Land transaction tax relief for Welsh freeports

General Features



19 March 2024

The CIOT responds to the Welsh government’s consultation on a land transaction tax relief for Welsh freeports.

The CIOT and the Stamp Taxes Practitioners Group made a joint response to the Welsh government’s consultation on providing a relief from land transaction tax (LTT) for qualifying transactions within a designated Welsh special site. The stated policy intent is to help the sites attract private investment and deliver the policy objectives of the Freeports Programme in Wales.

The Welsh government intends that the LTT relief will be broadly equivalent to the stamp duty land tax (SDLT) relief. However, unlike the SDLT relief, LTT relief will only be available for land wholly within the designated site. In terms of the wider policy intent of the measure, we thought it important that the conditions for LTT relief do not distort a buyer’s decision to acquire land and buildings that are most suited to their economic and commercial needs.

A further practical consideration is ease of conveyancing where title covers both land in and land outside a designated site. We understand that splitting title before sale would be difficult.

We have concerns about the availability of relief where a buyer enters into a forward funding arrangement to develop the site. This concern applies equally to LTT relief and to the equivalent SDLT relief in England as the proposed LTT legislation is the same (see our earlier submission at www.tax.org.uk/ref1255).

Although we are very much in favour of drawing on existing definitions from a simplification perspective, we have some reservations about incorporating them into LTT legislation by reference to the UK statutory provision instead of including the adopted text in full.

We agree that the claim for relief should be claimed via the LTT return.

We also agree that treating the assignment as the grant of a lease where the actual grant was made with the benefit of relief is generally consistent with the LTT (and SDLT code). However, we note that an assignment may be treated as a grant where it occurs after the LTT relief period has ended, even if the acquisition by the assignee would have otherwise qualified for LTT relief. We observe this treatment may have the effect of rendering the lease unmarketable.

The full CIOT response is available here: www.tax.org.uk/ref1266.

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