

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



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee

17 February 2026

Dear Peredur,

Thank you for your letter of 23 January and for the committee's continued scrutiny of the Legislative Consent Memorandum for the Finance (No. 2) Bill. I have set out further information in response to the specific points you raised.

I welcome the Committee's recognition that, while revenues from Welsh property income are likely to be modest, the power to vary the tax rate represents an important strengthening of the Welsh fiscal framework and an appropriate reflection of devolved responsibilities.

In 2023-24, property income accounted for around 1.6% of total non-savings non-dividend income in Wales (around £800 million). If property income accounted for the same share of Welsh Rates of Income Tax (WRIT) revenues, it would have contributed around £50 million of WRIT in that year. However, as property income will be taken after the rest of non-savings non-dividend income when accounting for allowances and thresholds, its share of tax is likely to be somewhat higher.

More timely estimates will be available when the Office for Budget Responsibility publishes its next Economic and Fiscal Outlook on 3 March 2026. This will include separate forecasts for WRIT revenues from property income and the rest of non-savings non-dividend income. This will contribute to the strengthening of the analytical base underpinning decisions on rate-setting.

I expect future iterations of the WRIT Ready Reckoner will also incorporate separate modelling for revenues from property income once the power is devolved. This will allow clearer estimates of revenue impacts from any future Welsh rate changes.

I recognise the Committee's interest in whether higher income tax rates could incentivise incorporation. While incorporation is one potential behavioural response to changes in income tax rates on property income, the decision is significantly more complex than shifting existing properties into a corporate structure.

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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.

Transferring existing property portfolios into a company can trigger Land Transaction Tax (or equivalent taxes elsewhere) and capital gains liabilities, often making incorporation prohibitively costly. For this reason, behavioural effects are more likely to relate to how future properties are acquired rather than wholesale restructuring of existing holdings, although it must be recognised that everyone's decisions will be highly fact specific.

It is also worth noting that, as with the rest of non-savings non-dividend income tax, Welsh taxpayers will face the same overall tax rate on property income as taxpayers in England and Northern Ireland, if the Welsh rate is set at 10 pence in the pound.

The Government of Wales Act 2006 (GoWA06), in section 116D, provides the legislative framework for setting Welsh property income tax rates by the Senedd. GoWA06 recognises that a Welsh rate resolution may set one or more of the rates and therefore it would be possible, were it preferable, for the Welsh property rates to be set by a separate resolution.

Any required changes to Standing Orders will therefore need to be considered by the Senedd's Business Committee in due course. Welsh Government officials will support this work, including consideration of whether a single or separate resolution(s) are appropriate.

The Committee also discussed the powers available to the Welsh Government to introduce high value council tax bands, drawing upon recent announcements in England. The Welsh Government retains full and flexible powers to add higher value bands to the existing council tax system in Wales. The powers are provided by [section 5](#) of the Local Government Finance Act 1992. Indeed, for the next council tax revaluation in 2028 which was secured by the passing of the Local Government Finance (Wales) Act 2024, the possibilities include creating more high value bands based on revalued and up-to-date data. The valuation exercise is underway, and it will be for the next government to confirm its preferred design. Wales already has an additional high value band (band I) compared with other nations.

The Committee may be interested to note that the Scottish Government also recently announced a proposal to add two new high value bands to its existing council tax system in 2028. This demonstrates the flexibility that is available to devolved governments to design local tax structures accordingly.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

Mark Drakeford AS/MS

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