# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Update on Welsh Government’s formal request to UK Government for devolution of further tax competence to Senedd Cymru** |
| **DATE** | **08 September 2020** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Trefnydd** |

In March 2020, I wrote to the Financial Secretary to the Treasury, the Rt Hon Jesse Norman MP, to formally request devolution to Senedd Cymru of further tax competence relating to a ‘vacant land tax’. This formal request was in keeping with the process agreed between UK and Welsh Ministers for the devolution of new tax powers to Wales as provided by the Wales Act 2014, and followed a constructive meeting between myself and the Financial Secretary to the Treasury at the end of February.

Our formal request for tax competence is the first time we have tested the mechanism and the request follows over two years of work by Welsh Government to ensure HM Treasury had sufficient information to assess Welsh Government proposals. The experience of moving through the process has been protracted and challenging, with HM Treasury continually requesting detail related to the specific operation of the proposed tax – a matter for Wales - rather than information related to devolving competence for legislation in a new area of taxation. On the 19 August 2020, the Financial Secretary to the Treasury responded by stating that yet more detail would be required before our formal request could be taken forward.

It has become clear the agreed process for devolution of further tax competence to Wales is not fit for purpose, and in practice bears a striking similarity to the previous process of Legislative Competence Orders. This is compounded by the fact HM Treasury are able to move the goalposts as to what information is required at any point. Given the challenges encountered taking this particular, very narrow area of legislative competence through the mechanism, it is difficult to envision a scenario whereby, with the current UK Government approach, the Welsh Government could successfully make the case for further tax competence. The failure of this mechanism significantly impacts the ability of this government and future governments to use tax as a lever to influence behaviour or support public spending to meet the needs of the people of Wales.

I hope this response is not indicative of the UK Government’s wider attitude towards devolution. We firmly believe that devolution must be respected and strengthened to secure the future of the Union. I have written to the Financial Secretary to the Treasury to express my disappointment given Welsh Government has already provided as much detail as it is able at this stage of the process. As I have outlined to the UK Government on numerous occasions, consideration of the specific operation of the tax will occur after the competence has been devolved to Wales, and will be by means of an appropriately rigorous public process, in line with our tax principles.

I will keep Members updated as this situation develops.

This statement is being issued during recess in order to keep members informed. Should members wish me to make a further statement or to answer questions on this when the Senedd returns I would be happy to do so.