

**WRITTEN STATEMENT**

**BY**

**THE WELSH GOVERNMENT**

|  |  |
| --- | --- |
| **TITLE** | **Responses to the consultation on Landfill Disposals Tax** |
| **DATE** | **15 September 2015** |
| **BY** | **Jane Hutt, Minister for Finance and Government Business** |

The Wales Act 2014 passed by Parliament last December set out new fiscal powers for Wales, including legislative competence over taxation of disposals to landfill and transactions involving interests in land. From April 2018 the existing UK takes in these areas – Landfill Tax (LfT) and Stamp Duty Land Tax (SDLT) will be replaced in Wales by Landfill Disposals Tax (LDT) and Land Transaction Tax (LTT). These will be the first Welsh taxes in over 800 years and will provide an opportunity to develop Welsh tax arrangements in ways that reflect the needs of our communities and businesses. In July, the Welsh Government laid before the National Assembly for Wales the Tax Collection and Management (Wales) Bill, marking a significant step in preparing the way for tax devolution[[1]](#footnote-1).

To help inform the policy and the structure of the devolved taxes I published two consultations in February, seeking views on the proposals for LDT and LTT. Both of these closed in May 2015 and I am pleased to issue a summary of responses to the LDT consultation today. I have separately issued a summary of the responses to the LTT consultation.

I have found the responses particularly helpful in highlighting areas where it will be important to maintain consistency with arrangements in the rest of the UK; and where there are opportunities for making changes to better reflect Welsh circumstances and needs.

The level of interest in the LDT consultation was excellent with nearly 300 responses received in total including many contributions from the waste industry, environmental bodies and the third sector as well as tax experts. I am grateful to respondents for sharing their knowledge and experience of the current Landfill Tax arrangements in order to help shape the development of LDT.

I would also like to extend my thanks to my Tax Advisory Group and the LDT Technical Expert Group for the central role they have played in helping to shape the proposals in the consultation document and in ensuring a good, representative response from stakeholders.

I recognise that a key priority for the business community is a smooth transition to new taxes in 2018 with as little disruption for taxpayers as possible. A particular area of concern amongst respondents was the impact on business if there were material differences between the tax rates charged in Wales and England, with several highlighting the potential for ‘waste tourism’.

I am keen to provide stability and certainty for the waste industry so that it may undertake its business planning and investments in confidence. It will be the responsibility of the next Welsh Government to set tax rates, but I recognise that consistency with England in particular is important in this area.

I am also keen to provide an effective tax compliance and enforcement framework. I will take a robust stance against tax evasion and avoidance. I recently announced that Natural Resources Wales (NRW) is our preferred partner to undertake the compliance and enforcement of LDT. The existing knowledge and understanding of the operation of landfill sites in Wales which NRW has will be of significant benefit to the administration of LDT. The Tax Collection and Management (Wales) Bill provides the Welsh Ministers with the power to make regulations which will give WRA powers to investigate devolved tax crime, if considered appropriate to do so. I can confirm my expectation that, subject to passage of that Bill, the next Government will need to undertake appropriate consultation on the scope and scale of these powers before deciding whether to make regulations.

I also want to identify ways to re-align the balance of risk so that the consequences of not complying outweigh the profit to be made from illegal waste activity. There was strong support amongst consultation respondents for extending the definition of a landfill site to include illegal deposits of waste within the scope of the tax. This approach is a key feature of the new Scottish Landfill Tax and its purpose is primarily as a financial deterrent. I will be observing developments in Scotland closely and exploring this option further to assess how it might be applied in Wales.

I have announced that I have decided to develop a Welsh tax avoidance rule in relation to LTT and LDT. In the case of LDT, in addition, I want to ensure that tax avoidance is not possible by the inappropriate use of exemptions and reliefs and I will therefore be exploring this issue further with tax experts in order to determine our approach.

Over half of the consultation responses were in relation to community wellbeing and the future of the Landfill Communities Fund in Wales. I was pleased to see widespread support for how the Welsh Government might use some of the LDT revenue to enhance community wellbeing.

In response to the consultation I would seek to allocate a proportion of LDT revenue to support community wellbeing initiatives that have an environmental focus and will include biodiversity and waste minimisation projects. This could be achieved through a LDT Community Scheme (LDT CS) and I will be exploring the development of such a scheme.

This scheme would be aligned with the wellbeing goals established in the Wellbeing of Future Generations (Wales) Act[[2]](#footnote-2) which seek to secure a prosperous, healthier and resilient Wales. This will further support jobs growth and tackling poverty which are at the heart of my tax principles.

The details of this scheme including how it will be administered will be shaped in discussion with stakeholders over the coming months. It will however be underpinned by a desire to maximise the amount of funding reaching communities. I will therefore be looking very carefully at developing a simple and effective administrative model.

My officials will continue to engage widely with a range of interested stakeholders and tax experts in order to inform the development of this tax so that it works well for Wales. This will enable the next Welsh Government to introduce legislation soon after the next Assembly elections in May 2016.

<http://gov.wales/consultations/finance/landfill-disposals-tax/?lang=en>

1. <http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?IId=12989> [↑](#footnote-ref-1)
2. <http://gov.wales/docs/dsjlg/publications/150623-guide-to-the-fg-act-en.pdf> [↑](#footnote-ref-2)