



Research Briefing
**Land Transaction Tax and
Anti-avoidance of Devolved Taxes
(Wales) Bill**

- Bill Summary
- Summary of Stage 2 changes



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Research Briefing

Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Bill



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1. Introduction

Date of introduction: 12 September 2016

Member in charge: Mark Drakeford AM, Cabinet Secretary for Finance and Local Government

Assembly Committee responsible for Stage 1 scrutiny: Finance Committee

Stage 1 reporting deadline: 22 December 2016

The **Land Transaction and Anti-avoidance of Devolved Taxes (Wales) Bill** (‘the Bill’) was laid before the Assembly on 12 September 2016. The Bill was introduced in plenary by Mark Drakeford, the Cabinet Secretary for Finance and Local Government, on 13 September 2016.

The Bill is the first tax specific legislation to be introduced in the Assembly. It establishes provisions for Land Transaction Tax (LTT) in Wales, which will replace UK Stamp Duty Land Tax (SDLT) in April 2018. The Bill is the second in the series of three bills relating to the devolution of tax powers to Wales as stated in the Wales Act 2014.

The Bill follows the **Tax Collection and Management Act (Wales) 2016**, which received Royal Assent on 25 April 2016. The Act provided the legal framework for the future collection and management of devolved taxes in Wales and established the Welsh Revenue Authority (WRA), the body responsible for collecting and managing devolved taxes.

The **Landfill Disposals Tax (Wales) Bill** was the third bill introduced in the Assembly on 28 November 2016. This Bill is intended to make provisions for a new tax to replace UK Landfill Tax in Wales.

2. Background to the Bill

Devolution of tax powers

The devolution of tax powers to Wales was recommended by the Silk Commission in its report **Empowerment and Responsibility: Financial Powers to Strengthen Wales**. The Commission recommended the following taxes should be devolved to Wales:

- Stamp Duty Land Tax
- Landfill tax
- Aggregates levy
- Income tax (partial devolution)

The **Wales Act 2014** made provisions for devolving new tax powers to Wales. It provided the structure within which the Welsh Government can legislate in respect of areas to which Stamp Duty Land Tax (SDLT) and Landfill Tax (LFT) currently apply, which the UK Government intends to devolve to Wales on 1 April 2018.

The **Wales Bill: Financial Empowerment and Accountability Command Paper** published by the UK Government, setting out details on the implementation and operation of the Assembly’s new tax and borrowing powers, further mentions the devolution of the aggregates levy to Wales, which is currently subject to the resolution of legal challenges in the European court.

In its **2015 Autumn Statement and Spending Review**, the UK Government also announced it would repeal the need for a referendum to partially devolve income tax to Wales, which is included in the

Wales Bill currently being scrutinised in both Houses at Westminster. This will represent the largest source of tax revenue to be controlled by the Welsh Government.

The intention is to 'switch off' UK SDLT from April 2018, which will be replaced by LTT in Wales. The command paper suggested that devolution of tax powers to Wales would increase the financial accountability of the Welsh Government by making it accountable for raising more of the money it spends as recommended by the Silk Commission in its report.

The Office for Budget Responsibility (OBR) **published its devolved tax forecast** for Wales in November 2016 for both SDLT and LTT of £240 million and £27 million respectively in 2018-19. This is when both taxes are intended to be devolved to Wales. Table 1 shows forecasts for LTT up to 2022:

Table 1: LTT tax forecast from 2016-17 to 2021-2022

	£ million					
	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022
Residential	118	139	154	172	194	220
Non-Residential	80	81	86	89	95	99
Total Forecast	198	221	240	261	289	319

Source: OBR, Devolved Taxes Forecast, November 2016

The OBR forecast expects LTT to increase by 80% between 2016-17 and 2021-22. Table 1 illustrates that LTT revenue for residential properties will continue to grow faster than non-residential tax revenue year-on-year.

Tax Collection and Management (Wales) Act 2016 (TCMA)

The Tax Collection and Management Wales Act 2016 received Royal Assent on 25 April 2016. The purpose of this Act is to put in place the legal framework necessary for the future collection and management of devolved taxes in Wales.

In particular, the Act provides for the establishment of the Welsh Revenue Authority (WRA) as a non-ministerial department, whose main function will be the collection and management of devolved taxes.

Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Bill

The Land Transaction Tax and Anti-Avoidance of Devolved taxes (Wales) Bill was introduced in the Assembly on 12 September 2016. Prior to this a draft version of the LTT Bill was published on 13 July 2016 allowing stakeholders the opportunity to scrutinise the Bill before it was officially introduced.

The LTT Bill sets out the transactions incurring a LTT charge and those liable to pay LTT; procedures for specifying tax rates and bands and the calculation of LTT and reliefs available; provisions for making a LTT return and payment of the tax; duties on taxpayers to pay the relevant tax, penalties and interest; and measures to tackle tax avoidance in Wales.

On 1 July 2016, the Cabinet Secretary announced that the WRA would undertake all collection and management functions for LTT with HMRC providing expertise and knowledge through loans and secondments to develop and enhance the WRA's LTT compliance expertise.

Landfill Disposals Tax (Wales) Bill

The Landfill Disposals Tax Bill is concerned with establishing the legal, administrative and operational framework for the tax in Wales. Landfill Tax is currently a UK tax on the disposal of material as waste by way of landfill at landfill sites which are permitted under environmental legislation. The current tax was introduced in 1996 as a key environmental behaviour change driver in encouraging the diversion of waste from landfill, greater recycling, reuse and recovery of waste.

Welsh Government consultation and decisions

Tax devolution in Wales – Land Transaction Tax

In February 2015, the Welsh Government published its Tax Devolution in Wales – Land Transaction Tax consultation, which sought views on the format of a new Welsh tax to replace UK SDLT from April 2018.

This consultation was the second in a series of consultations aimed at developing devolved tax arrangements in Wales. In preparation for the devolution of taxes, the Welsh Government issued a consultation on the collection and management arrangements in September 2014.

The consultation received **38 responses** in total with respondents from Wales, the Wales branch of UK-wide organisations or UK-wide organisations with experience of operating existing tax arrangements in Wales. The Welsh Government published a summary of responses in September 2015.

The former Minister for Finance and Government Business outlined the principles for Welsh taxes in the consultation document:

To develop taxes that are fair to the businesses and individuals who pay them; which are simple, with clear rules, aiming to minimise compliance and administration costs; that support growth and jobs, and in turn will help tackle poverty; and which provide stability and certainty for taxpayers.

The consultation expanded on the UK Government reforming SDLT from a slab to marginal rate system for residential property transactions, which the Welsh Government believed would provide a fairer system with less distortion than the former residential slab system. However, at the time, non-residential property transactions were still charged under the slab system, which was changed to a marginal rate system by the UK Government in March 2016.

The consultation focused on a range of areas:

- Residential and non-residential property transactions
- Partnerships, trusts and companies
- Leases
- Reliefs and exemptions
- Compliance, avoidance, disputes and penalties.

The Welsh Government explored a number of issues relating to LTT, including:

- Whether current SDLT rates and bands are suitable for Wales

- The key impacts of Wales having a different tax regime on the residential and non-residential markets
- The ability to change or introduce new rates and bands with immediate effect
- The definition of residential property in SDLT
- The importance of consistency between tax regimes
- Whether SDLT reliefs or exemptions should be retained , removed or modified or new reliefs introduced for LTT purposes
- The requirements for online filing of returns
 - The need for a pre-clearance facility for LTT
 - The ability to implement penalties for late returns similar to those imposed by HMRC
 - Improvements to the appeal process and tax avoidance rules.

The **Explanatory Memorandum** stated:

A clear message from the LTT consultation responses was that consistency with SDLT, wherever appropriate, is highly desirable for taxpayers, agents, and business.

The Welsh Government commented that the Bill is strongly aligned to stakeholder responses from the consultation.

Land Transaction Tax: Setting rates and bands

The Welsh Government provided a **discussion paper on setting rates and bands for LTT**. The paper considers who is affected by changes in taxation of land and buildings transactions and explains how such changes can affect prices, the number of transactions and households and businesses; looks at the current structure of SDLT in greater detail; provides an overview of land and buildings transaction tax (LBTT), the replacement to SDLT in Scotland; and the key factors which need to be considered before developing the rates and bands of LTT for Wales.

The paper stressed

Land transaction tax broadly replicates stamp duty land tax. There will be no changes for change's sake—where there are differences, these ensure land transaction tax is simpler, efficient and fair for taxpayers.

It is the intention of the Welsh Government to set the LTT rates and bands closer to when the tax comes into effect in April 2018 so it can better reflect the economic conditions at that time. In terms of announcing the tax rates and bands, the paper suggested that Scotland provides a useful and important comparator for Wales as the Scottish Government introduced Land and Buildings Transaction Tax (LBTT) in 2015.

Land Transaction Tax: Higher Rates for Purchases of Additional Residential Properties

In its 2015 Autumn Statement the **UK Government announced** the introduction of a higher rate for purchases of additional residential properties, which would apply from 1 April 2016. Consequently, the Welsh Government **published a consultation** in July 2016 to seek stakeholder views on the potential approach to implementing higher rates for LTT purposes.

The Welsh Government stated that if the higher rates on purchases of additional residential properties are not implemented as part of LTT then this would represent a potential loss of significant resources for investment in Wales:

The Office for Budget Responsibility's (OBR) most recent forecast from the Budget March 2016 estimated revenues from the new SDLT higher rates for additional residential properties in Wales could be around £14m in 2016-17, rising to £18m by 2020-21.

The consultation focused on:

- The types of accommodation and individuals higher rates should apply to
- Approach to multiple purchases of additional residential properties
- Additional guidance and potential changes to better suit the Welsh context
- The potential policy impacts of higher rates
- The ability for Welsh Government to change tax rates on additional property purchases.

On 14 October 2016, the **Cabinet Secretary confirmed** that a higher rate of tax for additional residential properties will continue to be levied in Wales when SDLT is devolved in April 2018.

3. Bill Summary

The Bill is divided into 8 Parts containing 80 sections and 22 Schedules:

Part 1: Overview of Act

Overview of the Bill, which describes the contents of the Parts that follow, but contains no provision intended to have legal effect.

Part 2: The Tax and Key Concepts

Key concepts, including definitions, providing that LTT will apply to transactions involving property (to include land and buildings) situated in Wales; the type of transactions which are to be regarded as land transactions and which interests are to be regarded or not regarded as chargeable interests or exempt interests for the purposes of the Bill and who will be liable to pay LTT and comply with notification requirements.

For the purposes of LTT, a land transaction is the acquisition of a “chargeable interest”. A chargeable interest is any estate, interest, right or power over land in Wales or the benefit of an obligation or any restriction that affects such an estate, interest, right or power over land in Wales. LTT may not be charged on so much of a Welsh land transaction as relates to land below mean low water mark. Chargeable interests do not include exempt interests.

Where a chargeable interest involves land partly in Wales and partly in England, the transaction is treated as two separate transactions, one relating to Wales and one to England. The payment or other consideration for the transaction will be apportioned. LTT will be charged on the Welsh land transaction and SDLT on the remainder.

Part 3: Calculation of Tax and Reliefs

The method of calculating LTT will be on the basis of a marginal rate calculation – tax is charged at progressively higher rates on different parts of the consideration. This mirrors the current method of calculating SDLT. The Bill also introduces a framework for setting LTT requiring the Welsh Ministers to

set at least three bands of which one must be a zero rate band and requires the rates to be progressive in nature. The rates and bands are not set out on the face of the Bill but will be set by regulations made by the Welsh Ministers closer to the implementation date.

The first regulations setting rates and bands of LTT will be subject to the affirmative procedure; the second and subsequent regulations will be subject to a procedure referred to as a 'provisional affirmative' procedure. This will enable the Welsh Ministers to make regulations having temporary effect as soon as they are made with a view to ensuring that changes do not create distortionary activity in the market.

If the regulations are not approved by the Assembly within 28 days they will cease to have effect and any tax paid at a higher rate during the period during which the regulations have had temporary effect may be refunded i.e. the tax payers will not be prejudiced provided they claim the relevant relief.

Part 3 also introduces a suite of Reliefs which are set out on the face of the Bill in Schedules 8 to 21. The Schedules provide for the transactions that should be relieved from the payment of LTT and when such reliefs should apply. The Bill includes a 'Targeted Anti-avoidance Rule' aimed at preventing the claiming of a relief where the main purpose, or one of the main purposes of the claim, is the obtaining of a tax advantage.

Part 4: Leases

This Part together with Schedule 5 provides how LTT applies to the granting, varying, assigning or surrendering of leases.

Part 5: Application of Act and TCMA to Certain Persons and Bodies

Specifies how the LTT and TCMA applies to companies, unit trusts, open-ended investment companies, trusts, partnerships and other joint buyers and persons acting in representative capacity.

Part 6: Returns and Payments

Contains provisions relating to tax returns and payments. The WRA will be responsible for specifying the form and content of returns. Where LTT is payable it must be paid to the WRA. The provisions of the TCMA relating to enquiries, determinations or assessment will apply in relation to LTT. So too will the penalty regime established under the TCMA, as well as the provisions relating to interest, recovery of overpayments, reviews and appeals.

Part 7: General Anti-Avoidance Rule

Addresses tax avoidance and sets out, by way of amendment of the TCMA, a General Anti-avoidance Rule ("GAAR"). The GAAR will apply to all devolved taxes. It is designed to provide the WRA with a mechanism to challenge any attempt to exploit Welsh tax legislation where the purpose is to gain an unfair tax advantage by means of an artificial tax arrangement.

Part 8: Interpretation and Final Provisions

Contains interpretation and final provisions.

Schedules

The 22 Schedules to the Bill provide procedural rules for the application of the various reliefs which will affect the way the LTT applicable to a particular transaction is calculated. The fact that a transaction may be relieved from a charge to LTT does not take it outside the scope of LTT; the rules regarding notification apply to relieved transactions. This contrasts with an exempt transaction which will be outside the scope of the Bill and does not need to be notified to the WRA.

4. Costs and impacts of the bill

The Regulatory Impact Assessment (RIA) included in the [Explanatory Memorandum](#) considers two options relating to LTT:

- Option 1 – do nothing
- Option 2 – implement replacement “Land Transaction Tax” in Wales

A further option was to consider possible alternatives to tax land and property in a more appropriate way for Wales. However, the Wales Act 2014 limits the scope of the Assembly’s competence to legislate for a replacement tax to SDLT and this option was subsequently considered impractical.

Option 2 is the preferred option as the Welsh Government would lose tax revenue [forecast to be £240 million in 2018-19](#) if Wales did not replace SDLT. The Welsh Government stated in the Explanatory Memorandum:

This would have a significant impact on the resources available to fund public services in Wales.

Costs

The RIA details the costs and benefits associated with the option of replacing SDLT with LTT. However, **the administrative costs identified relate to the collection and management of devolved taxes more broadly and not LTT specifically.**

In terms of costs, the Explanatory Memorandum states that the estimated cost to set up the WRA is between **£4.8million and £6.3 million for the three-year period 2016-17 to 2018-19**. These costs fall to the Welsh Government and include the production and issuing of guidance, development and delivery of training and the implementation of transitional arrangements to enable the effective collection and management of all devolved taxes.

WRA operating costs have been estimated at **between £2.8 million and £4 million annually commencing in 2018-19.**

There will also be a transitional cost to practitioners (conveyancers and property lawyers) between **£400,000 and £800,000** to learn about the differences between LTT and SDLT, which is expected to be incurred in 2018/19.

There will be an additional cost to the Welsh Government, **estimated to be £1 million**, from HMRC switching off the collection of SDLT and LfT in Wales.

Savings

In terms of savings HMRC will no longer incur the costs associated with collecting SDLT and LfT in Wales and it is expected that they will reimburse the Welsh Government. Based on Revenue Scotland data, it is estimated the **reimbursement will be £275,000 per annum from 2018-19**. There will be three payments during the appraisal period.

5. Response to the bill

The Bill was **introduced in Plenary** by the Cabinet Secretary for Finance and Local Government, Mark Drakeford AM on 13 September 2016. The following issues were raised by Members.

Adam Price (AM) welcomed the Bill and was pleased to see that the Welsh Government tried to incorporate within the Bill much of the response to the LTT consultation. He asked about the balance in the Bill between the potential need for consistency and stability in moving towards a Welsh framework, and creating a platform for policies that are made to respond specifically to Welsh needs, and policies that may be radical from time to time.

The Cabinet Secretary responded:

I entirely agree with what Adam Price said, that we are trying to strike a balance in the Bill between immediate continuity—because there is a system that people are very familiar with, it's a system that has a lot of cross-border components to it as well, and the replies to consultation on the draft Bill were unambiguous from practitioners in asking for us to design a system that would be recognisable to them on the day that it was introduced. But we have to go beyond that to create a Bill that allows for policy departure beyond its introduction. That is what we have aimed to do in the way that the Bill is constructed.

Adam Price (AM) also asked for an update on discussions relating to the Welsh fiscal framework which is of significant importance as it impinges on a wider debate on taxation powers that will go hand-in-hand with the scrutiny of the Bill.

The Cabinet Secretary commented:

I'm very happy to say to Members that I've met the Chief Secretary to the Treasury once already, earlier in the summer, and I'm due to meet him again before the end of this month. That will be the start of detailed negotiations that will go on around the fiscal framework and the block grant adjustment mechanisms that will be necessary for this Bill and more generally in relation to the way in which devolved taxes and their interface with the block grant are negotiated for the future.

The Member questioned if a wider inquiry was needed to determine whether a change from a property tax regime to land tax would be more beneficial to Wales in the longer term.

The Cabinet Secretary was open to such a possibility:

...it's the nature of the powers that this Assembly was provided with through the Government of Wales Act 2014 that we have the powers to replace stamp duty land tax. That's what we are entitled to do immediately and that's what this Bill therefore sets out to do. Does that mean that we should avoid a debate on bigger questions about different ways of approaching how we raise revenue, what should be taxed, how these taxes interplay with one another? I don't think we should avoid that at all. I think this Assembly term may well be the right one to look at those questions, not in the abstract, but looking at how those ideas would, in a practical way, be applied if they were to be operated in Wales, and then to allow those with the responsibility to make informed decisions about them.

Mike Hedges (AM) also welcomed the Bill but queried the legislation relating to border properties and whether there will be an opportunity for people to reduce the amount of tax they pay by having a proportion of the property in both Wales and England which would take a property owner below a tax threshold.

The Cabinet Secretary explained:

We have worked very closely with the land value authority. We think there are about 450 properties—we can practically name them—and about 30 or so of those change hands in any one year. The extent to which a property falls within the new regime in Wales and the regime that will pertain in England will depend upon the extent to which the property is in one nation or another. So, if a quarter of the land lies in Wales, then a quarter of its liability will be determined under our law, and if three quarters of it lies in England, then three quarters of it will be determined under the law that pertains in England.

The Member also questioned if the no-detriment principle would be applied to the block grant adjustment once SDLT is devolved. There was concern that if the principle was not applied then Wales would lose out on funding if properties in London and the South East of England were included in adjusting the block grant once SDLT had been devolved.

The Cabinet Secretary said:

The no-detriment principle is absolutely important in relation to the block grant adjustment. What is the block grant adjustment there for? It's to reflect the fact that the UK Government will no longer receive revenues from taxpayers in Wales for which the tax has been devolved. We therefore need to make sure that if this Assembly makes decisions that mean that we are able to grow taxes then we should get the benefit; if we make decisions that are in the opposite direction, we have to be clear that we will face the consequences of those. But comparators therefore have to be fair ones, and that is the point that the Wales Governance Centre was making about the London effect.

Mike Hedges (AM) reiterated whether it was time to debate the relevance of a land value tax as opposed to property taxes.

Nick Ramsay (AM) welcomed the fact that the Bill maintains consistency with SDLT and only deviating where absolutely necessary. He felt that this was sensible in the first few years of the operation of LTT. However, the Member questioned whether maintaining this consistency would be to the detriment of improving aspects of SDLT legislation for LTT.

The cabinet Secretary replied:

One of the features of stamp duty land tax is the way, as legislation tends to do, it has grown up over the years with bits being added on here and bits being voted on in another Bill so that it's actually quite hard to find everything you need to know. So, we are in a lucky position of being able to consolidate all those changes into one place, making the law more accessible and understandable. And we have certainly taken a great deal of learning from experts here in Wales—experts in taxation, but

also experts in the field of land transaction—and I think the Bill shows the benefit of the advice which they have very freely given.

Nick Ramsay (AM) also pointed out the concerns of having different tax regimes in Wales and England and how the Welsh Government is ensuring practitioners based in England who could potentially deal with LTT are informed of changes in legislation.

The Cabinet Secretary commented:

...we have to make sure that practitioners on the other side of the border are well informed about the rules that they will be operating under if they are working in the Welsh context. A lot of work has gone on already within the professions using professional networks and professional publications, and so on, to promote understanding.

The Member also echoed the importance of the fiscal framework and the need to implement a fair block grant adjustment mechanism to ensure Wales is not 'short-changed' in the future.

Mark Reckless (AM) spoke about cross-border properties and questioned whether it would be more sensible and easier for practitioners if these properties were taxed by either the Welsh or UK Government depending on where the largest part of the property resides.

The Member also questioned why SDLT and LT were the two taxes to be devolved to Wales and whether the Cabinet Secretary saw these taxes as an opportunity to move to a Welsh tax regime separate from the UK for land and property in general. Comments were also made about whether the Welsh government expects firms of solicitors on the English side of the border who occasionally deal with Welsh properties to exit the Welsh market.

The Cabinet Secretary stated:

We have a rulebook; we are trying to design the best system we can within it. Do I expect that practitioners on the other side of the border will do less business in Wales as a result of the Bill? That's not the intention of the Bill, but I can see how, in the way we've described the future of the Bill, staying relatively close to known ways of doing things to begin with... there will be changes the other side of the border as well that will emphasise divergence over time, and that may change the way that people carry out their business.

The Member felt there was more replication of UK legislation in the Bill and less amendments to address Welsh needs and priorities.

The Cabinet Secretary responded with a number of examples from the Bill which were specific to Wales:

...there are examples throughout the Bill of where we have adjusted arrangements to take account of Welsh needs and priorities. In relation to leases, for example, which have always been a topic of interest in the Welsh context, you will see that the rent element of residential leases is not proposed to be taxed under LTT, although they are under SDLT. We're making improvements in the rules for leases that continue after a fixed term and indefinite-term leases, which are important in a Welsh context, and also changes to how the rules operate when a new lease is granted, but the date

on which it is to commence is backdated. All of these things are intended to be consistent with our ambitions for greater simplicity, consistency and fairness, but they do arise directly from our experience of leases and leaseholding here in Wales.

6. Anticipated implementation timetable

Subject to the approval of the Bill by the National Assembly for Wales and subsequent Royal Assent, the **anticipated implementation milestones** are as follows:

- Royal Assent – anticipated Spring 2017
- Announcement on tax rates – Autumn 2017
- LTT go-live date – April 2018
- Post implementation review - It is anticipated that the legislation will be reviewed on a regular basis and in a minimum of 3-5 years time.

7. Summary of Stage 2 changes

Background

The Bill was formally **introduced on 12 September 2016** by Mark Drakeford AM, Cabinet Secretary for Finance and Local Government (“the Cabinet Secretary”).

The Bill is the second of three anticipated bills to establish devolved tax arrangements in Wales and is the first tax-specific legislation to be introduced into the Assembly. This Bill will be followed by legislation establishing **Landfill Disposals Tax (LDT)**.

The purpose of this Bill is to make provisions for the introduction of Land Transaction tax (LTT), which will replace UK Stamp Duty Land Tax (SDLT) in Wales.

The Bill also establishes legislation to tackle devolved tax avoidance by setting out provisions for an overarching general anti-avoidance rule (GAAR).

Scrutiny

- The Business Committee remitted the Bill to the Finance Committee (“the Committee”) for scrutiny.
- On 12 July 2016, the Business Committee agreed the deadline for the Stage 1 Committee report as 22 December 2016.
- The Committee held a **consultation on the general principles of the Bill**, and a stakeholder event on 29 September 2016. The Committee took oral evidence between 21 September and 3 November 2016.
- The Committee **published its Stage 1 report** in December 2016. The Constitutional and Legislative Affairs Committee also **published its report on the Bill** in the same month.
- The Committee made 18 recommendations in its report.
- On 10 January 2017, the Assembly, following a debate in Plenary, agreed that **the Bill should proceed to Stage 2**.

– Stage 2 commenced on 11 January 2017 and the Committee met to consider and dispose of amendments on 16 February 2017.

Amendments agreed at Stage 2

103 amendments were tabled; three were withdrawn prior to Stage 2 proceedings. **Seven** were withdrawn during the meeting. There was an objection to the withdrawal of a further amendment which was subsequently voted on. **45 amendments** were not moved. **All 43 amendments** tabled by the Cabinet Secretary were agreed.

Set out below are some of the key changes made during Stage 2 proceedings (this is not an exhaustive list).

Higher rates residential property transactions

Amendments 24 to 30, 33 to 36, 40, 41 and 43 deal with a surcharge on additional residential dwellings. These amendments provide for higher rates of land transaction tax to be charged on residential property transactions. This was in response to the introduction of higher rates of SDLT on purchases of additional residential properties.

Residential property definition

Amendment 7 provides the Welsh Government with the power to make changes to the 'residential property' definition, which is intended to respond to concerns raised during Stage 1 scrutiny about its clarity.

Regulation-making powers

Amendment 1 is in response to recommendation 11 of the Committee's Stage 1 report. It is designed to:

- Treat a Co-ownership Authorised Contractual Scheme (CoACS) arrangement as a company, which is intended to make property purchases within a CoACS more administratively simple.
- Allow the introduction of a relief in the future, if required.
- Introduce a regulation-making power, which **Amendment 38** would ensure is subject to the affirmative procedure.

Amendment 37 ensures that regulation-making powers related to unit trusts are subject to an affirmative procedure. The amendment is in direct response to recommendation 1 of the report prepared by the Constitutional and Legislative Affairs Committee.

Amendment 42 provides for a regulation-making power to remove or vary the targeted anti-avoidance rule associated with non-residential leasehold transactions. This is in response to changes made in SDLT legislation. **Amendment 39** ensures that this regulation-making power is subject to the affirmative procedure.

Deferral rules

Amendment 2 changes the meaning of the expected end date where the uncertain or contingent consideration cannot be determined. **Amendment 4** changes the day on which interest starts to run on a deferred amount. **Amendment 5** changes the day on which payment is required of an amount of LTT where a deferral application is refused.

LTT and LDT legislation

Amendments 17 to 22 are intended to align LTT and LDT legislation. As the LDT Bill had not been presented when the LTT Bill was introduced, **amendments 17 and 18** replace Table A1 in Schedule 22 to include LDT and 'any devolved tax'. **Amendment 19** provides the Welsh Government with powers to make regulations to amend the table. **Amendments 20 and 21** make changes to the dates on which a person will become liable to further penalties in cases where there is a continuing failure to pay devolved taxes.

Tax Collection and Management (Wales) Act

Amendments 13, 14, 15 and 23 will amend the Tax Collection and Management (Wales) Act. These amendments are principally concerned with matters such as alterations or withdrawals of assessments and amendments made to tax returns while under inquiry, and are intended to make the system fairer.

Amendments 16, 31 and 32 make changes to the safeguards provided by section 26 of this Bill, and the new section 63A of the Tax Collection and Management (Wales) Act 2016. They are designed to protect the taxpayer where further returns are submitted in relation to the original transaction and make clear that if the National Assembly were not to approve provisional affirmative regulations then the taxpayer is protected.

Drafting corrections

Amendments 3, 6, 8, 9, 10, 11 and 12 are drafting corrections designed to improve the clarity of drafting.

Next steps

Stage 3 began on 17 February 2017. Amendments tabled at Stage 3 to the Bill (as amended at Stage 2) will be disposed of in Plenary on 28 March 2017. The deadline for tabling amendments was Tuesday 21 March 2017.

Further information

For further information on the Bill please contact the lead responsible clerk, Catherine Hunt.