



Llywodraeth Cymru
Welsh Government

Tax policy work plan 2019

Foreword

The Welsh Government's tax policy is being developed in line with the principles set out in our *Tax Policy Framework*, including our aim to do so through engagement and collaboration.

The successful introduction of land transaction tax and landfill disposals tax, and the establishment of the Welsh Revenue Authority, owe much to the valuable contributions provided by a wide range of stakeholder individuals and organisations, including businesses, tax professionals, academics and others with experience and expertise.

As we look to develop our approach to taxation in Wales – such as exploring the scope for more improvements to tax administration, further strengthening the linkages between tax and other areas of policy, and continuing to ensure our taxes remain fair while delivering the necessary funding for public services – strong engagement remains essential.

The publication of our annual tax policy work plan is an important part of the communication process – drawing on what we have learned so far, it identifies the key areas of interest to the Welsh Government. It is also an open invitation to anyone who wishes to contribute to our thinking, and help shape Welsh tax policy.

If there is an aspect of the work plan that you would like to contribute to, please contact my team in the Welsh Treasury.

Your views will be welcome.



Rebecca Evans.

Minister for Finance and Trefnydd

Introduction

The way public services in Wales are being funded is changing, with revenue raised through Welsh taxes providing an increasingly important contribution. The first modern Welsh taxes – land transaction tax (LTT) and landfill disposals tax (LDT) – were introduced on 1 April 2018, collected and managed by the Welsh Revenue Authority (WRA), and on 6 April 2019 HMRC will begin collecting Welsh rates of income tax. Together with the local taxes which have been devolved since 1999 – council tax and non-domestic rates – these will raise some £5 billion for Welsh public services – strengthening the link between economic development within Wales and the resources available to support our essential public services¹.

In June 2017, the Welsh Government published its *Tax Policy Framework*, which sets out how we are seeking to develop a strategic, integrated, effective approach to Welsh taxes, with a clear direction of travel for the longer term, underpinned by the following principles. Welsh taxes should:

- **Raise revenue to fund public services as fairly as possible.**
- **Deliver Welsh Government policy objectives, in particular supporting jobs and growth.**
- **Be clear, stable and simple.**
- **Be developed through collaboration and involvement.**
- **Contribute directly to the Well-Being of Future Generations Act goal of creating a more equal Wales.**

This work links with the framework for local taxation, our ambitions for which are identified in the Welsh Government's programme for government².

Our policy is being informed by a programme of investigations, published as annual tax policy work plans. Areas of interest include examining how Welsh taxes can integrate effectively with other policy areas to raise revenue fairly, the opportunities for new taxes which would help support wider policy ambitions, and reviewing the tax system across Wales to identify potential areas for improvement. There is also the wider consideration of how we can encourage a stronger Welsh tax-base to support public spending. What we have learned to date is summarised in our 2017 and 2018 tax policy reports.

This is the third annual tax policy work plan, and covers our intentions for the calendar year 2019. Some conclusions will have direct and immediate implications for the Welsh Government's budget, whereas others are longer term and likely to continue into future work plans. Once again, a report summarising the main findings will be published alongside the draft Budget in the autumn.

¹ As noted in the Welsh Government's national strategy *Prosperity for All* (page 5).

² *Taking Wales Forward* includes specific commitments relating to local taxes and local government funding (pages 4 and 13).

A. Develop tax policy which raises revenue to fund public services as fairly as possible, aligning with Welsh Government policy priorities

In 2017, the Welsh Government committed to commission research into the resilience of the Welsh tax-base, in the context of the devolution of tax powers. The Wales Centre for Public Policy published its analysis in May 2018, highlighting the longer term risks to the Welsh tax-base and setting out some possible areas for consideration. The Welsh Government worked with the authors to build knowledge and understanding about these challenges both internally and externally over 2018.

1. We will develop and share our proposals to build the Welsh tax-base over the medium to longer term.

2. We will develop a wider policy framework for consideration of non-residential land and property taxation, informed by existing published evidence (including the WCPP report), research into alternative local taxes, and aligning with the progress we are making to devolve powers over a vacant land tax to Wales.

3. We will continue to consider the evidence on taxation of residential property, including non-primary residences. The WRA will publish the first year's data on LTT higher rates in different local authority areas, and we will continue to monitor the effectiveness of legislation in this area (both from the 2017 work plan).

4. After Welsh rates of income tax go live on 6 April 2019, we will continue to work with HMRC to ensure effective management. We will look to promote fairness in tax policy across the Welsh taxes, continuing work on funding options for social care in the future, delivering our local taxation agenda, and promoting a considered and progressive approach to personal taxes.

5. We will continue to ensure the development of tax policy and other policy areas are aligned. We will continue: making the case for devolution of air passenger duty to Wales; progressing tourism tax and the local taxation agenda; and working with the UK Government on disposable plastics and other environmental taxes.

B. Build a more effective and coordinated approach to tax across existing Welsh taxes and across the wider tax landscape

1. We have made a number of improvements to the Welsh tax system in 2018, including adjustments to the legislation, improvements to WRA guidance and services such as the LTT return. We will continue to monitor whether Welsh taxes are operating as intended, making changes as appropriate.

2. We will build the evidence base to consider whether the Welsh tax system could be more efficient and proportionate, delivering more for businesses, communities, citizens, wider public sector organisations and taxpayers in Wales. This work will seek to look across the Welsh taxes and include:

- i. Publishing objectives on local tax administration.
- ii. Engaging with business, taxpayers and representative groups across Wales, communicating changes to the tax system which will directly affect businesses.

iii. Considering the case for taking a more strategic and joined-up approach to tax administration priorities over the medium term.

3. We will consider options for developing information resources, including data-sharing and analysis, to strengthen the evidence base for tax policy decisions and improved tax administration in Wales. The WRA will elaborate on its role and priorities in relation to this in its 2019-22 corporate plan.

4. We will establish agreed governance mechanisms with the UK Government for the administration of Welsh rates of income tax following implementation in April 2019, in particular the publication of, and commitment to, the HMRC service level agreement.

C. Engagement, communications and capacity building

1. We are striving for a best practice approach to our tax powers, for example our transparent and outward-focused tax policy making process. In 2019, we will build on this to improve how Welsh taxes are designed and operated, integrating policy and implementation, and the link between tax and non-tax policy, as far as possible. The WRA is well placed to support this, and will elaborate on its role in this in its 2019-22 corporate plan.

2. We will develop the audience base for engaging on taxation matters, promoting a positive case for taxation by illustrating the link between taxes and spend on public services in Wales.

- i. Engage and communicate with stakeholders to increase understanding of our approach to taxation in Wales and enable us to develop tax policy through collaboration and involvement.
- ii. Develop a narrative around tax and spend which resonates with stakeholders and citizens more widely, and through which we can build knowledge and awareness of Welsh taxes across Wales.

3. We will develop a long-term plan to build capacity and capability in Wales on tax policy and administration across the public and private sectors, with focus on developing linkages and informed debate.

4. We will work with the UK Government and the National Assembly for Wales to ensure UK tax policy, and tax decisions on the devolved tax equivalents, are understood and managed effectively in Wales.

5. We will work with the UK Government and other devolved administrations, as well as international partners, to share good practice, to collaborate to address shared challenges, and to promote our tax policy principles and strategic approach to developing tax policy.

Further information and contact details

Information about Welsh taxes is available on the Welsh Government's website: beta.gov.wales/welsh-taxes

You can contact us via the Welsh Treasury twitter account @WelshTreasury:

<https://twitter.com/WelshTreasury> and @TrysorlysCymru: <https://twitter.com/trysorlyscymru> or by email: WelshTreasury@gov.wales TrysorlysCymru@llyw.cymru