty. Who do you think sets this tax?

	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
UK Gov	78%	73	78.3%	119	79%	11	75%	18	221	78%
Welsh Gov	15%	14	13.2%	20	14%	2	25%	6	42	15%
Airlines	7%	7	8.6%	13	1%	1	0%	0	21	7%
Votes		94		152		14		24	284	

Poll 6 How much of taxes raised by Welsh Government would you expect to go to services like schools, hospitals and public transport?

	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
All of it	47%	17	53.8%	64	43%	3	55.5%	5	89	52%
Some of it	50%	18	45.4%	54	57%	4	44.5%	4	80	47%
None of it	3%	1	0.8%	1	0%	0	0%	0	2	1%

Votes		36		119		7		9	171
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Poll 7 Some of your income tax goes directly to Welsh Government. How much in each £1 do you think they receive from the taxpayer?

	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
10p	64%	77	68.1%	79	100%	7	58.4%	7	170	66%
20p	30%	36	23.3%	27	0	0	33.3%	4	67	26%
50p	6%	7	8.6%	10	0	0	8.3%	1	18	7%
Votes		120		116		7		12	255	

Poll 8 Welsh Gov can borrow up to £1Bn from the UK Gov/through a commercial loan to be invested in Welsh infrastructure. Should this amount:

	English LinkedIn		English Twitter		Welsh LinkedIn		Welsh Twitter		Totals	
Increase	71%	29	70.7%	150	83%	5	86.4%	19	203	72%
Stay the Same	24%	10	16.6%	35	17%	1	9.1%	2	48	17%
Reduce	5%	2	12.7%	27	0%	0	4.5%	1	30	11%
Votes		41		212		6		22	281	