

# Progressive tax plans for Wales published

A progressive tax regime will support first-time buyers and businesses when land transaction tax (LTT) and landfill disposals tax (LDT) are introduced on 1 April 2018, replacing stamp duty land tax and landfill tax, respectively.

Under the new rates for LTT, Wales will have the highest starting threshold for the property tax in the UK. And Wales will become the first country in the UK to introduce a new higher rate of landfill disposals tax to deter people from disposing of waste illegally.

For land transaction tax, the following rates are planned:

## **Residential LTT rates**

| <b>Price threshold</b> | <b>Main residential rates</b> |
|------------------------|-------------------------------|
| £0 – £150,000          | 0%                            |
| £150,000 – £250,000    | 2.5%                          |
| £250,000 – £400,000    | 5%                            |
| £400,000 – £750,000    | 7.50%                         |
| £750,000 – £1.5m       | 10%                           |
| £1.5m-plus             | 12%                           |

By increasing the threshold at which the tax is payable, the average first-time buyer will pay no tax at all.

All buyers of residential properties costing up to £400,000 will pay the same or less tax than under stamp duty land tax and the average home buyer will pay nearly £500 less tax than under stamp duty land tax.

9 out of 10 home buyers in Wales will either pay the same or less tax than under the current stamp duty land tax regime.

For people buying an additional residential property, the higher rate of tax will be levied – an additional 3% on top of the main residential rate in each band; this is the same as under the current stamp duty land tax regime.

## **Non-residential LTT rates**

| <b>Price threshold</b> | <b>Rates</b> |
|------------------------|--------------|
| £0 – £150,000          | 0%           |
| £150,000 – £250,000    | 1%           |
| £250,000 – £1m         | 5%           |
| £1m plus               | 6%           |

Wales will have the lowest starting rate of tax for the purchase of business premises in the UK. All businesses buying premises up to the value of £1.1m in Wales will either pay no tax or up to £1,000 less tax than under stamp

duty land tax.

### **Non-residential LTT lease rates**

| <b>Net present value threshold</b> | <b>Rates</b> |
|------------------------------------|--------------|
| £0 – £150,000                      | 0%           |
| £150,000 – £2m                     | 1%           |
| £2m plus                           | 2%           |

To reflect the property market in Wales, the top LTT rate for non-residential lease rates will apply from a lower net present value threshold. For freehold purchases and transactions with lease premiums, it is forecast that 60% of taxable transactions will pay no tax.

For landfill disposals tax, the following rates are planned:

|                             | 2018-19 | 2019-20 (assumed rate) |
|-----------------------------|---------|------------------------|
| Standard rate               | £88.95  | £91.70                 |
| Lower rate                  | £2.80   | £2.90                  |
| Unauthorised disposals rate | £133.45 | £137.55                |

For the first 2 years of LDT, the standard and lower rates will remain consistent with those for landfill tax. This will provide certainty and stability for businesses and reduce the risk of waste moving across the Wales-England border. The new unauthorised disposals rate will be set at 150% of the standard rate.

Announcing the rates and bands, Professor Drakeford said:

“From April, Wales will introduce the first Welsh taxes in almost 800 years, supporting first-time buyers and boosting business.

“The devolution of tax powers provides us with the opportunity to reshape and make changes to improve existing taxes to better meet Wales’ needs and priorities. I have always been clear that we will use these powers to help improve fairness and support jobs and economic growth in Wales.

“These new progressive rates and bands for land transaction tax and landfill disposals tax will make a real difference to people’s lives; help change behaviours and deliver improvements to communities across Wales. We are being bold but balanced and leading the way in creating a fair and progressive tax system.”

Under the Wales Act 2014, the Welsh Government has powers to put forward proposals for the development of new taxes in areas of devolved responsibility.

The Finance Secretary today announced a shortlist of 4 new tax ideas – based

on feedback from the public – which will be developed further this autumn. One proposal will be put to the UK government in 2018 to test the Wales Act powers.

The 4 new ideas which will be explored further are:

- vacant land tax
- disposable plastic tax
- tourism tax
- levy to support social care.

Professor Drakeford added:

“In July, I started a national debate asking people to put forward ideas for potential new Welsh taxes. We received a large number of responses and I’d like to thank everyone who got involved and helped shape future Welsh taxes.

“The power to propose new taxes is an important one, which we can use to deliver improvements for our communities. The 4 new tax ideas have the potential to do just that.

“Over the coming months, further work will get underway to refine these before we propose one idea to the UK government early next year.”