

Finance Committee

The Land Transaction Tax (Specified Amount of Relevant Rent) (Wales) Regulations 2018

This Statutory Instrument is being considered by the Finance Committee under Standing Order 27.8A.

Background and Purpose

01. These Regulations specify the amount of relevant rent under paragraph 36(1) (b) of Schedule 6 (Leases) to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (the LTTA Act) for the purposes of defining “the specified amount” in paragraphs 34 and 35 of that Schedule. The amount specified is £9,000.
02. Schedule 6 to the LTTA Act makes provision about the application of the Act in relation to leases. Part 5 of Schedule 6 makes provision about the amount of tax chargeable on lease transactions. Paragraph 33 of Schedule 6 confirms that tax charged under this Schedule is in addition to the tax calculated under the other provisions; paragraph 34 is an anti-avoidance provision designed to prevent possible manipulation in relation to lease transactions. Paragraph 35 provides for consideration other than rent for a mixed lease. Paragraph 36 provides definitions for “the relevant rent”, “*the specified amount*” and “annual rent”. In LTT only rent paid for non-residential property is taxed under these rules. Rents paid under residential leases are outside the scope of the tax.

Procedure

03. Affirmative.

Merits Scrutiny

04. No points are identified for reporting in respect of this instrument.

Policy objectives

Statement of policy intent



05. To support the Committee's scrutiny of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (LTTA) (Wales) Bill, the Welsh Government provided information on the policy intent for the delegated powers within the Bill.

06. The regulation tabled is in accordance with related policies in the statement.

It stated that Para 36(1) of Schedule 5 in the Bill "This power enables the Welsh Ministers to set the amount of "relevant rent" and to vary that amount in the future to reflect the economic and property market circumstances of the time".

Finance Committee Stage 1 scrutiny

07. No comments were made relating to the tabled regulation at Stage 1 scrutiny.

Consultation responses

Assembly consultation

08. No comments were made.

Welsh Government consultation

09. No comments were made. However, in the explanatory memorandum to the regulation, Welsh Government did note that stakeholders had previously raised concerns that the former SDLT rule, which applied to relevant rent from £1,000 was too low. This regulation has increased the amount of relevant rent to £9,000 for LTT.

Scottish Regulations

10. **Difference between relevant rent thresholds.** The relevant rent threshold of £1,000 (£9,000 for Wales) was included in the Land and Buildings Transaction Tax (Scotland) Act 2013.

UK Regulations

11. **Difference between relevant rent thresholds.** The relevant rent threshold of £1,000 (£9,000 for Wales) was included in the Finance Act 2008.

Government Response

12. No points under 'merits scrutiny' were raised.



13. However, it should be noted that the relevant rent rule in Stamp Duty Land Tax (SDLT) was repealed by the Finance Act 2016. Until that point the relevant rent amount was £1,000 as it continues to be in Scotland.

Committee View

The Committee noted the regulations.

