



HM Revenue  
& Customs

Y Pwyllgor Cyllid | Finance Committee  
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**Our ref**

Dear Simon,

### **Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Bill**

Thank you for your letter of 14 September, in which you asked for information about HMRC's role in the transitional arrangements to ensure an effective 'switch-over' from Stamp Duty Land Tax to Land Transaction Tax in Wales. The answers to your questions are as follows.

#### HMRC involvement in Order making process

The Treasury Order to implement the transition to devolved taxes cannot be made until both Welsh and UK Governments are assured of each tax authority's readiness. HMRC will keep the Financial Secretary informed of progress in the run-up to April 2018 and will provide assurance of HMRC's readiness to 'switch off' SDLT for Welsh transactions. This will be informed by close collaboration with the Welsh Revenue Authority (WRA) throughout the transition project, to ensure joint readiness of shared deliverables. The project governance structure we have set up with WG supports this collaborative approach.

#### Transitional arrangements including communications

As part of the transition project, HMRC will change its IT systems to prevent SDLT returns for Welsh land transactions from being accepted. Users will not be able to submit an online SDLT return if it relates to land in Wales from 1<sup>st</sup> April 2018. Welsh transactions will be identified in our systems by the Local Authority code and effective date. Automated on-screen messages will explain to customers that the transaction is not chargeable to SDLT but that it may incur an LTT charge; we will work with WRA to join up our messaging with theirs, for example with links to their website and vice versa.

A very small percentage of SDLT returns are filed on paper. Paper returns in respect of Welsh transactions will be rejected by our systems and returned to the customer (in practice normally a conveyancing solicitor), with a letter outlining the changes and alerting them to the potential liability to LTT. Comprehensive transitional guidance will be published on the [www.gov.uk](http://www.gov.uk) website to make clear which transactions are chargeable to SDLT and which to LTT. We aim to publish this as joint guidance together with WRA, to ensure clear and consistent messaging to our shared customers.

We are planning a joint communications group of core stakeholders in both administrations to develop a comprehensive, joined-up communications strategy to support the transition to devolved taxes. This follows the successful model we developed with Revenue Scotland. We will inform customers of the changes using our existing networks of conveyancing professionals and representative bodies as well as leveraging WRA's own stakeholder network. HMRC is represented on WRA's stakeholder group and vice versa.

An interest in land cannot be registered with H M Land Registry (HMLR) without confirmation that the required SDLT return has been filed. We will work with colleagues in HMLR and WRA to ensure that from April 2018 HMLR's checks underpin both HMRC's and WRA's tax regimes and help identify returns submitted in error to the wrong tax authority.

A very constructive dialogue has already been established between HMRC and WG officials, and we look forward to working collaboratively with WG and WRA colleagues to support the delivery of these tax changes. Devolution to Scotland provides an excellent model for this.

#### Potential costs of 'switch-over'

The current estimate of the cost of the transition project is in the region of £1m. These costs will be refined as requirements are worked up in more detail in the coming months. Any savings to HMRC of no longer administering SDLT in Wales will be set off against these costs. Cost savings are yet to be confirmed but are expected to be minimal.

#### Working with WRA to build expertise

HMRC has already helped Revenue Scotland to develop the capability to administer its devolved taxes, through seconding experienced staff to key roles, offering shadowing of operational teams and sharing technical tax knowledge. We stand ready to offer similar, tailored support to WRA as required, to help ensure a smooth transition to the devolved taxes and to support development of the WRA's own compliance capability. We will be working with WG officials to identify the key roles and requirements so we can identify and deliver suitable resource. Meanwhile HMRC has been providing WG colleagues with information about the administration of SDLT and LfT and on general tax matters

#### Information sharing - DOTAS

The necessary legal gateways and processes for information sharing are being established to enable HMRC to share with WRA all relevant compliance information including DOTAS disclosures relevant to LTT or LDT.

#### Information sharing - HMRC taxes

From April 2018 any information or tax data held by HMRC may be shared with WRA to the extent that it is relevant to the collection and management of a devolved tax.

Multilateral devolution increases the importance of joining up data, intelligence and expertise across UK tax authorities to ensure a complete view of compliance risks and a robust approach to dealing with them. HMRC's current data-led transformation provides us with exciting opportunities for piloting such a joined-up approach. HMRC are exploring opportunities for collaborative data sharing to optimise compliance outcomes for both HMRC and WRA. Discussing compliance requirements with WRA at this early stage will also feed into our work on secondment and interchange to support WRA's compliance.

I hope these answers are helpful to your enquiry.

**CATHERINE DAMPIER**