

Evidence to the Finance Committee of the National Assembly for Wales on collection and management of devolved taxes.

My understanding is that it is legally necessary to have a body responsible for the collection of devolved taxes, hence the creation of a Welsh Revenue Authority.

However, given the very small amount of revenue involved with the currently devolved taxes, it seems inefficient for the WRA to create new mechanisms to collect taxes and so far as possible they should continue to be collected by existing organisations under contract to the WRA. There is no reason then why different taxes could not be collected by different organisations.

In dealing with HMRC I would suggest the WRA gets a tight contract with performance indicators and some element of payment by results. It is important that HMRC sets up a special unit concerned with Welsh taxes so WRA has a “one-stop shop”.

At present the organisation of local authorities in Wales is in flux, as are, therefore, their tax collection agencies. It may be that if local authorities are consolidated, there could be an even greater consolidation of local authority tax collection. If there were a single or few local authority tax collection agencies, it or they might provide an alternative to HMRC for the collection of stamp duty on residential property transactions or landfill tax. That possibility would provide some potential competition for HMRC. However, that is not the case at present and it seems that HMRC is currently the best option for the minor taxes being devolved.

The existence of WRA means that contractual arrangements could be changed in future if circumstances change or new taxes are created or devolved. If income tax is devolved it would reinforce the need to get good terms from HMRC but provided these are obtained, the projected tax take would not justify creating an alternative collection agency. Many new taxes that have been proposed, such as a hotel or visitor tax or a tax on car-parking spaces are best seen as local taxes, which should be collected by a reformed local authority agency. It seems improbable that the WRA would need to expand its own tax collection capability in the foreseeable future.

Leaving tax collection agencies unchanged with clear terms of reference should enable service standards to be maintained or improved.

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20th April 2015