

Tax for Good: Devolved taxes for a better Wales

EXECUTIVE SUMMARY | JUNE 2016



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For the first time since it was established, the National Assembly for Wales has tax-raising powers. The Wales Act 2014 gives the Assembly powers over three specific taxes: land transactions, the disposal of waste to landfill, and a proportion of income tax. Crucially, it also gives the Assembly a general power to propose completely new taxes in devolved areas.

Thanks to a generous grant from the Joseph Rowntree Charitable Trust, we have been able to explore this potential for new devolved taxes in Wales.

This report proposes eight new Welsh taxes, levies and credits which seek to make Wales healthier, greener and better off, while strengthening corporate accountability. They are:

TOURISM LEVY

- Tourism is a key industry in Wales but it can put a strain on public services, local infrastructure and the environment.
- A tourism levy, applied as a small per night charge on temporary accommodation, offers a mechanism through which some of these costs can be recouped.
- The revenue could be allocated to tourism-related public services and to mitigating the impact of tourism in certain 'hot-spots'.

INNOVATION TAX CREDITS

- Low levels of innovation in Wales' economy stem from comparatively low investment in research and development (R&D).
- Although R&D is devolved, a key lever for encouraging growth in this sector – R&D Tax Credits – is not.
- Innovation Tax Credits would effectively replace this tax credits scheme in Wales, and offer enhanced and extended benefits.
- Crucially, it would enable the Welsh Government to align this important financial stimulus with its broader strategy for R&D.

WORKFORCE DEVELOPMENT LEVY

- Wales has experienced a steep decline in 25+ adult learners during the past decade, while workforce skill levels continue to lag behind the UK average.
- Proposals for a UK-wide Apprenticeship Levy would require Welsh employers to pay towards a digital vouchers system that they are unable to access.

- A Workforce Development Levy would replace the Apprenticeship Levy in Wales.
- Revenues generated would be allocated to apprenticeships, and to other forms of training to upskill Wales' workforce and entry into employment.
- The proposal would ensure the levy is aligned with the existing devolved areas of apprenticeships and adult education.

SUGAR TAX

- High levels of sugar consumption are linked to obesity and poor dental health. This is highly detrimental to people's wellbeing, and poses a cost to public services.
- A sugar tax is intended to deter excessive consumption of sugary foods and drinks by significantly raising their cost. As revenue should be depreciating, it is not suitable for hypothecation.
- A Sugar Tax must form part of a much broader strategy to tackle poor diets and sedentary lifestyles – it is not a silver bullet.
- It should replace any UK sugary drinks levy introduced in future because it is inextricably linked to public health, which is devolved.

SUNBED TAX

- There is a known link between sunbed use and skin cancer – with which hundreds of people are diagnosed every year in Wales. Despite this, adult usage of sunbed salons is subject to minimal regulation.
- A proportional tax on the use of sunbeds applied as an additional sales tax is intended to reduce the total number of visits and the time spent per session.

TAKEAWAY PACKAGING TAX

- The use of expanded polystyrene (EPS) packaging in Wales' takeaway food industry persists, despite it being harmful to the environment and there being readily available 'green' alternatives.
- A Takeaway Packaging Tax, applied in a similar way to the Carrier Bag Charge, would raise awareness of the environmental cost of using this material and reduce usage.
- It would also enable local authorities to recoup some of the cost of disposing of this material, which is not widely recycled in Wales.

LAND VALUE TAX

- The value of developments is the primary basis for Wales' two main property taxes – business rates and council tax.

- Introducing land value into the calculation would redistribute some of the tax burden to those whose assets also include valuable undeveloped land.
- It has the potential to stimulate development, especially for smaller developers as big plots of land may be broken up for quicker sale, and is arguably more progressive than the current property tax regime.
- As a minimum, it would require the establishment of a Land Registry for Wales, and exemptions for land in the process of development.

WATER TAX

- The use of Wales' water comes at an environmental cost. Recognition of this cost and the scarcity of water is done via charges.
- But the quantity used by domestic and commercial consumers is only truly reflected in the charge when water meters are used, which have not been universally been adopted.
- A water tax applied to those engaged in the commercial extraction of water, based on the quantity extracted, would serve as an incentive to install water meters much more rapidly.

About the Bevan Foundation

The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by subscriptions, donations, grants from charitable trusts and foundations and commissions.

We have made every effort to ensure this report is accurate but responsibility for any errors, and for the views in the report, are those of the Bevan Foundation.

Ideas That Change Wales



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