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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/RE/0094/22

Peredur Owen Griffiths, MS
Chair
Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1SN

24 January 2022

WELSH TAX ACTS etc. (POWER TO MODIFY) BILL

Dear Peredur,

Thank you for your recent letter following the Finance Committee's evidence session on 22 December 2021 in relation to the Welsh Tax Acts etc. (Power to Modify) Bill ("the Bill") in which you request information:

- To understand the potential costs involved in implementing any subordinate legislation arising from the Bill, such as updating systems, forms, guidance and communicating any changes; and
- The actual costs associated with implementing the Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020.

As you are aware, this legislation aims to provide a mechanism to enable Welsh Ministers to respond to external events including those that impact on the Welsh budget – circumstances which are beyond our control. Without this legislation, we would still need to find a way to respond. In most scenarios, this would likely mean responding using emergency legislation or, where possible, our existing regulation making powers. The costs of implementation would be the same regardless of the legislative mechanism used to effect that change. The alternate would be to live with the impact of the external event, including potential reductions in Welsh budgets. The primary aim of this legislation is to protect Welsh revenues.

Without this Bill, we risk future financial costs if, for example, a new charge is introduced for stamp duty land tax and we are unable to respond quickly. Although this may not happen in the immediate future, it is certainly possible in the next few years as land transaction taxes are continuing to be lively.

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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.

Welsh Treasury officials, together with officials from the Welsh Revenue Authority (WRA), have considered the potential administrative costs of any future changes – which includes, for example, updating guidance and forms, testing or additional communications requirements. For most changes it is reasonable to assume that the costs will be met within existing budgets. However, the costs to the WRA will very much depend on the precise nature of the change that today cannot be predicted with any certainty and will need to be considered on a case-by-case basis.

In relation to the implementation of the Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020, the WRA incurred costs of around £1,200 to implement the temporary rate changes to land transaction tax from 27 July 2020. This included a small fee paid to their IT supplier, however, the majority of the technical changes, including testing, was undertaken internally. This cost does not include a minimal cost to revert to the original LTT rates (effected on 1 July 2021) nor the cost of staff time used on the WRA communications and guidance updates as this was absorbed into business as usual activity. The changes were widely anticipated following my announcement on 14 July 2020 and therefore the requirements and costs of raising awareness were minimal.

The requirement to make changes to tax rates was anticipated in the design of the WRA tax management system, and systems built with the functionality that makes such changes relatively straightforward. This helped keep the costs low for the July 2020 changes.

I hope that this information helps the Finance Committee in their scrutiny of the Bill, but if there is any other information you require before my appearance before you again please do write to me.

Yours sincerely,



Rebecca Evans AS/MS

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CC: Chair of the Legislation, Justice and Constitution Committee