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| WRITTEN STATEMENTBYTHE WELSH GOVERNMENT |

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| **TITLE** | **An assessment of the feasibility of a local income tax to replace council tax in Wales** |
| **DATE** | **10 November 2020** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Trefnydd** |

Today, *An assessment of the feasibility of a local income tax to replace council tax in Wales*, has been published on the Welsh Government website. The report was commissioned by the Welsh Government as part of a suite of research relating to local taxation in Wales.

[https://gov.wales/local-income-tax-scoping-feasibility](https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgov.wales%2Flocal-income-tax-scoping-feasibility&data=04%7C01%7CJohn.Broomfield%40gov.wales%7C9e702abdc1b545663eee08d87a727e84%7Ca2cc36c592804ae78887d06dab89216b%7C0%7C0%7C637393979444910035%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=Ri97NYpr4wx5K0MABFsLX3m8yF%2FDtgloRNBHlk9snpE%3D&reserved=0)

The objective of the Welsh Government in exploring alternative forms of local taxation is to examine how to raise stable revenue for local services in the fairest way, with other advantageous outcomes considered where possible. This report makes a valuable contribution to the consideration of options for reforming local government finance. However it is clear much more work would be needed on the practical and policy implications of a local income tax to replace council tax in Wales.

Themes explored include whether a local income tax offers an opportunity to design in from the outset elements which would normally be managed through discounts and exemptions; choices that would need to be made on what constitutes ability to pay (income and wealth indicators); and risks. The risks include fiscal flight, to a greater degree than for other tax options, of taxpayers to England or between local authorities for people who are able to relocate.

This research is one strand of work within a broader programme exploring options for reforming local taxation and the wider local government finance system. I published a progress update on the work programme on 5 November 2019. This can be accessed via the following link:

[https://gov.wales/reforming-local-government-finance-annual-updates](https://eur01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fgov.wales%2Freforming-local-government-finance-annual-updates&data=02%7C01%7CJohn.Broomfield%40gov.wales%7C4c263bc80756430c7d5108d74e2f187c%7Ca2cc36c592804ae78887d06dab89216b%7C0%7C0%7C637063836484801283&sdata=AJ7V%2Fl4MbN3jvkOOa5%2FUEawjOQO8VdPlbDKFAuPVRgU%3D&reserved=0)

I intend to publish a further report bringing together the findings from this programme of work in the near future.