



Tax Collection and Management (Wales) Bill

A response by the Bevan Foundation

1.1 The Bevan Foundation develops ideas that change Wales and improve people's lives. We use evidence to produce innovative solutions, and share knowledge and experience to shape public policy and practice. We are a registered charity and are independent of government or any political party. We welcome the opportunity to contribute to the Finance Committee's consultation on the Tax Collection and Management (Wales) Bill.

1.2 The Bevan Foundation is developing proposals for new taxes which could change the behaviour of businesses, organisations and individuals, and help to create a fairer, more prosperous and sustainable Wales. We are specifically interested in taxes which improve corporate accountability for any social, economic or environmental 'harm', and which are not regressive in their impact.

2. The need for legislation

2.1 We welcome the introduction of the Bill as it will provide a legal framework for the collection and management of devolved taxes in Wales. We believe that the tax raising powers the Assembly gained from the Wales Act 2014 provide it with significant potential to bring about social good, and a sound legal framework is therefore necessary.

2.2 We also appreciate that the Bill does not restrict the WRA's capacity to take on further responsibilities, meaning that it can support the introduction, collection and management of new taxes in addition to those which have already been proposed (Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT)). Nevertheless we would welcome clarification that WRA will have powers to collect and manage new taxes (Wales Act 2014 (section 6, which adds to Part 4A of the Government of Wales Act, s. 116C)).

3. General Principles

3.1 The Welsh Government has a unique opportunity to design a tax system afresh, and consider how it wants to raise taxes and funding. The principles which underpin this

system will provide a framework for Wales' tax and funding system, so they must be robust and comprehensive to cope with new taxes and the devolution of additional tax powers.

3.2 We welcome the principles included in the explanatory memorandum, namely to:

- be fair to businesses and individuals who pay them;
- be simple, with clear rules which seek to minimise compliance and administration costs;
- support growth and jobs that in turn help tackle poverty; and,
- provide stability and certainty for tax payers.

3.3 We suggest that there are additional principles which should be considered, and in particular:

- Efficiency – a tax should be cost-effective to collect and manage
- Transparency – the purpose and rationale for tax should be clear

3.4 We would also suggest that the principle of 'supporting jobs and growth', important though this is, should be broadened to the principle of 'meeting the specific needs of Wales'. We suggest this because a tax might support, for example, good health or the carbon emissions.

3.5 We welcome that proposal that tax policies should not diverge from UK operational processes and arrangements without good reason. In the event that new taxes are introduced in addition to LTT and LDT, it is important that the issue of comparability of operational processes and arrangements does not obstruct compliance.

4. Welsh Revenue Authority

4.1 We agree that a Welsh Revenue Authority (WRA) is needed to be responsible for the legal, operational and management function of devolved taxation in Wales.

4.2. We welcome that the WRA can delegate operational and management functions as this acknowledges that other bodies may be better suited to carrying them out.

4.3 It is important that the legal responsibility for tax collection management remains with the WRA, and that responsibility for tax policy remains with Welsh Government Ministers as it has the potential to support (or harm) other policy areas.

4.4 Regarding oversight of the WRA, more consideration should be given to the role of the Finance Committee and the Assembly in relation to scrutiny. This is especially important as the responsibilities of the body are likely to grow in proportion to the number of devolved taxes collected in Wales, and that it may not be able to mirror the processes of HMRC in the case of new taxes.

4.5 There should be a clear responsibility for the WRA to communicate why any devolved taxes should be paid and why they are at the rate they will be set at. This responsibility should complement the responsibilities already outlined in the bill, especially in relation to compliance and avoidance, and it should also be included in the charter.

4.6 The WRA has the potential to take a 'digital by default' approach to the operation and management of new taxes, and this should be explored further.

4.7 Although the impact of LTT and LDT is due to be explored further in the tax-specific legislation, it is worth considering where responsibility for assessing the impact of taxes should lie. It seems unlikely that the WRA will have the capacity to assess this for all devolved taxes given its anticipated size, so this should be highlighted as part of the 'management' functions which it can delegate.

4.8 It remains unclear if new taxes will be expected to cover the costs they incur for the WRA, or if money can be allocated for this separately. It is possible to introduce taxes that are more expensive to collect and manage than the revenue they bring in, but it still might be desirable to introduce such a tax. It is not apparent from this Bill whether such a tax would be legal.

5. Charter of Standards and Values

5.1 We welcome the inclusion of a charter of standards and values, and hope that it is devised after consultation with a range of stakeholders, including representation of those who will not be affected by the devolution of LTT and LDT.

5.2 The WRA should seek to avoid some of the administrative failings that have plagued HMRC, and this should be considered during the charter's formation.

5.3 For the charter to be a meaningful document, it is important that it is widely distributed and that the WRA is scrutinised on its compliance with it.

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