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Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Simon Thomas AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

11 October 2016

Dear Simon

LAND TRANSACTION TAX AND ANTI-AVOIDANCE OF DEVOLVED TAXES (WALES) BILL

Thank you for your letter of 5 October, and for sharing this emerging theme in advance of publishing the Stage 1 report. I welcome interest in the practical application of the Bill, which I recognise is complex and challenging, and I am very keen to help and support the Committee and stakeholders in any way possible.

High quality, user-friendly and effective guidance will be critically important, both for taxpayers but also for the Wales Revenue Authority (WRA) to ensure an efficient collection and management process. I see the development of operational guidance and advice as a consultative process with taxpayers and agents to ensure that it meets their needs. This is an opportunity for the WRA to develop and consolidate strong working relationships with taxpayers and agents, and I have anticipated that this process would begin on the basis of an Act passed by the Assembly. In line with this approach, and consistent with HMRC and Revenue Scotland, the Tax Collection and Management (Wales) Act 2016 provides that it will be for the WRA to prepare and issue guidance to support the implementation of the legislation, and update that guidance over time.

I am keen to support the Committee's understanding in the passage of the legislation, and including the operational implications of the provisions. In relation to the specific sections 8 (Linked transactions), 71 and 72 (Meaning of residential property/dwelling), these provisions are largely consistent with equivalent provisions in stamp duty land tax (SDLT) and land and buildings transaction tax (LBTT). WRA's starting point for engagement in developing

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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.

guidance will be the existing guidance provided by HMRC and Revenue Scotland, and I have attached these for reference at **Annex 1**.

The targeted anti-avoidance rule provided by section 31 will apply to all claims for relief by taxpayers. Although innovative, the rule is modelled closely on a number of existing targeted anti-avoidance rules found in SDLT legislation, such as those found in paragraph 18 of Schedule 2A, paragraph 2(4A) of Schedule 7, and paragraph 1(3) of Schedule 8 to the Finance Act 2003. I recognise the need for practical guidance to accompany this new rule, and I acknowledge the concerns expressed by some stakeholders about existing guidance. I am therefore keen to ensure that WRA works with stakeholders to develop this new guidance on the underlying principles behind this rule. In the meantime, we have sought to provide additional information on the terminology used in this rule at pages 81-2 of the Explanatory Notes, including an explanation of how the rule is intended to apply in practice.

My officials would be happy to provide further technical briefings if this would be of assistance to the Committee to understand some of the implementation issues and priorities for this Bill, as well as the process of developing guidance.

I am keen to assist the Committee if there is anything further that they may find helpful to support this work.

Yours sincerely

A handwritten signature in black ink that reads "Mark". The letters are cursive and slightly slanted to the right.

Mark Drakeford AM/AC

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Cabinet Secretary for Finance and Local Government

ANNEX 1 – SDLT and LBTT Guidance

HMRC Guidance

- **Linked transactions**

Processing: Further guidance for completing forms SDLT1: Further guidance for question 13 SDLT1, linked transactions

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm62080>

Application: Linked transactions:

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm30100>

Application: Joint Purchasers:

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm31600>

Application: Pension Funds and linked transactions:

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm31820>

- **Meaning of residential property**

Scope: what is chargeable: land transactions: definition of non-residential property FA03/S116:

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm00360>

Scope: what is chargeable: land transactions: residential and non-residential property: further notes

<https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdltm00365>

LBTT Guidance

- **Linked transactions**

LBTT2008 – Linked transactions:

<https://www.revenue.scot/land-buildings-transaction-tax/guidance/lbtt-legislation-guidance/determining-chargeable/lbtt2008>

- **Meaning of residential property**

LBTT4010 - Meaning of residential property

<https://www.revenue.scot/land-buildings-transaction-tax/guidance/lbtt-legislation-guidance/tax-return/lbtt4010>