The Welsh government consults on how to change tax laws

General Features | Property Tax



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The Welsh government consulted on the most appropriate way to make changes to the devolved taxes (land transaction tax and landfill disposals tax). Currently, there is no annual finance bill process in Wales or Scotland.

In a recent consultation, the Welsh government asked for views on the current arrangements for making changes to the Welsh devolved taxes legislation and invited suggestions for any process that might be more appropriate.

Currently, there is no annual finance bill process for Wales. Instead, there are regulatory powers to change rates and bands or amend reliefs, as well as a wider regulatory power to make changes in four circumstances:

- to comply with international obligations;
- to protect against avoidance;

- to respond to decisions by the UK government that may affect the Welsh block grant adjustment; and
- to respond to a decision by the court or tribunal.

Our starting point is that tax law should be set out in primary legislation. This is to ensure proper scrutiny of legislation that results in the imposition of some kind of burden (compliance or financial) on taxpayers.

However, we recognise that currently a secondary regulatory power to address the effect of decisions by the UK government on the block grant reflects a trade-off between the competing needs of speed, scrutiny and responsiveness. We suggest that the suitability of this power is kept under review.

We are less convinced that the current wider regulatory power is needed to address tax avoidance and evasion, international obligations or changes in response to a tribunal decision or court judgment.

In the case of avoidance and evasion, the Welsh Revenue Authority already have a range of powers available to them and any changes or additional powers will benefit from consultation to ensure that there are no unintended consequences.

Changes to international obligations and litigation through the courts usually involve quite lengthy timescales and do not therefore require immediate reactive change. Any change will usually benefit from consultation.

The consultation considers a ‘less frequent tax bill’ – that is, a bill enabling changes to tax legislation but not directly linked to the budget process – in the same way as a finance bill. Frequency and timing (in terms of an expedited process) would depend upon the volume of changes needed and changes to a predecessor tax impacting the block grant. We would support such a process at this stage of the development of the devolved taxes in Wales.

The case for an annual Welsh finance bill or an annual tax bill will be strengthened if devolved taxes provide an increased share of revenues to fund wider policy areas dealt with by the Senedd either through existing devolved taxes or any other taxes which become devolved in the future.

CIOT and LITRG’s full joint response is available at: www.tax.org.uk/ref1570.

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