



HM Revenue
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Dear Llyr,

Thank you for your letter of 2 February 2021 informing me of the publication of the Finance Committee's report into the implementation of the Wales Act 2014 and the operation of the Fiscal Framework.

I was pleased to appear before the Committee in November to talk about HMRC's administration of Welsh Rates of Income Tax (WRIT), and to provide written evidence to the Committee. I am happy to accept the recommendations you have made, and am grateful for the opportunity to summarise our work in these areas and plans for the future.

Recommendation 2. The Committee recommends that the Welsh Government and HMRC work closely to ensure an integrated and complementary engagement strategy on the Welsh Rates of Income Tax.

Our responsibilities in the administration of WRIT are set out in our Service Level Agreement with the Welsh Government, and we are committed to ensuring that we meet our obligations. We developed a communications strategy on WRIT with input from the Welsh Government, which is designed to support the fulfilment of these obligations.

The main message of our communications with Welsh customers is the importance of keeping their address details up to date, to ensure that we accurately identify Welsh taxpayers on our systems. We remind customers to do this through regular communication with taxpayers, for instance through prompts on our digital services. Customers in Self Assessment are also required to provide or confirm their address details on their tax returns. We provide guidance on GOV.UK specifically about WRIT, including for customers who have more complex residency situations.

We monitor the amount of customer contact we receive in relation to WRIT, and we provide figures to the Welsh Government in the quarterly Business Intelligence Reports. Levels of customer contact are low, and we are confident that customers have the information they need.

We also communicate with employers to encourage them to correctly apply the Welsh 'C' codes issued by HMRC. We deliver reminders through our regular communication with employers, for instance through the Employer Bulletin. The results of this work have been positive, and in January 2021 the error rate had reduced to 2.8%, compared to 10.4% in June 2019.

Officials in HMRC and the Welsh Government met recently to discuss the approach to employers not applying the 'C' code correctly. We agreed that we will continue to tackle this issue with regular scans, and to focus on targeted communications to employers who make errors. This strategy allows us to work with employers to help them get this right, and has produced good results so far.

We are confident that the current level of individual and employer engagement allows us to administer WRIT successfully, but will continue to work closely with the Welsh Government to ensure that any future communications needs are identified.

Recommendation 8. The Committee recognises the importance of tracking the impacts of WRIT over time and recommends that the project to deliver longitudinal data should be a key priority for the Welsh Government and HMRC.

As part of regular working level engagement to support the devolved administrations in their policy and analytical objectives, HMRC's analytical division Knowledge, Analysis and Intelligence (KAI) is already communicating regularly with the Welsh Government, Scottish Government and their respective Independent Fiscal Institutions (the Office for Budget Responsibility and Scottish Fiscal Commission) on possible designs and methodologies for a longitudinal dataset.

This work was paused in recent months due to prioritising the development of the WRIT Ready Reckoner and the focus on supporting the forecasts of devolved income tax in the Welsh and UK Budgets due on 2 and 3 March 2021 respectively.

The longitudinal dataset is expected to form a key part of the KAI Devolved Team's workplan for the spring and summer months of 2021 before the next fiscal event cycles begin in the Autumn. This is made in agreement with the Welsh Government and the Analytical Working Group. With the Welsh and UK Budgets now delivered, KAI will work with the Welsh Government to progress this project. It will be discussed at the next Analytical Working Group meeting expected to be held in April or May.

I hope this is a useful summary of our work in these areas.

Yours sincerely,



Ruth Stanier

Director General, Customer Strategy & Tax Design