

# New Taxes for a Better Wales - Conference Report

Thursday 22<sup>nd</sup> October 2015

Future Inn, Cardiff Bay

Approximately 50 delegates representing the third, private and public sectors gathered in Cardiff Bay to discuss how the Welsh Government could introduce new taxes to make Wales a better place to live.

Speakers included Jane Hutt, Minister for Finance and Government Business, and David Phillips, Senior Research Economist at the Institute for Fiscal Studies.



After the talks and presentations, delegates broke away for roundtable discussions, and then came back together to present their ideas to a panel of political representatives made up of Alun Davies AM (Welsh Labour),

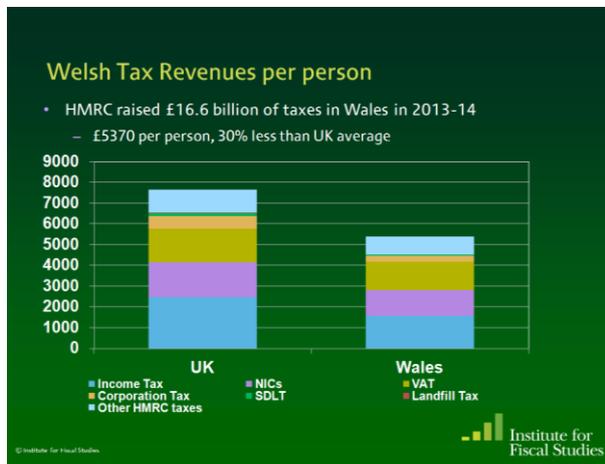
Andrew RT Davies AM (Welsh Conservatives), Eluned Parrott AM (Welsh Liberal Democrats) and Ian Johnson (Plaid Cymru).

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**Jane Hutt, Minister for Finance and Government Businesses**, began by speaking about the work her department is doing to ensure the Welsh Government is prepared to manage and collect Land Transaction Tax and Landfill Disposal Tax from 2018, and welcoming the challenge that this posed.

The Minister also spoke about the development of the Welsh Revenue Authority, commenting on the progress of the Tax Collection and Management (Wales) Bill which will put in place the legal framework for the collection and management of devolved taxes in Wales. She assured delegates that the Welsh Government's intention is to make the devolution of taxes as smooth as possible for taxpayers, disclosing that they were not looking at any new devolved taxes at the moment, but that the work that was being done in this area is very interesting. She concluded by strongly encouraging delegates to "*be bold*" in their thinking and suggestions for new taxes.

**David Phillips, Senior Research Economist at the Institute for Fiscal Studies,** was next to speak. He delivered a presentation on the principles of taxation and devolved powers, looking at how this works for Wales. He spoke about the characteristics of a good tax system (economic and operational efficiency, transparency and fairness), as well as the need for taxes to be stable and neutral. His presentation went on to look at how the Welsh Government could change the taxes which have been devolved, focussing on income tax and property taxes, which invited some comments from audience members who felt that council tax should be overhauled. He also talked through the potential benefits and pitfalls of a handful



of proposed devolved taxes (sugary and fatty foods, waste burning, tourism and planning permission gains).

The final speaker, **Victoria Winckler, Director at the Bevan Foundation,** gave a presentation on our work on new devolved taxes for Wales, explaining that the project was primarily interested in the potential for taxes to alter behaviour and bring about positive environmental, social and economic change. She emphasised that anything could be taxed in theory – including glass and playing cards - but that consideration must be given to Wales’ circumstances and politics, including the proximity of the majority of the population to England’s border, the size of Wales’ market and the need for popular support.



Delegates were then asked to come up with proposals for new taxes on their tables, which were themed ‘health’, ‘environment’, and ‘economy, tourism and skills’.

Their ideas were then put forward to a panel made up of Alun Davies AM (Assembly Member for Blaenau Gwent), Andrew RT Davies AM (Leader of the Welsh Conservatives and Assembly Member for South Wales Central), Eluned Parrott AM (Assembly Member for South Wales Central) and Ian Johnson (Head of Policy at Plaid Cymru), and chaired by Sandy Blair OBE (Bevan Foundation Trustee).

## Economy, Tourism and Skills 1

This table were in favour of a tax on student accommodation, describing it as a lucrative market that is exempt from certain taxes. They also suggested business rates should be changed to a site value tax, as this would enable businesses to invest in their premises without incurring additional taxes. One delegate also spoke in support of a carbon tax.

**Eluned Parrott** was strongly opposed to the idea of a tax on student accommodation, pointing out that the cost would just be transferred by landlords to the students and that there was no clear justification for a tax on student properties.

**Alun Davies** said Wales must look at what is working elsewhere as there is a lot to learn from tax policies from other countries and regions.



**Andrew RT Davies** was interested in the idea of business rates being linked to site value, as well as the idea of local business rates. He also thought that some sort of tax on student accommodation was an interesting area to explore, noting how steeply prices have risen in this area.

**Ian Johnson** said he liked the idea of a carbon tax. He said his party will work very closely with businesses which new taxes would apply to, mentioning the steel industry and the potential constraints of a carbon tax in particular.

## Economy, Tourism and Skills 2

The second economy, tourism and skills table was interested in the idea of using taxes to promote Welsh values. They proposed a reformed road tax which reflected the true cost of driving around, and could fund public transport schemes such as the South Wales Metro. They were also interested in taxes on sugar and e-cigarettes, and proposed a tax on the 'cost' of supermarkets on communities.

**Eluned Parrott** said that additional road taxes could penalise those who do not have other transport options such as those living in rural areas. She said it was something which could be introduced at a later date once better public transport networks become available, but that it should not penalise some people more than others in the short-term because of where they live.



**Ian Johnson** was less supportive, suggesting that any new road tax would need popular support, otherwise it would have already been introduced.

**Andrew RT Davies** referred to the controversy around the decision to put an additional charge on council tax to fund the development of Cross Rail, arguing that it is now a very well-used service which appears to have been accepted by those who paid the additional tax.

**Alun Davies** was interested in the economic impact of additional road taxes. He said a small charge on significant dual carriageways could be justified. He also called for a levy on food, stating that this already exists for growers and could fund a food board such as it does in Ireland.

## Environment

The environment table discussed the possibility of different council tax rates depending on the efficiency of a house. They acknowledged that this might fall hardest on those in rural and poorer areas (including social housing). They suggested the tax could be hypothecated to improve housing standards for those who cannot afford it. They also put forward the idea of a land value tax to replace business rates, and a tax on incinerated waste.

**Alun Davies** said sustainability should be a key feature of Wales' tax policy, and that community energy companies should be supported via taxation. He also said that profits from renewable energy could be used to fund social policy.



**Ian Johnson** was interested in the idea of an incineration tax, but speculated that local authorities were likely to receive the highest tax bills if this were introduced and that it would not necessarily result in 'greener' ways of waste being disposed.

**Eluned Parrott** spoke about the Joseph Rowntree Foundation work on progressive taxation, and expressed some support for the idea of an incineration tax.

**Andrew RT Davies** remained to be convinced by proposals which he said risked putting construction and other businesses at a disadvantage, describing them as anti-competitive. He also spoke about all the barriers facing those trying to establish local energy schemes, including the problems with trying to get a grid connection. He was interested in the idea of a carbon trading scheme, and how they could go about creating a green economy. He suggested that taxes from renewable energies could be hypothecated to help smaller businesses and start-ups.

## Health

The health table looked at how taxes could be used to promote positive behaviour, especially to combat addictive gambling. They thought an additional gambling would be an opportunity to raise revenues which could be spent on treatment for addictive gamblers.

**Andrew RT Davies** pointed out that the Assembly has no responsibility over gambling legislation. He agreed that taxes could be used in this area to change behaviour, but highlighted that the revenues would be a diminishing income, or else the policy would have failed.

**Ian Johnson** pointed out a strong correlation between areas of deprivation and a high number of gambling shops. He said there were already new taxes on FOBTs and online gambling, and was not convinced that taxation would be the right option given all the hoops they would have to jump through as set out in the Wales Act 2014, as it would almost certainly affect UK tax revenues.

**Eluned Parrott** thought that casual gamblers would be much more price sensitive, rather than addictive gamblers.



**Alun Davies** questioned why business rates policy was not used in such a way that a greengrocer pays a lower rate than a betting shop, adding that taxes could be used to shape people's local environment.