

The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2022

October 2022

1. The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2022 ("the Regulations") were laid before the Senedd on Friday 7 October 2022.
2. The Regulations were considered by the Committee under Standing Order 27.8A.

Background and Purpose

3. The Regulations revise the tax bands and percentage tax rates for residential property transactions where the effective date of the transaction falls on or after 10 October 2022.
4. The bands and rates from 10 October 2022 are as follows:

<i>Tax band</i>	<i>Relevant consideration</i>	<i>Percentage tax rate</i>
Zero rate band	Not more than £225,000	0%
First tax band	More than £225,000 but not more than £400,000	6%
Second tax band	More than £400,000 but not more than £750,000	7.5%
Third tax band	More than £750,000 but not more than £1,500,000	10%
Fourth tax band	More than £1,500,000	12%

5. Where the effective date for a transaction falls on or after 10 October 2022, but contracts were exchanged or substantial performance of that contract took



place prior to 10 October 2022, the buyer may elect to apply the relevant tax bands and percentage tax rates that were in place before the changes came into force.

6. The Regulations set out certain circumstances where the buyer cannot make such an election¹ and provide that an election may only be made if it would not result in more tax being chargeable than would otherwise have been the case².

Procedure

7. Made Affirmative.
8. The Regulations were made by the Welsh Ministers before they were laid before the Senedd. The Senedd must approve the Regulations within 28 days (excluding any days when the Senedd is dissolved or in recess for more than four days) of the date they were made for them to continue to have effect.

Merits Scrutiny

9. One point is identified for reporting in respect of this instrument:
 - Section 25 of the Tax Collection and Management (Wales) Act 2016 provides that the Welsh Revenue Authority must pay amounts collected in the exercise of its functions into the Welsh Consolidated Fund.

The Regulations revise tax bands and percentage tax rates for residential property transactions subject to Land Transaction Tax collected by the Welsh Revenue Authority.

Policy objectives

10. On 23 September 2022, the UK Government announced its mini-budget where the Chancellor of the Exchequer made changes to UK Stamp Duty Land Tax (SDLT).³ In response, the Minister for Finance and Local Government, Rebecca Evans MS, announced in Plenary on 27 September⁴:

"I was already considering what changes we should make to land transaction tax rates and bands due to the increases in property prices in Wales prior to the UK Government's rushed fiscal statement. I would have liked to have made these changes in our budget later this year. However, I

¹ Regulation 5

² Regulation 6(2)

³ [The Growth Plan 2022 Speech](#)

⁴ Plenary, RoP, [27 September 2022](#), paragraph 127

am concerned that the level of expectation of changes will lead to considerable uncertainty in our housing market.”

11. She further commented:

“I am therefore announcing that I'll be making changes to both the starting threshold at which LTT is payable by homebuyers and the tax rate that they pay. Our zero-rate band will increase for transactions paying no more than £180,000 to not more than £225,000. The next band will be for transactions where the consideration given is more than £225,000 but not more than £400,000. The rate payable will be 6 per cent.”

12. The Minister also mentioned that *“transitional rules will be included to protect taxpayers who have exchanged contracts before the regulations making the changes come into force.”*⁵

13. In the Minister's letter to the Llywydd, it was noted the plenary debate for this subordinate legislation would take place on 8 November 2022.

Government response

14. The Welsh Government noted the report. No response was provided.

Committee view

15. The Committee noted the Regulations.

⁵ Plenary, RoP, 27 September 2022, paragraph 128