

Glossary of terms relating to Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Bill

Research Briefing:

Acquisition relief (Rhyddhad caffael) – applies when one company acquires the whole or part of an undertaking of another company in exchange for the issue of shares to the target company or its shareholders.

Agreement for lease (Cytundeb ar gyfer les) - an agreement between a landlord and prospective tenant to grant and/or to accept a lease in the future.

Alternative finance investment bonds (Bondiau buddsoddi cyllid arall) – a form of funding that is equivalent to a bond that is compliant with the Sharia law prohibition on paying or receiving interest.

Alternative property finance (Cyllid eiddo arall) – the financing of property purchases that circumvent interest payments, which is prohibited under Sharia law but where the equivalent return is provided as a profit share or additional consideration.

Annuity (Blwydd-daliad) – a fixed income paid annually over a specified period of time, usually for life or in perpetuity.

Appropriation (Perchnogiad) – the transfer of an asset to a beneficiary on account of a legacy.

Artificial tax avoidance (Trefniadau artiffisial i osgoi trethi) – where entering into a tax arrangement provides a tax advantage which may be considered not to be a reasonable course of action under the relevant tax legislation.

Assent (Cydsyniad) – the legal means by which a property is transferred to a beneficiary after a person's death.

Assignment of lease (Aseinio les) – assignment by the transferor of his or her rights to a transferee to use the leased property.

Assignment of rights (Aseinio hawliau) – transferring the rights of the transferor to the transferee in a pre-completion transaction.

Bare trust (Ymddiriedolaeth noeth) – a basic trust managed by a trustee in which the beneficiary has the right to assets such as property held in the trust when they become entitled.

Body corporate (Corff corfforaethol) – a legal entity that has been registered with Companies House.

Building society (Cymdeithas adeiladu) – a mutual financial institution that provides banking and other financial services to its members who will have certain rights to vote and receive information and speak at meetings.

Capital gains tax (Treth enillion cyfalaf) – a tax on the profit when disposing of chargeable assets.

Chargeable consideration (Cydnabyddiaeth drethadwy) – the amount given directly or indirectly for the acquisition and on which SDLT is potentially payable.

Chargeable interest (Buddiant trethadwy) – an estate, interest, right or power in or over land in Wales.

Charitable purpose (Diben elusennol) – defined as a purpose that falls within one of the descriptions outlined in the Charities Act 2011 and is for the public benefit.

Charity (Elusen) – an entity that has charitable objectives such as a non-profit organisation which employs all its resources to support those in need.

Chief Land Registrar (Prif Gofrestrydd Tir) – Chief Executive of the Land Registry (a non-ministerial department) responsible for keeping the land registers in England and Wales who has all the powers, responsibilities and duties conferred and imposed by law in relation to that.

Collective rights (Hawliau ar y cyd) – rights relating specifically to a group of people such as tenants of flats contained in a property.

Commonhold (Cyfunddaliad) - a system of freehold tenure of a unit within a multi-occupancy building (e.g. flat), but with shared responsibility for common areas and services.

Community benefit society (Cymdeithas budd cymunedol) – a society registered with the Financial Services Authority (FSA) and created with social objectives intending to conduct its business for the benefit of the community with profits returned to the community.

Company (Cwmni) – any corporate or unincorporated association excluding a partnership.

Compulsory purchase (Prynu gorfodol) – an officially enforced purchase of privately owned land or property for public use.

Connected company (Cwmni cysylltiedig) – where a company in a land transaction is connected (in terms of control) to the buyer or seller of the property.

Construction operations (Gweithrediadau adeiladu) – operations defined as the construction, alteration, repair, maintenance, extension, demolition or dismantling of property / land.

Consumer prices index (Y mynegai prisiau defnyddwyr) - the official method of calculating inflation in the UK.

Contingent consideration (Cydnabyddiaeth ddibynnol) – the consideration where a transferee pays only when a future event occurs e.g. a developer will pay an extra amount if they receive planning permission for land development.

Contract (Contract) – a legally binding or valid agreement between two parties.

Co-operative (Cymdeithas gydweithredol) - a company that is owned and operated by the people who use its products, services or supplies.

Corresponding partner (Partner cyfatebol) – a partner connected in terms of specific individuals and bodies with a relevant owner for the purpose of the transfer of a chargeable interest from a partnership to a current or previous partner.

Counteraction notice (Hysbysiad gwrthweithio) – issued when a tax arrangement is believed to provide a tax advantage as detailed in the General Anti Avoidance Rule (GAAR).

Credit union (Undeb credyd) - a co-operative operated on a non-profit basis by its members who are its depositors, borrowers, and shareholders.

Declaration (Datganiad) – confirms accurate and complete information has been provided on the tax return.

Deferred payment (Taliad gohiriedig) – the buyer is required to include payments due after the transaction has taken place. This includes contingent considerations and uncertain considerations e.g. obtained planning permission.

Demutualisation (Dadgydfuddiannu) – the process through which any member-owned organisation becomes a shareholder-owned company.

Disclosure of Tax Avoidance Schemes (DOTAS) (Cynlluniau datgelu osgoi treth) – requires the disclosure of the main elements of tax avoidance schemes by those who promote them within a very short time frame.

Dwelling (Anedd) – a house, flat, or other place of residence.

Effective date (Y dyddiad y mae [XXX] yn cael effaith) – broadly defined as the date at which the liability arises, which is usually the date the transfer is completed but may be earlier where a transaction is substantially performed.

Enactment (Deddfiad) – to pass into legislation generally upon receiving Royal Assent.

Enfranchisement (Breinio) – enables the tenant(s) of a property that is held on a long term lease (greater than 21 years) to acquire the freehold of that property.

Exempt interest (Buddiant esempt) – land and property transactions which are specifically exempt from stamp duty charges e.g. licenses, security interests etc.

Exchanges (Cyfnewidiadau) – where two parties agree to exchange land as part of the transaction.

Franchise (Rhyddfrait) – a grant from the Crown such as the right to hold a market or fair, or the right to take tolls.

Free-standing transfers (Trosglwyddiadau annibynnol) – a pre-completion transfer other than an assignment of rights such as a sub-sale.

Friendly society (Cymdeithas gyfeillgar) – a financial institution owned by its members who pay regular duties or other sums in return for pensions, savings, sickness benefits, etc.

General Anti-Abuse Rule (GAAR) (Y rheol gyffredinol yn erbyn camddefnyddio'r gyfundrefn dreth) – UK Government legislation to manage the risk of tax avoidance through counteraction provided it has been accepted as such by the GAAR Review Panel.

General Anti-Avoidance Rule (GAAR) (Y rheol gyffredinol yn erbyn osgoi trethi) – a statutory rule to deny taxpayers the benefit of an arrangement entered into which is deemed to be contrary to the purpose of the legislation.

Grant of lease (Rhoi les) – when the legal owner of a freehold property creates a lease to a tenant.

Group company (Cwmni grŵp) - a member of the same group of companies, defined by specified ownership conditions, as the seller or buyer of property / land.

Group relief (Rhyddhad grŵp) – available when land transactions take place between members of a corporate group.

Indemnity (Indemniad) – an obligation to provide compensation for specified losses / damages.

Inheritance tax (Treth etifeddiant) – tax levied on certain gratuitous transfers of value by an individual, trust or company.

Joint buyers (Prynwyr ar y cyd) – where two or more parties acquire an interest in the same land or property.

Joint venture company (Cwmni cyd-fenter) – a business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance.

Land (Tir) – buildings and structures and land covered by water.

Land transaction (Trafodiad tir) – occurs when someone acquires or enhances a chargeable interest in land / property.

Land transaction tax (Treth trafodiadau tir) – the devolved tax replacing the UK stamp duty land tax (SDLT) in Wales.

Land Transaction Tax and Anti-Avoidance of Devolved Taxes (LTTA) (Treth Trafodiadau Tir a Gwrthweithio Osgoi Trethi Datganoledig (Cymru)) – the first tax specific Bill to be passed through the Assembly. Makes provisions for replacing UK Stamp Duty Land Tax (SDLT) with Land Transaction Tax (LTT) and implementing a General Anti-Avoidance Rule (GAAR) for Wales.

Lease (Les) – an interest or right of land / property given by one party to another for a specified time, usually in return for a periodic payment.

Leaseback (Adlesu) – the leasing of a property back to the seller.

Limited liability partnership (LLP) (Partneriaeth atebolrwydd cyfyngedig) – a form of partnership where the partner’s liability is limited to the amount of money invested in the business and not for debts the business cannot pay.

Linked transaction (Trafodiad cysylltiol) – where two or more land transactions involve the same buyer and seller or people connected with them.

Major interest (Prif fuddiant) – a term used for a freehold or leasehold interest.

Market rent lease (Les rhent marchnadol) – a lease based on the going rate for rental properties in a specific area.

Market value (Gwerth marchnadol) – the hypothetical price expected in a sale between a willing buyer and willing seller in the open market.

Minimum consideration rule (Rheol isafswm y gydnabyddiaeth) – applies in specified circumstances where the transferee is either connected with, or not acting at arm’s length from the transferor to ensure full value of the property / land is taxed.

Mixed lease (Les gymysg) – a lease on a property that incorporates both residential and non-residential elements e.g. a shop and a flat above.

Mutual society (Cymdeithasau cydfuddiannol) – an organisation owned by its members. Profits are usually reinvested to help improve its services.

Net present value (NPV) (Gwerth net presennol) – the measure of the present value of rent that will be paid in the future using a specified discount rate. Used for determining chargeable consideration on the rental value of leases.

Non-exempt transfer (Trosglwyddiad nad yw'n esempt) – a transfer that is chargeable under the relevant tax arrangements.

Non-redeemable shares (Cyfranddaliadau anatbrynadwy) – a type of share which cannot be redeemed during the life of a company. The share amount will be paid at the time of liquidation of the company.

Non-residential property (Eiddo amhreswyl) – any property that is not classified as residential property.

Notifiable transactions (Trafodiadau hysbysadwy) – transactions requiring the buyer to make a disclosure to the tax authority in the form of a tax return.

Notional land transaction (Trafodiad tir tybiannol) – a transaction for tax purposes arising from a pre-completion transaction that permits certain transactions to be ignored.

Open ended investment company (OEIC) (Cwmni buddsoddi penagored) – a type of company or fund, such as a unit trust, that is structured to allow individuals to pool money to invest across different assets such as property and shares.

Option agreement (Cytundeb opsiwn) – a right for the option holder to buy property from the owner at a specified point in the future e.g. when planning permission is granted.

Overlapping lease (Les sy'n gorgyffwrdd) – the period where the end of one lease and the grant of another overlaps.

Partition (Darnddosbarthu) – a legal process where joint owners of multiple properties split ownership of these properties.

Partnership (Partneriaeth) – a legal arrangement in which two or more persons (e.g. individuals, companies, etc.) share the profits and liabilities of a business venture.

Payment interest (Llog taliadau) – tax must be paid within a specified period to the WRA. This is expected to, initially, be within 30 days of the effective date of the transaction.

Planning obligations (Rhwymedigaethau cynllunio) – a legal agreement between the local planning authority and the applicant seeking planning permission to ensure that obligations required to make a development acceptable are secured.

Postponed consideration (Cydnabyddiaeth ohiriedig) – where a buyer may make a partial payment of the agreed price on transfer and the remainder at a later date.

Pre-completion transaction (Trafodiad cyn-gwblhau) – a sub-sale or assignment of rights transaction transferring all or part of land or property between a transferor and a transferee.

Pre-emption rights (Hawliau rhagbrynu) - a right to buy in priority to any other buyer.

Property investment partnerships (Partneriaeth buddsoddi mewn eiddo) – a partnership whose sole or main activity is investing or dealing in property and land.

Property trader (Masnachwr eiddo) – a business that buys and sells dwellings.

Reconsideration date (Dyddiad ailystyried) – the date when total rent paid or payable on a lease becomes known or the end of the first five years of the rental period. Applies to cases such as uncertain considerations, rent reviews, etc.

Reconstruction relief (Ryddhad atgyfansoddi) – applies when land and buildings are to be transferred between companies and where there is no change of ultimate ownership. E.g. a company decides to split an existing business into two businesses.

Redemption of rights (Adbrynu hawliau) – the right of a debtor to reclaim their property if they are able to come up with the money to repay the debt.

Relevant date (Dyddiad perthnasol) – date of the relevant event e.g. notifiable transaction, termination of lease, etc.

Relevant owner (Perchennog perthnasol) – being the person entitled to a proportion of the chargeable interest from a partnership who was a partner or connected to a partner at the time of acquisition.

Relevant rent (Rhent perthnasol) – being the annual rent in relation to the transaction being purchased or average annual rent over the term of the lease.

Rent to mortgage (Rhent i forgais) – a scheme under which tenants unable to afford the price of their council property could pay initially for part of the home, sharing ownership with the landlord until the full price is paid.

Rent to shared ownership (Rhent i ranberchnogaeth) – a scheme under which a social landlord grants a shorthold tenancy to a person or persons and one of them subsequently becomes a purchaser under a shared ownership.

Representative partner (Partneriaid cynrychiadol) – a partner nominated by a majority who acts as a representative for the partnership on a chargeable interest transaction.

Residential property (Eiddo preswyl) – a building or land associated with a building used or suitable for use as a house, flat, or other place of residence (excluding certain properties such as a prison), or is being constructed or adapted for such use.

Responsible partner (Partner cyfrifol) – a partner liable for paying tax on land transactions entered into or on behalf of the partnership.

Reverse premium (Premiwm gwrthol) – a payment for someone to accept the transfer of a land interest e.g. a payment made by the landlord to the tenant for agreement to accept the surrender of the lease by the tenant.

Right to buy (Hawl i brynu) – a scheme where social housing tenants can buy their home at a price lower than the full market value.

Secured debt (Dyled sicredig) - debt secured by collateral to reduce the risk associated with lending.

Security interest (Buddiant sicrhad) – an interest or right in certain assets that can be repossessed if the borrower stops making loan payments.

Self-assessment (Hunanasesiad) – the calculation of one's own taxable liability.

Shared ownership lease (Les ranberchnogaeth) – the leaseholder can purchase a share of a leasehold property and pay rent on that part of the property retained by the social landlord. Leaseholders will normally have the right to purchase additional shares until they own up to 100% of the property.

Shared ownership trust (Ymddiriedolaeth ranberchnogaeth) – follows the same principles as a shareholder ownership lease but only applies to commonholds.

Shares (Cyfranddaliadau) – securities issued by a company to quantify ownership.

Social housing (Tai cymdeithasol) – housing provided for people on low incomes or with particular needs by government agencies or non-profit organisations.

Social landlord (Landlord cymdeithasol) – registered providers that own and manage social housing. Tend to be non-commercial organisations such as local authorities or housing associations.

Statutory instrument (Offeryn Statudol) – legislation allowing the provisions of an Act of the Assembly to be brought into force or altered without having to pass a new Act. Referred to as secondary, delegated or subordinate legislation.

Subject-matter (Testun) – the chargeable interest that has been acquired.

Sub-sale (Is-werthiant) - occurs when a transferor enters into an agreement to purchase a property with the owner but before completion sells on the property to a transferee.

Substantial performance (Cyflawni'n sylweddol) – when most of the buying price is paid (HMRC has specified that this will usually be 90%) or the buyer is entitled to possession of the property or the first payment of rent is made.

Successive transactions (Trafodiadau olynol) – when a transaction is followed by one or more related transactions e.g. land and property transfers between group companies.

Sum of the lower proportions (Swm y cyfrannau is) – used to determine the proportion of the chargeable consideration that is not subject to tax when an interest is transferred to or from a partnership by the relevant owner.

Targeted Anti-Avoidance Rules (TAAR) (Rheolau a dargedwyd yn erbyn osgoi treth) – rules applying to specific taxes or areas of tax legislation. Designed to close specific tax loopholes or narrow the scope of reliefs to those that meet a specified purpose.

Tax advantage (Mantais drethiannol) – less tax paid as a result of relief, avoidance, repayment or deferral of payment.

Tax arrangement (Trefniant treth) – includes any scheme, transaction or series of transactions.

Tax bands (Bandiau treth) – a system where the consideration is put into a range based on value in order to calculate the tax owed for a transaction.

Tax chargeable (Y dreth sydd i'w chodi) – the amount of tax to be paid by a buyer.

Tax Collection and Management (Wales) Act 2016 (TCMA) (Deddf Casglu a Rheoli Trethi (Cymru) 2016) – provides the legal framework for the future collection and management of devolved taxes in Wales and establishes the Welsh Revenue Authority (WRA).

Tax liability (Rhwymedigaeth ar gyfer treth) – the amount legally owed to a tax authority as a result of a taxable event.

Tax rates (Cyfraddau treth) – tax liability stated as a percentage of the taxable value of property or land.

Tax relief (Rhyddhad treth) – a reduction in the amount of tax owed by a person (an individual or business entity).

Tax return (Ffurflen dreth) - a document that must be filed declaring liability for taxation.

Temporal discount rate (Cyfradd disgownt amser) – used to discount a stream of future cash flows to their present value to calculate Net Present Value (NPV).

Testamentary disposition (Gwarediad testamentaidd) - transfer of property that takes effect upon the death of the person making the disposition.

Third party (Trydydd parti) – a person or group who may be indirectly involved but is not a principal party to a transaction.

Total consideration (Yr holl gydnabyddiaeth) – the total chargeable consideration for linked transactions.

Transfer of rights (Trosglwyddo hawliau) – A transferor transferring to a transferee all or part of land or property under a contract, by means of an assignment or sub-sale.

Transferee (Trosglwyddai) – a sub-purchaser who buys property or land from the transferor as part of a pre-completion transaction.

Transferor (Trosglwyddwr) – a purchaser who buys property/land from the current owner as part of a pre-completion transaction.

Trinity House (Trinity House) – a charity with a statutory duty as a General Lighthouse Authority.

Trunk road (Cefnffordd) – a road maintained by a national government body as opposed to the majority of roads that are maintained by a local Highway Authority.

Trust (Ymddiriedolaeth) – a trustor (the creator of the trust) gives a trustee the right to hold title to property or assets for a beneficiary subject to the terms of the trust.

Trustee (Ymddiriedolwr) - an individual given control or powers of administration of property in trust with a legal obligation to administer it solely for the purposes specified.

Uncertain consideration (Cydnabyddiaeth ansicr) – where the consideration depends upon an uncertain future event e.g. payments based on the turnover of a business.

Unascertained consideration (Cydnabyddiaeth heb ei chanfod) – where the consideration depends upon something that has yet to be determined e.g. the number of dwellings that may be constructed.

Underlying asset (Ased sylfaenol) – The security, financial instrument or commodity represented in a derivative. The asset is specifically property held within an alternative finance bond.

Unit holder (Deiliad uned) – a participant in a unit trust scheme.

Unit trust scheme (Cynllun ymddiriedolaeth unedau) – collective investment vehicles used to hold assets, including land, which allows investors with similar investment objectives to pool their funds together.

Variable / uncertain rent (Rhent amrywiol neu ansicr) – payment varies in accordance with the provisions of the lease e.g. rent reviews, turnover etc.

Variation of lease (Amrywio les) – a lease may need to be varied for specific reasons e.g. lease extension.

Welsh Revenue Authority (WRA) (Awdurdod Cyllid Cymru) – the new tax collection and management body established in Wales for devolved taxes.

Zero rate band (Band cyfradd sero) – a tax band for which the tax rate is 0%.

Zero rate threshold (Trothwy cyfradd sero) – the threshold over which the transaction becomes a chargeable interest.

Further Information

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