



Llywodraeth Cymru  
Welsh Government

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## WRITTEN STATEMENT BY THE WELSH GOVERNMENT

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**TITLE**           **Draft Budget 2025-26: Welsh Taxes**

**DATE**           **10 December 2024**

**BY**               **Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language**

Welsh taxes are a vital part of our fiscal arrangements, contributing to the funding available for our spending plans, which are set out in the Draft Budget today as well as providing an important lever for some of our policy priorities.

Taken together, Welsh Rates of Income Tax (WRIT), Landfill Disposals Tax (LDT) and Land Transaction Tax (LTT) will contribute around £4bn to the Welsh Budget in 2025-26. This statement outlines the key decisions we are proposing in relation to Welsh taxes.

### **Welsh Rates of Income Tax**

I propose to set the Welsh rates of income tax for 2025-26 at 10p for the three income tax rates (basic, higher and additional), which will maintain parity of income tax rates for taxpayers in Wales with those in England and Northern Ireland. This means there will be no changes to WRIT in 2025-26.

Alongside this Draft Budget, I am publishing an updated [Ready Reckoner for the Welsh Rates of Income Tax](#). This provides estimates of the potential revenue impact from changes to each of the three Welsh Rates.

### **Land Transaction Tax**

The higher residential rates of Land Transaction Tax (LTT) are increasing by one percentage point across all bands in this Draft Budget. These changes will be made by regulations today and will come into force on 11 December. Those taxpayers who have already exchanged contracts will pay the former rates so long as they comply with the relevant transitional rules.

This change will result in the higher residential rates of LTT being set at, broadly, five percentage points above the main residential rates. This increase is estimated to raise an additional £7m in 2025-26, which will increase the funding available to invest in public

services in Wales.

The changes to the rates are set out in Annex 1. The regulations are subject to the made affirmative procedure and the Senedd vote to give these rates permanent effect will be held in January.

I am not proposing changes to any of the other rates or bands of LTT.

The current starting threshold for the main residential rates of LTT remains at £225,000 still ensuring that around 60% of residential transactions are below the threshold for paying LTT.

The forecast revenues from LTT in 2025-26, as detailed in the Welsh Taxes Outlook published on 10 December, includes £2.6m of additional tax receipts because of additional resources being invested in the Welsh Revenue Authority. This will allow the Authority to expand its work to identify and rectify tax returns which seek to under report tax liability and then to recover those amounts.

In the New Year, I will lay draft regulations in the Senedd to make changes to the multiple dwellings relief (MDR) available on the purchase of two or more dwellings in Wales. These changes will ensure MDR claims will not be allowed where the Subsidiary Dwelling Exemption (SDE) is applied, so taxpayers subject to the SDE would pay the main residential rates on the total consideration, without the benefit of MDR. This is a first step to improving the regime underpinning the purchases of more than one property in a transaction. Further work will be carried out to consider MDR relief within the LTT regime over the coming year.

Draft regulations will also be laid today to extend the new LTT special tax sites relief currently afforded to the Celtic Freeport, to the relevant designated areas of the Ynys Môn Freeport. Those regulations are subject to the draft affirmative procedure and Senedd approval will be sought in January to ensure the relief is in place when the UK Government's designation regulations come into force.

### **Landfill Disposals Tax**

This Draft Budget proposes raising the standard rate of Landfill Disposals Tax (LDT) from 1 April 2025, in line with the increase to UK Government's equivalent Landfill Tax. This will ensure public services in Wales continue to benefit from the tax revenues, while minimising the risk of the movement of waste across borders.

Following the public consultation on the lower rate of LDT, it will be increased to £6.30 per tonne. This will set the lower rate at 5% of the standard rate, just under double the existing rate.

[The summary of responses to the public consultation on the lower rate of LDT](#) is published today.

The new approach to lower rate setting, along with the substantial increase for next year, recognises the need to increase incentives to reduce waste disposed of by way of landfill in line with Welsh Government objectives, while seeking to manage the risks of waste tourism and increased waste crime.

We will monitor the impact of this change, and I am prepared to increase the rate further if evidence does not show a decrease in volumes of lower-rated waste disposed of through landfill, as needed to help meet our goal of becoming a zero-waste nation by 2050. The unauthorised rate will remain at 150% of the standard rate.

The Regulations required to put into effect these changes (set out in Annex 2) will be laid in the Senedd early in 2025.

### **Tax Policy Report**

The fourth annual [Tax Policy Report](#) is also published today. It reports against the Welsh Government's Tax Policy Framework and Tax Work Plan 2021-26. It sets out progress on a range of activities, including taking forward our tax-related Programme for Government commitments on local government finance reform, and the visitor levy Bill.

**Annex 1:**

**Table 1: Land Transaction Tax residential higher rates (from 11 December 2024)**

<b>Higher Residential Rates from 11 December 2024</b>	
<b>Band</b>	<b>Rate</b>
The portion up to and including £180,000	5%
The portion over £180,000 up to and including £250,000	8.50%
The portion over £250,000 up to and including £400,000	10%
The portion over £400,000 up to and including £750,000	12.50%
The portion over £750,000 up to and including £1,500,000	15%
The portion over £1,500,000	17%

**Annex 2:**

**Table 2: Landfill Disposals Tax rates (rate per tonne)**

<b>Rate</b>	<b>From 1 April 2023</b>	<b>From 1 April 2024</b>	<b>From 1 April 2025</b>
Standard	£102.10	£103.70	£126.15
Lower	£3.25	£3.30	£6.30
Unauthorised disposals	£153.15	£155.55	£189.25