



Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths
Chair
Finance Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

1 July 2021

Dear Peredur

Land Transaction Tax Independent Review

Section 77¹ 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

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

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 tax² (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.

² 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