

Finance Committee Report: The Land Transaction Tax (Specified Amount of Relevant Rent) (Wales) (Amendment) Regulations 2021

January 2021

1. The Finance Committee (the Committee) took evidence from the Minister for Finance and Trefnydd (the Minister) on 8 January 2021.
2. This Statutory Instrument was considered by the Finance Committee under Standing Order 27.8A.

Background and Purpose

3. These Regulations amend the Land Transaction Tax (Specified Amount of Relevant Rent) (Wales) Regulations 2018 (“the 2018 Regulations”) so as to amend the amount of relevant rent specified within regulation 2 of those Regulations.
4. The 2018 Regulations specify the amount of relevant rent under paragraph 36(1)(b) of Schedule 6 to the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017 (“the LTTA Act”), for the purposes of defining “the specified amount” in paragraphs 34 and 35 of that Schedule.
5. Regulation 4 of these Regulations amends the amount of relevant rent specified in regulation 2 of the 2018 regulations from £9,000 to £13,500 from the date that these Regulations come into force. For transactions with an effective date occurring prior to the coming into force of these Regulations, the previous amount of £9,000 will continue to apply.

Procedure

6. Draft Affirmative
7. The Welsh Ministers have laid a draft of the Regulations before the Senedd. The Welsh Ministers cannot make the Regulations unless the Senedd approves the draft Regulations.



Merits Scrutiny

- 8.** No points are identified for reporting in respect of this instrument.

Policy objectives

9. The purpose of these Regulations is to amend the amount of ‘relevant rent’ that will be used to trigger the anti-avoidance rule in paragraph 34 of Schedule 6 of the LTTA Act. Paragraph 4.2 of the Welsh Government’s explanatory memorandum explains that the amount specified as ‘relevant rent’ needs to strike a balance between ensuring there is an effective anti-avoidance measure in place (to stop taxpayers being able to benefit from two zero rate thresholds) and ensuring that the rule does not create an unfair tax burden for those who pay only a small amount of annual rent and a premium.

10. The Welsh Government explains their intention behind these Regulations is to provide an effective and fair anti-avoidance rule that applies to those who pay significant amounts of rent and consideration other than rent, but not to apply to those who pay only a small amount of rent.

11. The Land Transaction Tax (Tax Bands and Tax Rates)(Wales) (Amendment) Regulations 2020 were made on 21 December 2020 using the made affirmative procedure (section 25(2) LTTA Act) and increased the zero rate tax bands for both consideration which consists of rent in relation to non-residential property and for chargeable consideration other than rent. In both cases the zero rate band was increased from £150,000 to £225,000. The Welsh Government’s explanatory memorandum explains that the uplift in the zero rate bands necessitates an uplift in the specified amount of relevant rent so as to maintain the same relationship between the size of the zero rate band and the relevant rent amount. These regulations amend the zero rate band to £13,500, a 50% increase, the same percentage increase made to the zero rate bands.

Government Response

- 12.** The Welsh Government notes the report. No response was provided.

Committee View

- 13.** The Committee noted the Regulations.