

Draft Regulations laid before Senedd Cymru under section 79(2)(d) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017, for approval by resolution of Senedd Cymru.

DRAFT WELSH STATUTORY
INSTRUMENTS

2024 No. (W.)

**LAND TRANSACTION TAX,
WALES**

**The Land Transaction Tax (Relief
for Special Tax Sites) (Wales)
Regulations 2024**

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (“the LTTA 2017”) to insert a new Schedule 21A (Relief for Special Tax Sites) which provides for a new relief from land transaction tax for qualifying transactions of land within a special tax site.

Regulation 2 inserts a new Schedule 21A (Relief for Special Tax Sites) into the LTTA 2017 and makes consequential amendments to section 30 (Reliefs), section 49 (Further returns where relief is withdrawn) and Schedule 6 (Leases) of the LTTA 2017 to include reference to the new Schedule.

Part 1 of the new Schedule 21A defines “transaction land” (paragraph 1), “special tax site” (paragraph 2), “qualifying land” (paragraph 3) and “qualifying manner” (paragraph 4) for the purpose of a claim for relief from land transaction tax for qualifying transactions of land within a special tax site.

Part 2 of the new Schedule 21A makes provision for:

- (a) the relevant periods for which relief can be claimed in each special tax site (paragraph 5),
- (b) the circumstances under which a land transaction could attract full relief from land transaction tax (paragraph 6),

- (c) the circumstances under which a land transaction would only attract partial relief from land transaction tax (paragraph 7),
- (d) how chargeable consideration should be attributed to land for the purpose of a claim for relief from land transaction tax for qualifying transactions of land within a special tax site (paragraph 8), and
- (e) the applicable rules for when a contract is completed by transfer after the end of the relevant relief period (paragraph 9).

Part 3 of the new Schedule 21A makes provision for:

- (a) the circumstances under which the relief is withdrawn (paragraph 10),
- (b) the control period within which the relief can be withdrawn (paragraph 11), and
- (c) the effect of a disposal of interest in part of qualifying land during the control period on the claiming of the relief (paragraph 12).

Part 4 of the new Schedule 21A makes provision for the effect of alternative property finance on the claiming of the relief (paragraph 13).

The Welsh Ministers' Code of Practice on the carrying out of Regulatory Impact Assessments was considered in relation to these Regulations. As a result, a Regulatory Impact Assessment has been prepared as to the likely costs and benefits of complying with these Regulations. A copy can be obtained from the Welsh Government, Cathays Park, Cardiff, CF10 3NQ.

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2024 No. (W.)

**LAND TRANSACTION TAX,
WALES**

**The Land Transaction Tax (Relief
for Special Tax Sites) (Wales)
Regulations 2024**

Made ***

Laid before Senedd Cymru ***

Coming into force 26 November 2024

The Welsh Ministers, in exercise of the powers conferred by sections 30(6) and 78(1) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017(1), make the following Regulations.

In accordance with section 79(2)(d) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017, a draft of these Regulations was laid before and approved by a resolution of Senedd Cymru(2).

Title and coming into force

1.—(1) The title of these Regulations is the Land Transaction Tax (Relief for Special Tax Sites) (Wales) Regulations 2024.

(2) These Regulations come into force on 26 November 2024.

(1) 2017 anaw 1.

(2) See also section 40 of the Legislation (Wales) Act 2019 (anaw 4) for provision about the procedure that applies to this Instrument.

Relief for special tax sites

2.—(1) The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 is amended as follows.

(2) In section 30 (reliefs)—

(a) in subsection (1), after “Schedule 21 (compulsory purchase relief and planning obligation relief);” insert—

“Schedule 21A (relief for special tax sites);”
;

(b) in subsection (2), after “paragraphs 1(1) and 2(1) of Schedule 21 (compulsory purchase relief and planning obligation relief);” insert—

“paragraph 6 of Schedule 21A (relief for special tax sites);”;

(c) in subsection (3), after “paragraphs 6 and 8 of Schedule 18 (partial charities relief in certain circumstances).” insert—

“paragraph 7 of Schedule 21A (partial relief for special tax sites).”

(3) In section 49 (further return where relief is withdrawn)—

(a) after subsection (1)(e), insert—

“(f) Schedule 21A (relief for special tax sites).”;

(b) after subsection (3)(e), insert—

“(f) in relation to the withdrawal of relief for special tax sites under Schedule 21A, the last day in the control period on which the qualifying land ceases to be used exclusively in a qualifying manner in circumstances where the exceptions in sub-paragraphs (3), (4) and (5) of paragraph 10 of that Schedule do not apply.”;

(c) after subsection (3), insert—

“(3A) In subsection (3)(f), “control period”, “qualifying land” and “qualifying manner” are to be interpreted in accordance with Schedule 21A.”

(4) In Schedule 6 (leases)—

(a) in paragraph 22(4), after paragraph (f), insert—

“(g) Schedule 21A (relief for special tax sites).”;

(b) in paragraph 22(5), for “or charities relief” substitute “, charities relief or relief for special tax sites”;

(c) in paragraph 22(6), after paragraph (c), insert—

“(d) in relation to the withdrawal of relief for special tax sites under Schedule 21A, the last day in the control period on which the qualifying land ceases to be used exclusively in a qualifying manner in circumstances where the exceptions in sub-paragraphs (3), (4) and (5) of paragraph 10 of that Schedule do not apply.”;

(d) after paragraph 22(6), insert—

“(7) In sub-paragraph (6)(d), “control period”, “qualifying land” and “qualifying manner” are to be interpreted in accordance with Schedule 21A.”

(5) After Schedule 21 (compulsory purchase relief and planning obligations relief), insert—

“SCHEDULE 21A RELIEF FOR SPECIAL TAX SITES

PART 1

Key terms

Meaning of transaction land

1. In this Schedule, “transaction land”, in relation to a land transaction, means land a chargeable interest in which is the subject matter of the transaction.

Meaning of special tax site

2. In this Schedule, “special tax site” means the area designated as a special area by the Designation of Special Tax Sites (Celtic Freeport) Regulations 2024⁽¹⁾ as made on 16 October 2024.

Meaning of qualifying land

3. For the purposes of this Schedule, transaction land is “qualifying land” if, on the effective date of the land transaction—

(a) it is situated in a special tax site, and

(1) S.I. 2024/1035.

- (b) the buyer intends it to be used exclusively in a qualifying manner.

Meaning of qualifying manner

4.—(1) For the purposes of this Schedule, transaction land is used in a qualifying manner if it is used in one or more of the following ways—

- (a) it is used by the buyer or a connected person in the course of a commercial trade or profession;
- (b) it is developed or redeveloped by the buyer or a connected person for use (by any person) in the course of a commercial trade or profession;
- (c) it is exploited by the buyer or a connected person, in the course of a commercial trade or profession, as a source of rents or other receipts (other than excluded rents).

(2) But transaction land is not used in a qualifying manner to the extent that it is—

- (a) used as a dwelling or as the garden or grounds of a dwelling (including any building or other structure on such land),
- (b) developed or redeveloped to become residential property,
- (c) exploited as a source of rents or other receipts payable by a person using the land otherwise than in a qualifying manner, or
- (d) held (as stock of the business) for resale without development or redevelopment.

(3) Despite sub-paragraph (2), transaction land is used in a qualifying manner to the extent it is used as a dwelling or as the garden or grounds of a dwelling that is provided to an individual and the individual's family for the better performance of the individual's employment duties as caretaker of, or as a member of the security staff for, the transaction land or any part of it.

(4) For the purposes of this paragraph, use of land in the course of a commercial trade or profession includes use of land for a purpose that is ancillary to the use of other land which—

- (a) is situated in a special tax site, and
- (b) is being used, or developed or redeveloped, in the course of a commercial trade or profession.

(5) The references in this paragraph to doing something in the course of a commercial trade or profession include doing something in the course of a property rental business.

(6) In this paragraph—

“commercial” (“*masnachol*”) in relation to a trade or profession, means carried on—

- (a) on a commercial basis, and
- (b) with a view to profit;

“excluded rents” (“*rhenti wedi eu heithrio*”) means income within any of classes 1 to 6 in the table in section 605(2) of the Corporation Tax Act 2010 (c. 4);

“property rental business” (“*busnes rhentu eiddo*”) has the same meaning as a “property business” in the Income Tax (Trading and Other Income) Act 2005 (c. 5) (see section 263(6) of that Act).”

PART 2

The Relief

Meaning of relief period

5. In this Part, the “relief period” means the period beginning with 26 November 2024 and ending with 30 September 2029.

Full relief

6.—(1) This paragraph applies if—

- (a) 100% of the chargeable consideration for a land transaction is attributable to qualifying land, and
- (b) the effective date of the transaction is within the relief period.

(2) The land transaction is relieved from tax.

Partial relief

7.—(1) This paragraph applies if—

- (a) the proportion of the chargeable consideration for a land transaction attributable to qualifying land (“the relevant proportion”) is less than 100%, and
- (b) the effective date of the transaction is within the relief period.

(2) The tax chargeable in respect of the land transaction is reduced by a proportion equivalent to the relevant proportion.

Attributing chargeable consideration to land

8.—(1) For the purposes of this Schedule, the consideration attributable to qualifying land must be determined on a just and reasonable basis.

(2) Sub-paragraphs (3) and (4) apply if less than 100% of the chargeable consideration attributable to transaction land situated in a special tax site (“the tax site consideration”) is attributable to land that satisfies the condition in paragraph 3(b) of this Schedule.

(3) If at least 90% of the tax site consideration is attributable to land that satisfies the condition in paragraph 3(b) of this Schedule, then, for the purposes of this Schedule, all of the tax site consideration is to be treated as being attributable to qualifying land.

(4) If less than 10% of the tax site consideration is attributable to land that satisfies the condition in paragraph 3(b) of this Schedule, then, for the purposes of this Schedule, all of the tax site consideration is to be treated as not being attributable to qualifying land.

Contract completed by transfer after the end of the relief period

9.—(1) This paragraph applies if—

- (a) a land transaction is treated as effected under section 10(4) as a result of a contract being substantially performed without having been completed,
- (b) that transaction is relieved from tax under paragraph 6 or 7 of this Schedule, and
- (c) the contract mentioned in paragraph (a) is subsequently completed by a transfer after the end of the relief period.

(2) Section 10(5)(b) does not apply in relation to the transaction mentioned in sub-paragraph (1)(c) if the sole reason that it would have applied (but for this paragraph) is that the transaction occurred after the end of the relief period.

(3) In this paragraph, “completion”, “contract” and “transfer” are to be interpreted in accordance with section 10(10).

PART 3

Withdrawal of relief

Withdrawal of relief

10.—(1) In this Part, a transaction that is relieved from tax under Part 2 is referred to as a “relieved transaction”; and accordingly references to a “buyer” and “qualifying land” are references to the buyer and the qualifying land in the relieved transaction.

(2) Relief is withdrawn in relation to a relieved transaction if, at any time during the control period, the qualifying land is not used exclusively in a qualifying manner.

(3) But the relief is not withdrawn where, because of a change in circumstances that is unforeseen and beyond the buyer’s control, it is not reasonable to expect the qualifying land to be used exclusively in a qualifying manner at that time.

(4) Where, at a time during the control period, the use of all or part of the qualifying land in a qualifying manner has not yet begun, that land, or that part of the land, is to be treated as being used exclusively in a qualifying manner if reasonable steps are being taken to ensure that it is used in that manner.

(5) Where, at a time during the control period, the use of all or part of the qualifying land in a qualifying manner has ceased, that land, or that part of the land, is to be treated as being used exclusively in a qualifying manner if reasonable steps are being taken—

- (a) to ensure that it is used in that manner, or
- (b) to dispose of all chargeable interests in that land, or that part of the land, that are held by the buyer and connected persons in a timely manner.

The control period

11.—(1) In this Schedule, the “control period”, in relation to a relieved transaction, means the shorter of—

- (a) the period of 3 years beginning with the effective date of that transaction, and
- (b) the period beginning with the effective date of that transaction and ending with the effective date of the final transaction.

(2) For the purposes of this paragraph, a land transaction is the final transaction if, immediately after the effective date of the transaction, neither the buyer nor a connected person holds a chargeable interest in the qualifying land (whether as a result of that transaction alone or as a result of that transaction and other land transactions).

(3) For the purposes of sub-paragraph (2), the buyer or a connected person is treated as not having a chargeable interest in the qualifying land if the market value of the chargeable interest in the qualifying land that the buyer or a connected person holds is less than £40,000, unless sub-paragraph (4) applies.

(4) This sub-paragraph applies if—

- (a) the buyer and any connected person hold between them more than one chargeable interest in the qualifying land, and
- (b) the total market value of those chargeable interests is £40,000 or more.

Disposal of interest in part of qualifying land during control period

12.—(1) This paragraph applies where the buyer ceases to hold a chargeable interest in part of the qualifying land during the control period.

(2) The references in paragraphs 10 and 11 to the qualifying land are to be treated as references only to the part of the qualifying land in relation to which the buyer still holds a chargeable interest (whether the chargeable interest acquired in the land transaction relieved from tax under Part 2 of this Schedule or another chargeable interest).

PART 4

ALTERNATIVE FINANCE ARRANGEMENT

Alternative Property Finance

13.—(1) This paragraph applies where either of the following applies—

- (a) paragraph 2(1) of Schedule 10 to this Act (land sold to financial institution and leased to a person), or
- (b) paragraph 3(1) of Schedule 10 to this Act (land sold to financial institution and re-sold to a person).

(2) This paragraph applies for the purposes of determining—

- (a) whether relief can be claimed under Part 2 of this Schedule for the first transaction, and
- (b) whether relief for the first transaction is withdrawn under Part 3 of this Schedule.

(3) For those purposes, this Schedule has effect as if—

- (a) references to the buyer were references to the relevant person, and
- (b) the reference in paragraph 4(2)(d) to land held (as stock for the business) for resale without development or redevelopment were a reference to land held in that manner by the relevant person.

(4) The first transaction does not qualify for relief under Part 2 of this Schedule except where it does so by virtue of this paragraph.

(5) In this paragraph—

“the first transaction” (*“y trafodiad cyntaf”*) has the same meaning as in paragraph 2 or 3 of Schedule 10 (as appropriate);

“the relevant person” (*“y person perthnasol”*) means the person, other than the financial institution, who entered into the arrangements mentioned in paragraph 2 or 3 of Schedule 10 (as appropriate).”

Name

Cabinet Secretary for Finance and Welsh Language,
one of the Welsh Ministers

Date