

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Eighth Delegated Legislation Committee

DRAFT TAX COLLECTION AND MANAGEMENT
(WALES) ACT 2016 AND THE LAND
TRANSACTION TAX AND ANTI-AVOIDANCE OF
DEVOLVED TAXES (WALES) ACT 2017
(CONSEQUENTIAL AMENDMENTS) ORDER 2018

Wednesday 14 November 2018

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Sunday 18 November 2018

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The Committee consisted of the following Members:

Chair: MARK PRITCHARD

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| † Adams, Nigel (<i>Parliamentary Under-Secretary of State for Wales</i>) | † Ruane, Chris (<i>Vale of Clwyd</i>) (Lab) |
| † Afriyie, Adam (<i>Windsor</i>) (Con) | † Sobel, Alex (<i>Leeds North West</i>) (Lab/Co-op) |
| † Antoniazzi, Tonia (<i>Gower</i>) (Lab) | † Tami, Mark (<i>Alyn and Deeside</i>) (Lab) |
| † Doughty, Stephen (<i>Cardiff South and Penarth</i>) (Lab/Co-op) | † Thomas, Derek (<i>St Ives</i>) (Con) |
| † Edwards, Jonathan (<i>Carmarthen East and Dinefwr</i>) (PC) | † Trevelyan, Mrs Anne-Marie (<i>Berwick-upon-Tweed</i>) (Con) |
| Evans, Chris (<i>Islwyn</i>) (Lab/Co-op) | † Vickers, Martin (<i>Cleethorpes</i>) (Con) |
| † Foster, Kevin (<i>Torbay</i>) (Con) | † Whittaker, Craig (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Kinnoek, Stephen (<i>Aberavon</i>) (Lab) | Mems Ayinla, <i>Committee Clerk</i> |
| † Mills, Nigel (<i>Amber Valley</i>) (Con) | |
| † Percy, Andrew (<i>Brigg and Goole</i>) (Con) | † attended the Committee |

The following also attended (Standing Order No. 118(2)):

Johnson, Gareth (*Dartford*) (Con)

Eighth Delegated Legislation Committee

Wednesday 14 November 2018

[MARK PRITCHARD *in the Chair*]

Draft Tax Collection and Management (Wales) Act 2016 and the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (Consequential Amendments) Order 2018

2.30 pm

The Chair: Before I call the Minister to move the motion, it is rather warm in here today, so colleagues may remove their jackets, if they so wish.

The Parliamentary Under-Secretary of State for Wales (Nigel Adams): I beg to move,

That the Committee has considered the draft Tax Collection and Management (Wales) Act 2016 and the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (Consequential Amendments) Order 2018.

It is a great pleasure to serve under your chairmanship, Mr Pritchard, I think for the first time. It is also a great pleasure, and indeed an honour, to serve in my first debate as a Wales Office Minister. I am of course a proud Yorkshireman, as most people know, but at heart I know that there are many similarities between the great county of Yorkshire and the great country of Wales. Both have historically been centres of heavy industry, before transforming into modern, vibrant economies. Both are home to rich cultures, beautiful countryside and great county cricket clubs.

I assure the Committee that, regardless of where our constituencies might be, Conservative Members want to see a strong Wales within a strong United Kingdom—I am sure that Opposition Members feel exactly the same. I am determined to work with the Secretary of State for Wales to deliver just that.

The draft order makes changes to UK legislation arising from the National Assembly for Wales's Tax Collection and Management (Wales) Act 2016 and its Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. As the Committee will no doubt recall, the Wales Act 2014 implemented the vast majority of the recommendations of the Silk commission's first report to devolve tax and borrowing powers to the National Assembly for Wales and to Welsh Ministers. That included powers to replace stamp duty land tax and landfill tax in Wales, as well as the creation of Welsh rates of income tax.

The Wales Act 2014 represented a significant moment in Welsh devolution, enabling the Assembly to legislate to establish the first specifically Welsh taxes in almost 800 years—a land transaction tax and a landfill disposal tax—and the Welsh Revenue Authority to collect and manage the new devolved taxes. I am pleased to note the positive collaboration between the UK and Welsh Governments to manage the transition to the devolved

taxes, which came in on 1 April. The Government continue to report annually on that work, and the fourth report on the implementation of the financial provisions of the Wales Act will be presented to Parliament next month.

The 1 April was also significant as the date on which the new reserved powers model of devolution for Wales, put in place by the Wales Act, came into force. The Act further demonstrates the Government's firm commitment to devolution. Alongside the new model of devolution, the Act devolved further powers that can make a real difference to people's lives in areas such as elections, transport and natural resources.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): The Minister is talking about a significant date, 1 April—indeed, it could be—and about the Welsh Revenue Authority. Obviously, the new authority will have to make financial predictions based on a whole series of measures, including the taxes in the draft order. Does he therefore find it extraordinary that the Welsh Government have not been given sight of the Brexit withdrawal agreement, given the impact that it will have on Welsh finances and the Welsh Revenue Authority's ability to raise revenue?

Nigel Adams: The Welsh Government are not the only organisation not to have had sight of that documentation as yet. I am sure that they will be brought into those discussions at the earliest opportunity.

Stephen Doughty: The Minister says that, but today we were told that the Chief Minister of Gibraltar has been given sight of the agreement. Is that not extraordinary? The Minister talks about a commitment to devolution, but the Welsh and Scottish Governments have not received a briefing.

The Chair: Order. I allow quite a lot of latitude, and obviously these are historic times, but given the shortage of time—90 minutes in total—Members need to keep their remarks within the scope of the legislation, as you well know, Mr Doughty. You have been here long enough.

Nigel Adams: It is unlike the hon. Gentleman to raise the European Union withdrawal agreement, but I commend him for his canny ability to weave such remarks into a debate on the Welsh Revenue Authority and its land transaction tax capabilities.

The order, made under powers in section 150 of the Government of Wales Act 2006, makes consequential provisions on the establishment of the Welsh Revenue Authority and the creation of a land transaction tax. It has four provisions. Article 2 inserts the new Welsh Revenue Authority into schedule 1 of the House of Commons Disqualification Act 1975, so as to disqualify the chairperson and non-executive members of the WRA from being Members of this House. That puts the WRA on the same footing as Her Majesty's Revenue and Customs in that respect. Following the devolution of powers over Assembly elections in the Wales Act 2017, whether the chairperson and non-executive members

should also be disqualified from being Members of the National Assembly for Wales is, of course, a matter for the Assembly.

Article 3 inserts the WRA into the list of public bodies in part 6 of schedule 1 to the Freedom of Information Act 2000, thereby providing a right of access to information held by the WRA. In doing so, the order brings the WRA within the definition of “Welsh public authority” under that Act.

Article 4 inserts a reference to the WRA into schedule 1 to the Public Interest Disclosure (Prescribed Persons) Order 2014, ensuring the same protection for whistleblowers who contact the WRA under the Employment Rights Act 1996 as that afforded to whistleblowers who assist HMRC.

Finally, article 5 inserts a reference to the land transaction tax into regulation 45 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Under those regulations, HMRC is required to maintain a register of the beneficial owners of certain trusts. The amendment provides that those reporting requirements apply to trusts that are liable to pay land transaction tax in Wales.

The order demonstrates the Government’s continued commitment to work with the Welsh Government to deliver effective implementation of devolved taxes in Wales. In assuming tax and borrowing powers, devolution in Wales has truly come of age, as the devolved institutions become responsible not only for how money is spent in Wales, but for how it is raised.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I welcome the Minister to his post. Before he concludes his remarks, can he reassure the Committee that the Welsh Government are happy with the legislation as drafted?

Nigel Adams: I have not had that conversation directly, but I understand that the Welsh Assembly has been very much involved in the drafting of the order, so I will make that assumption. The hon. Gentleman will appreciate that I have not had my feet under the table for very long.

Following the implementation of Welsh rates of income tax, the Assembly will be responsible for raising more than £2 billion in tax revenue, which is around 15% of the Welsh block grant. Those fiscal powers, together with the powers devolved through the Wales Act 2017 and the fiscal framework, pave the way for the Assembly to become a fully fledged Welsh Parliament. I commend the order to the Committee.

2.38 pm

Chris Ruane (Vale of Clwyd) (Lab): It is a pleasure to serve under your chairmanship, Mr Pritchard. I, too, welcome the Minister to his place. I hope that he lasts a little longer—or perhaps a lot longer—than his predecessor.

The draft order has the Opposition’s support. It amends existing legislation to reflect the existence of the Welsh Revenue Authority, and we welcome the ability of the WRA to raise up to £300 million in tax, which is indeed welcome in Wales. It is a further devolution

of powers, and Labour, as the party of devolution—we introduced devolution to Wales, and indeed to Scotland, Northern Ireland and London—is naturally supportive of that.

However, it is a little disappointing that although Whitehall is giving devolution with one hand, it is taking it away with the other. There is a debate this afternoon at 4.30 on the shared prosperity fund, which we believe the Government will use to take power, finance and responsibility away from Wales, but that remains to be seen.

No one wants to be held here longer than they ought to, so I will highlight what the Opposition support. Article 2 recognises that the Welsh Government must be able to decide themselves whether Assembly Members could be the chairperson or a non-executive member of the Welsh Revenue Authority. We welcome that addition, because the decision should be made by the Assembly. We welcome articles 3 and 4, which ensure that the WRA is subject to existing laws and regulations. The Minister mentioned the Freedom of Information Act 2000, which Labour introduced. Consequently, we support the extension in this legislation, as we support the right of whistleblowers to whistle and blow without being penalised.

Article 5 applies to the WRA the same reporting requirements that are currently applied to HMRC in relation to money laundering and terrorist financing. Again, we support those responsibilities being moved to the WRA. Having gone through those few brief points, we support the order before us.

2.41 pm

Nigel Adams: I thank the hon. Gentleman for his valuable contribution. The order provides for a number of consequential changes to UK law as a result of Assembly Acts to establish the Welsh Revenue Authority and a land transaction tax in Wales. I welcome the Opposition’s support. I cannot possibly describe my first run-out as Minister as a love-in, but it was as collaborative—

Chris Ruane: Well, it wasn’t a kicking.

Nigel Adams: It certainly was not a kicking. When I played rugby in Cardiff against the Welsh Assembly a couple of years ago, that is exactly what we got. I welcome the collaborative approach of the hon. Gentleman, and between us and the Welsh Government to manage the transition to devolved taxes. The order is further evidence of that approach. We will continue to work constructively with the Welsh Government in preparing for the introduction of Welsh income tax rates from next April. These powers provide substantial levers for the Welsh Government to support the Welsh economy and to deliver a mature devolution settlement for Wales. I commend the order to the Committee.

Question put and agreed to.

2.43 pm

Committee rose.

