Devolved taxes in Wales: update

General Features

01 December 2017

October marked the first board meeting of the new Welsh Revenue Authority and the announcement of rates for Welsh Land Transaction Tax and Landfill Disposals Tax.

The inaugural board meeting of the Welsh Revenue Authority ‘WRA’ (Awdurdod Cyllid Cymru) took place in Treforest on 18 October 2017. Earlier this year the Land Transaction Tax and Anti- avoidance of Devolved Taxes (Wales) Act 2017, and the Landfill Disposals Tax (Wales) Act 2017, passed into law. These two Acts, together with the Tax Collection and Management (Wales) Act 2016, form the legislative framework for the devolved taxes in Wales.

The WRA will begin to collect Land Transaction Tax and Land Disposals Tax, the Welsh replacements for SDLT and Landfill Tax respectively, from April 2018. The CIOT is actively engaging with the WRA in respect of early drafts of LTT guidance and in the development of an online return for LTT in the run-up to April 2018.

The rates and bands for LTT for both residential and commercial transactions, and for LDT, were announced on 3 October 2017.

For LTT there are some divergences in the rates from both SDLT and the Scottish Land and Buildings Transaction Tax (LBTT), for example for LTT there is a top rate of 6% for commercial property transactions over £1 million but with lower rates for lower value commercial transactions between £250,000 and £1m. For residential transactions LTT has a higher nil rate band threshold, applying to consideration up to £150,000, rather than £125,000 for SDLT and £145,000 for LBTT.

For the first two years of LDT, the standard and lower rates will remain consistent with those for Landfill Tax. However, a new unauthorised disposals rate will be set at £133.45 per ton (150% of the standard rate).

A shortlist of four new Welsh tax ideas was also published at the same time. These ideas are:

- a levy to support social care
- a vacant land tax
- a disposable plastic tax
- a tourism tax

Each of these ideas will be developed further by the Welsh Treasury with one of the new tax ideas chosen to be proposed to the UK government in 2018 to test the powers in the Wales Act for the development of new taxes in areas of devolved responsibility.

The Welsh rates of income tax (WRIT) will be introduced in April 2019.