



Llywodraeth Cymru
Welsh Government

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TITLE **Publication of independent research into options for income tax devolution in Wales**

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Since April 2019, Wales has had the power to set Welsh Rates of Income Tax. However, since then, taxpayers in Wales have paid the same level of income tax as taxpayers in England and Northern Ireland.

The partial devolution of income tax has had a significantly positive impact on the revenue available to the Welsh Government to support public spending over this period. This is because the income tax base in Wales has grown more rapidly than it has in England and Northern Ireland. As a result, the Welsh budget in 2026-27 is £360m higher than it would have been without the partial devolution of income tax.

This is in stark contrast to the claims made by some that income tax devolution would have a negative impact on Wales' fiscal position.

However, this period has also exposed the limits of partial devolution of income tax. To raise substantial revenues either requires an increase in the basic rate, which impacts most on people on modest incomes, or very large increases to the higher or additional rates, which could potentially have significant behavioural impacts and erode revenues. Any reductions in rates would reduce revenues and undermine investment in Welsh public services at a time when public services are under significant pressure.

In March 2025, I commissioned independent research to look at the options for alternative measures of income tax devolution. The research team from the Fraser of Allander Institute and Bangor University have today published their [Future options for income tax devolution in Wales report](#). I would like to thank the team for the quality and clarity of their analysis.

The analysis highlights there is no single, optimal system of income tax devolution. Any change would have to balance appetite for greater policy control and flexibility with appetite for risk. Greater ability to vary rates and bands carries greater risk.

The research demonstrates that a more comprehensive form of devolution increases both the risks and rewards if the taxbase in Wales grows at a different rate to that elsewhere in the UK, particularly at the top end of the income distribution.

The analysis also highlights the importance of considering the specific design of the Block Grant Adjustment (BGA). There is no “correct” form for a BGA and no form comes without risk and opportunity. However, the researchers demonstrate the nature of those risks and opportunities differs with the form of the BGA.

The increased exposure to risk that comes with more control over income tax would need to come with improved tools to manage risk. A point would be reached where the current fiscal flexibilities available to the Welsh Government would not be sufficient to enable proper financial management if the Welsh budget was exposed to greater variation in the net position from income tax.

Any change to income tax in Wales requires discussion and negotiation with the UK Government and legislation in the UK Parliament, with the consent of the Senedd. The current Welsh Rates of Income Tax were the product of a lengthy process of debate and development, including the Silk Commission’s first report, the Wales Act 2014, and the Wales Act 2017.

This Report is therefore published as a contribution to any such future debate.