

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language



Llywodraeth Cymru
Welsh Government

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

Eich cyf/Your ref
Ein cyf/Our ref

Andrew RT Davies MS
Chair
Economy, Trade and Rural Affairs Committee

11 February 2026

Dear Chair,

Freeport Tax Revenues

At the Economy, Trade & Rural Affairs Committee meeting on 26 November 2025, Welsh Ministers committed to providing the Committee with information on the projected tax relief revenues for Welsh Freeports, their potential budget impacts, and the expected economic activity and associated benefits. The relevant analysis is now complete and presented below.

Background

The Welsh Government is responsible for devolved tax policy. For Freeports this encompasses Non-Domestic Rates (NDR) and Land Transaction Tax (LTT).

Tax revenues for reserved taxes (including Zero-rate Secondary National Insurance Contributions, Enhanced Structures & Buildings Allowance, and Enhanced Capital Allowance) are a matter for the UK Government.

The expected impacts of these subsidies are set out in a Subsidy Control Scheme for Welsh Freeports prepared jointly with the UK Government.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Mark.Drakeford@gov.wales
Gohebiaeth.Mark.Drakeford@llyw.cymru

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.

NDR

Claims for NDR relief will only materialise if there are new economic activities and associated growth within the tax sites. These sites are selected as underdeveloped areas within which significant growth would not take place without intervention.

If no new activity takes place, no reliefs will be granted, and the result is fiscally neutral. If there is new economic activity the costs of reliefs should be offset by the long-term impacts, including a broadening of the tax base from new and growing businesses, and new jobs from inward investment and business growth.

The amount of NDR relief which will be claimed is uncertain and dependent on the level of additional economic activity and subsequent claims made. Based on the business cases submitted by the Freeports, it is estimated the total amount of NDR relief that businesses will qualify for during the life of the Freeport Programme (i.e. to 2034) will not exceed £100m. This will be closely monitored.

The cost of Freeport NDR reliefs will be met from Welsh Government budgets.

LTT

LTT costs will be foregone tax revenue. As the relief provided for Welsh freeports will broadly be the same as stamp duty land tax (SDLT) relief available to the English freeports the calculation of the block grant adjustment should take into account the relief available in England. It is possible the cost of foregone LTT revenues may partly be offset through the block grant adjustment.

Freeports aim to stimulate economic activity which would not otherwise have happened. It is therefore possible transactions would not have occurred without the LTT relief being available or without the areas having freeport status. As such the costings related to transactions that would not occur without the freeport being designated could be seen as revenue neutral (assumes no displacement).

The amount of LTT special tax sites relief which will be claimed is uncertain. This is because the land transactions that will occur are unknown and the nature of the transactions (grant of a lease for rent only, grant for premium and rents, assignment of lease or freehold transactions) will all have differing tax consequences because of different calculation methods and rates applied to the consideration given. Based on the business cases prepared by the Freeports, it is estimated the amount of LTT special tax sites relief that businesses will claim during the first 5 years of the Freeport Programme period¹ will be £10.1 million. It is anticipated that a smaller amount of relief will be provided in the second 5-year period, if the next Welsh Government chooses to extend that time period.

Annual and mid-point reviews

Each Freeport has agreed to regular reporting and an annual review process. This will allow us to track the progress of each Freeport and the uptake of both devolved and reserved reliefs.

¹ <https://senedd.wales/media/q52dexi0/sub-ld16757-em-e.pdf>

The provision of NDR and LTT reliefs will also be subject to a policy review in 2028 to provide assurance that sufficient progress is being made by each freeport. If the Welsh Ministers decide to extend the LTT relief for freeports for an additional 5 years, to 2034, then further regulations, with accompanying Explanatory Memorandum/Regulatory Impact Assessment, will need to be laid and approved by the Senedd.

NDR Retention

Local authorities in Welsh Freeport tax sites are permitted to retain up to 100% of NDR growth above an agreed baseline, guaranteed over a 25-year period enabling them to borrow for infrastructure, regeneration, skills, innovation, and Net Zero initiatives.

The baseline is set as the NDR income in the tax site(s) on the day before designation. Any subsequent increase - due to new builds, extensions, or improvements - is considered growth. Growth is calculated net of any displacement factors prescribed by Welsh Government.

Figures for NDR retention are uncertain and dependent on the type and scale of growth taking place, net of any displacement.

Celtic Freeport's projected long-term NDR retention, driven by assumptions of and dependencies on major energy and industrial developments, is estimated at around £1 billion.

Anglesey Freeport expects between £100m and £275m of NDR retained over 25 years, depending on development pace and rateable values.

Headline Benefits

Welsh Freeport targets will be met through a broad range of Welsh Government interventions, including tax incentives, retention of NDR growth revenues, seed capital funding, ad hoc revenue funding support, trade facilitation, and assistance via business support, skills, and other programmes. The UK Government is applying similar levers to reinforce Freeport development. These public sector measures will complement significant private sector investment.

Given the complexity of this combined support landscape, it is not practical to attribute specific Freeport outcomes - such as job creation - to individual interventions like a particular tax relief.

The sections below outline high-level Welsh Freeport targets. It should be noted these figures are dependent on a range of activities taking place. These programmes involve less direct intervention in specific projects so there is a less direct causality. However, public subsidies via tax reliefs are only provided where new economic activity is taking place supporting value for money considerations.

Job Creation (business case)

- Anglesey Freeport: up to 4,900 jobs by 2030, including 1,400 direct jobs at the Central Anglesey site and 1,800 direct jobs at the Anglesey Prosperity Zone.

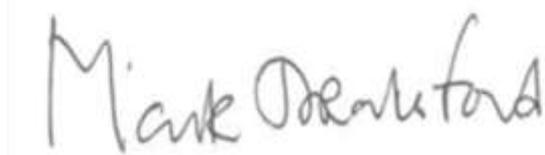
- Celtic Freeport: 11,500 new jobs projected across South Wales in floating offshore wind (FLOW), hydrogen projects, advanced manufacturing, and other areas.

Investment Attraction

- Anglesey Freeport is aiming to deliver additional GVA of around £1 billion over its development period, primarily focused on technology developments, advanced manufacturing, clean energy projects (including hydrogen and renewables), and logistics infrastructure.
- Celtic Freeport is aiming to attract over £8bn investment in FLOW infrastructure, hydrogen projects, and advanced manufacturing.

I hope the Committee will find this information helpful.

Yours sincerely,



Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r
Gymraeg
Cabinet Secretary for Finance and Welsh
Language



Rebecca Evans AS/MS

Cabinet Secretary for Economy, Energy
and Planning
Ysgrifennydd y Cabinet dros yr Economi,
Ynni a Chynllunio