Welsh Taxes Update

General Features

01 December 2020

CIOT and LITRG made a joint submission in response to an inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework published by the Finance Committee of the Senedd Cymru. CIOT and LITRG also submitted a joint response to the Welsh government's consultation on enabling changes to the Welsh Tax Acts.

The Senedd Finance Committee Inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework

In terms of taxation, the inquiry was concerned with whether or not the Welsh government's tax principles have been met, how successful the administration of Welsh taxes has been, what future tax changes could look like and how the mechanism for devolving new Welsh taxes has been performing. The inquiry also sought various views on aspects of the Fiscal Framework. The CIOT and LITRG response focused on the taxation issues.

Our response noted that the two fully devolved taxes, land transaction tax and landfill disposals tax, were developed through highly collaborative processes, and this is reflected in their final design, successful implementation and administration.

We think it is too early to evaluate whether the proposed new taxes will, if taken forward, adhere to the Welsh government's tax principles.

While commending the approach of promoting a positive case for taxation by illustrating the link between taxes and spend on public services, we noted our concerns that anecdotally, awareness and understanding of Welsh rates of income tax by the general public in Wales remains fairly low, despite efforts to engage them.

The submission is available on the CIOT website.

Welsh government: tax devolution in Wales; enabling changes to the Welsh Tax Acts

CIOT and LITRG submitted a joint response to this Welsh government consultation, which looked at how legislative changes should be made to Welsh devolved taxes in certain circumstances. Essentially, the consultation concerned legislative amendments in relation to avoidance, evasion, international obligations, situations of exceptional need, and in response to tax policy changes to UK 'predecessor' taxes. The Welsh government has a preferred option, which is to introduce three regulation-making powers – each power would be available in specified circumstances.

Our response started by noting that our preference is for tax law to be set out in primary legislation in so far as it relates to the exercise of powers setting out what is subject to tax and imposing burdens on taxpayers. Ideally, secondary legislation should only be used for administrative matters and the setting of rates. This is to ensure proper scrutiny of legislation that imposes a burden on taxpayers.

Having said this, we noted that the proposal provides a balance between the competing needs of speed, scrutiny and responsiveness. We suggested that there should be a few additional safeguards, and that the proposed use of these regulatory powers should be subject to regular review and evaluation.

Although the time is perhaps not right for the introduction of an annual Welsh finance bill, we noted that this should be kept under review, particularly if Wales gains further tax powers.

The submission is available on the CIOT and LITRG websites: www.tax.org.uk/ref694 and www.litrg.org.uk/ref2350.

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