Tax for Good: Devolved taxes for a better Wales

FINAL REPORT | JUNE 2016

SEFYDLIAD bevan FOUNDATION

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EXECUTIVE SUMMARY

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.

INTRODUCTION

Taxes underpin a civilized society. They pay for the safety and security of all citizens of the UK, as well as key elements of the welfare state such as state pensions, the NHS and schooling, and institutions such as the BBC, universities and Parliament itself. Who pays taxes and how much they pay are always highly controversial.

For the first time in centuries the National Assembly for Wales has tax-raising powers. The Wales Act 2014 gives the Assembly powers over three specific taxes, namely on 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. This power has many caveats, but nonetheless it is an unprecedented opportunity to use fiscal powers to shape Wales' economy, society and environment as well as to raise revenue.

Our view is that this opportunity should be grasped, and with enthusiasm. The ability to tax is an extremely powerful tool with which to change the behaviour of people and organisations. The way in which the 5p charge on single use carrier bags has reduced usage by 71% in just three years demonstrates the potential benefits of carefully targeted taxes or levies. The revenue-raising potential of new, devolved taxes should also not be overlooked, particularly when UK fiscal policy remains focused on cuts to public spending as the main means of reducing the budget deficit, although this is not the purpose of the taxes considered here.

This report puts forward our proposals for eight new Welsh taxes. We have focused on those which have the potential to address some of the deep-seated problems in Wales, and which at this stage appear to meet the UK Government's criteria (see annex 1). They cover taxes to develop the economy and employment, taxes to promote good health and wellbeing, and taxes to encourage environmental sustainability.

The findings are based on desk-based research, face-to-face and 'phone interviews with key stakeholders, and roundtable discussions including those held at a half-day conference in October 2015. We have also published a background paper on devolved taxes in Wales in a UK context, and undertaken research on corporate accountability in Wales. Emerging ideas have been tested through on-line articles, discussions in Welsh print and broadcast media, and at forums of tax specialists. We are grateful to everyone who put forward ideas and comments.

It is worth pointing out that we rejected a number of potential taxes either because they were not clearly in a devolved field, had potential cross-border issues, would have resulted in 'doubling-up' on existing UK taxes or had a very complex interface with EU legislation. So, while we recognise the merits of a carbon emissions tax, additional gambling taxes or a tax relief for a healthy lifestyle we concluded they were impractical.

During the course of the project two of our emerging ideas were announced as firm proposals by the UK Government: an apprenticeship levy and a tax on sugary drinks. Both will apply in Wales as well as England and Scotland, with as yet unresolved issues about how the UK Government proposals will operate here. As the proposals do not go as far as we had envisaged, we have retained our original ideas and suggested how they might be integrated into a UK system.

These and our other proposals for new, devolved taxes will require considerably more elaboration before they could be introduced, including economic modelling, wide consultation and discussions with UK Government. By way of example, the introduction of just one tax, Land Transaction Tax, will have taken more than three years from the passage of the Wales Act in December 2014 to implementation in April 2018, with all the resources of the Welsh civil service.

This project has been kindly funded by a grant from the Joseph Rowntree Charitable Trust, to whom we are very grateful. We would also like to acknowledge with thanks the contributions of a number of individuals, including civil servants, officials in local government, tax experts and policy professionals who commented on drafts of this report. However the authors alone are responsible for the proposals set out here, and for any errors or inaccuracies.

DEVOLVED TAXES IN CONTEXT

How public services in Wales are financed has been hotly contested for many years. The Barnett formula was introduced to determine Wales' (and Scotland and Northern Ireland's) block grant in the late 1970s, but as devolution has developed questions have been increasingly asked about the fairness, accountability and transparency of Welsh public finances. While much attention has focused on the fairness of the Barnett formula, there has also been consideration of whether the National Assembly for Wales should have tax-raising powers – finally granted in the Wales Act 2014.

The Act makes specific provision in respect of three taxes: it dis-applies Stamp Duty Land Tax and Landfill Tax and enables the National Assembly for Wales to establish its own taxes on land transactions and waste disposed to landfill. It also allows the National Assembly for Wales to determine a Welsh rate of income tax on non-savings, non-dividend income, if this is agreed in a referendum. The 2015 Spending Review and Autumn Statement included the announcement that the Welsh Assembly is no longer required to hold a referendum prior to the introduction of a Welsh rate of income tax.[1]

The Act also makes a more general provision for the Assembly to introduce new taxes. A new Clause 116c in the Government of Wales Act 2006 allows the National Assembly for Wales to introduce new devolved taxes and allows the UK Government to devolve any new UK taxes to the National Assembly for Wales. This does not give the Assembly fiscal responsibility – any new taxes would be subject to the approval of the Assembly and of both Houses of Parliament through an Order in Council. This is a significant limit to the Assembly's powers.

The Wales Bill Command Paper makes clear the requirements that any new taxes would need to meet. Proposals for new taxes will be assessed against a range of criteria, including the extent to which the new tax:

- affects UK macro-economic or fiscal policy and/or the single market;
- compliance with EU legislation;
- increases tax avoidance risks; or creates additional compliance burdens for businesses and/or individuals;
- is aligned with devolved responsibilities.[2]

Proposals for new taxes will also need to include details of the tax base, the estimated revenue and economic impact, the estimated impact on UK revenue or interaction with UK-wide taxes, the impact on businesses and individuals, and

assessments against all relevant legislation and directives. While the requirements are demanding, they are by no means insurmountable.

Taxation and public finances in Wales

Devolved taxes are an integral part of the wider financing of public spending in Wales. In 2013/14, total identifiable public expenditure in Wales – including UK government spending on pensions, benefits and Welsh Government expenditure was £30.590 billion. Of this, just less than 40% was expenditure by UK government departments, with almost all the rest being expenditure by the Welsh Government or Welsh local government.

The revenue generated from taxes in Wales is substantial. In 2013/14 total receipts raised by HMRC from Wales' population were £16.789 billion. A further £1.2 billion is estimated to be raised from council tax, £960 million from non-domestic rates as well as unspecified revenues from taxes such as Vehicle Excise Duty, bringing the total tax income to approximately £19 billion. Wales has a slightly different tax profile to the UK as a whole: the income tax, national insurance and VAT together account for 76% of all tax revenues.

Table 1: Highest revenue raising taxes in Wales, 2014/15

Tax	Approx. Revenue 2014/15
Income Tax	£4.877bn
NI contributions	£3.955bn
VAT	£4.445bn
Corporation Tax (onshore)	£1.023bn
Council Tax	£1.285bn
Non-domestic rates	£0.945bn
Fuel duties	£1.348bn

Source: HMRC (2015), A disaggregation of HMRC tax receipts between England, Wales, Scotland & Northern Ireland; StatsWales (2015), In-year council tax, by billing authority (£ thousand); StatsWales (2015), Collection of non-domestic rates, by year (£ thousand)

The Office for Budget Responsibility forecasts that the devolution of an element of Income tax, Stamp Duty Land Tax, Landfill Tax and in, due course, Aggregates Levy would result in £2.720 billion of revenue by 2019/20.[3] Even without the devolution of

Income tax, devolved taxes plus Non-Domestic Rates could account for 10% of the Welsh Government's budget.

The Wales Act 2014 provides for adjustments to be made to the Welsh block grant when taxes are devolved to reflect the new revenue-generating capacity of the Welsh Government. A key issue is therefore the nature of the adjustment, which will need to take account of economic factors, such as the expected tax yield, forecast growth rate and tax volatility, and also fairly apportion the risks to the UK and Welsh Governments. Work is ongoing to overcome the difficulties involved: the devil will almost certainly be in the detail, and the prospect of reductions to an already-inadequate block grant has not been warmly received.

The financial arrangements in respect of new taxes are different. As the Wales Bill white paper explained:

> 'The impact on the Welsh Government's block grant would be expected to be limited to the application of a 'no detriment' principle. Under this principle, the Government would apply a block grant adjustment only if a new tax in Wales was expected to reduce revenues to the Exchequer.'[4]

It would seem that if there is no detriment to UK revenues, the Welsh Government would retain any revenues it raises.

Taxation as a policy lever

Taxes are about more than revenue – they are also a new, and potentially very powerful, policy lever. Taxation can change the behaviour of individuals, households and organisations, as people or organisations seek to avoid or reduce their tax liabilities. The scope for new taxes to, for example, stimulate economic growth, reduce harmful health behaviours or protect the environment is significant indeed.

There are many ways in which individuals and organisations seek to avoid or reduce the tax they pay. One of particular relevance to Wales is relocation. As Holtham pointed out, 48 per cent of the population of Wales lives within 25 miles of the border with England, and 2.7 million people (90 per cent of the total population) live within 50 miles of the border. Altogether over 16 million people in Wales and England live within 50 miles of the border between the two countries, compared with three million living within 50 miles of the England - Scotland border.[5]

Sometimes the changes in behaviour to avoid tax are precisely what policymakers want: such as to reduce smoking, fuel consumption or waste disposed to landfill. Similarly, taxes (including tax credits) can be used to stimulate other forms of

behaviour, such as investment in the economy. Taxes are often used where prices do not reflect negative externalities such as environmental damage or benefits such as investment in research and design. Wales has its own good example, with the levy on single use carrier bags, which was introduced prior to the Welsh Government having taxation powers, being estimated to have reduced single use carrier bag use by 71%.

Towards a new tax system

The Welsh Government is in a unique position to design and develop a tax system that works for Wales. For the specific taxes that are devolved, it can determine who should pay (for example the purchaser or vendor of a property), the rates of tax (which could be zero, flat rate or progressive) and tax bands, as well as exemptions and tax credits. It can name the tax, decide on the timing and method of payment, and on penalties for evasion or late payment. For new taxes, it can determine all this as well as the goods or activity to be taxed.

The question of establishing a good tax system has concerned economists and politicians for centuries, not least because getting the system right is critical. The Welsh Government's taxation principles are set out in the 'Collection and management of devolved taxes in Wales' White Paper. This states that Welsh tax policy and legislation should:

- be applied fairly to those who pay taxes, including businesses;
- be simple, with any new rules clearly communicated to avoid compliance issues;
- support the Welsh Government's wider agenda to encourage growth and jobs, which will consequently help to tackle poverty; and
- provide stability and certainty for taxpayers.[6]

The principles of taxation are important, particularly when the Welsh Government is designing its tax system from scratch. It has not had the opportunity before to consider how it wants to be funded, who should contribute what and how they want to use tax powers. The principles should provide the framework for Wales' new funding regime in general, and for its new and devolved taxes in particular, and they should be correct and demand widespread support.

In order to collect devolved and new Welsh taxes, the Wales Act 2014 gives the National Assembly for Wales the power to establish a Welsh Revenue Authority (WRA). The Tax Collection and Management (Wales) Bill was passed in March 2016,

and establishes a WRA to be responsible for the collection of devolved taxes, either directly or by outsourcing to a third party.

Conclusion

It has taken a very long time for the idea that the National Assembly for Wales should be able to levy its own taxes to become a reality, albeit with strings attached. The Wales Act 2014 brings an unprecedented opportunity for the Welsh Government to use taxes to change the Welsh economy, society and environment for the better as well as to raise revenue. Introducing new devolved taxes will be no small challenge. There are significant political, legislative and fiscal hurdles to overcome, as well as public and stakeholder opinion to win over.

ECONOMY AND EMPLOYMENT

For many years Wales has struggled with multiple economic challenges mostly associated with rapid changes in key industries, such as manufacturing, mining and steel. The consequences are all too evident in Wales' relatively low Gross Value Added per head, low employment rate, below average wages and small number of firms headquartered in Wales, to name but a few. The Welsh Government has sought to address these problems through a mix of attracting foreign direct investment, providing support for start-ups and indigenous firm growth, and various sector initiatives. However to date it has not been able to use taxation as a policy instrument.

Business taxation is a controversial issue. Many aspects of business taxation, including corporation taxes, are not devolved to Wales so are not within the Assembly's remit. We also recognise that some taxes may deter business activity and that enterprises can structure their operations to minimise their tax liabilities, neither of which we wish to encourage.

Notwithstanding these limitations, there is scope for the Assembly to seek to introduce new taxes to boost Wales' economy and employment. Taxes could be used to encourage positive corporate behaviour, generating investment and growth. Wales' new tax powers are not necessarily limited just to collecting revenues – the National Assembly for Wales is able to introduce tax credits that correspond to a tax it is responsible for collecting.

New business taxes could also offset the negative costs of certain aspects of corporate behaviour. Many businesses in Wales take their corporate responsibilities extremely seriously, but some do not always pay the full cost of the negative impacts they have on communities.

This chapter explores ideas for new devolved taxes which would encourage investment in areas that will stabilise Wales' economy and boost skills and strengthen corporate accountability by mitigating the negative externalities of businesses' behaviour.

Tourism Levy

Tourism is a key industry in Wales and the benefits of tourism are widely documented. The Welsh Government states that tourists and visitors to Wales spend

over £13 million a day, and that this contributes approximately £2,844 million to Wales' annual GVA and supports 123,000 jobs.

Tourism can however place a strain on public services, local communities and infrastructure. For example, Cardiff's role as a host of major events, such as the Rugby World Cup, and the related increase in visitor numbers, has led to calls for investment in Cardiff Central Station and rail infrastructure.[7] There can be a similar impact on policing: while the effects have not been quantified in Wales, in Devon and Cornwall the 1.5 million visitors a month in July and August are associated with a 10% increase in road traffic accidents and an increase of 18% in policing resources required.[8]

Tourism also has an impact on Wales' environment. For domestic tourism, cars are the most popular mode of transport, accounting for 8.07 million trips compared to 1.42 million trips by public transport in Wales.[9] The tourism industry also produces a significant amount of waste: the table below illustrates how 27 million tonnes of waste was produced by hotels in Wales in 2009. While over half of this was either reused or recycled, WRAP estimated that 78% of the waste sent to landfill by UK hotels was made up of potentially recyclable materials – 41% of which was food.

Table 2: Waste produced, recycled and disposed by UK hotels in 2009 by nation (thousand tonnes)

	Total waste	Mixed (residual) waste destined for disposal	Waste destined for recycling/reuse	Non-mixed waste or mixed waste managed in other ways
England	370,000	131,000	231,000	9,000
Wales	27,000	10,000	17,000	1,000
Scotland	76,000	27,000	47,000	2,000
Northern Ireland	12,000	4,000	8,000	0

Source: WRAP (2011), The Composition of Waste Disposed of by the UK Hospitality Industry, Table 1

National park authorities in Wales are especially concerned about the environmental impact of tourism. The Snowdonia National Park Authority states that:

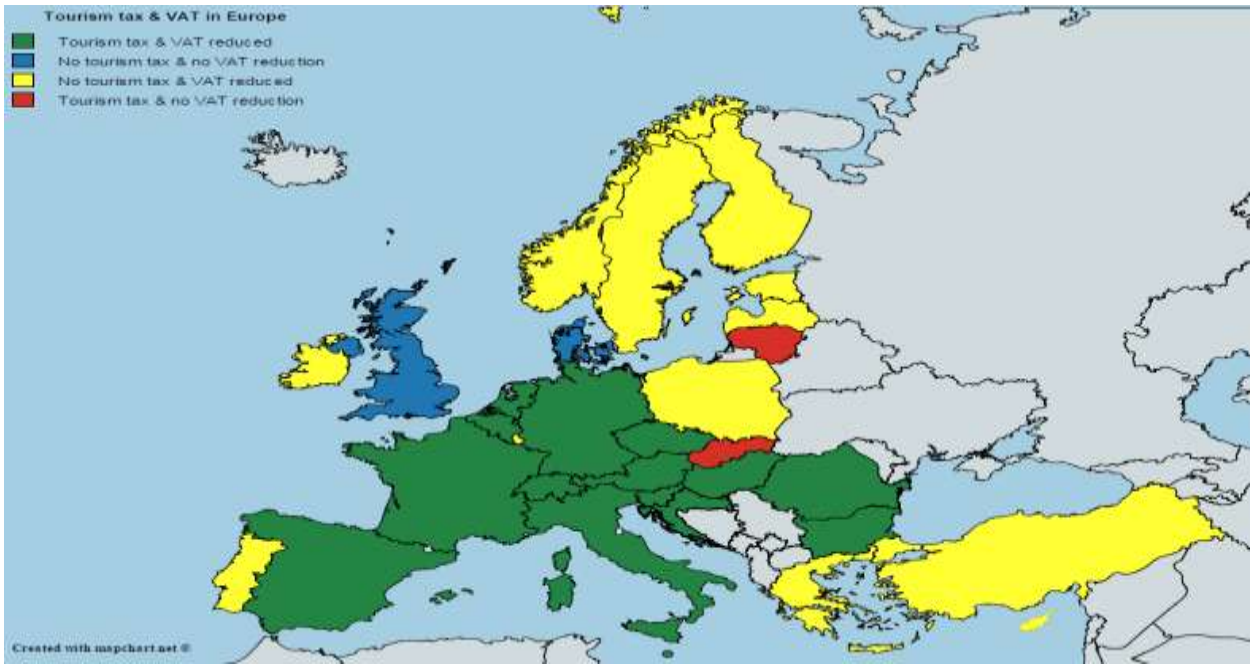
> 'Environmental impacts [of tourism] range from the usual rubbish left to the amount of visitors that tread the footpaths. Erosion of footpaths by feet and bicycles cause problems.'[10]

While tourists are and should continue to be warmly welcomed to Wales, there is a good case that the tourism industry should pay for the negative impacts of its activities.

Experience elsewhere

Tourism taxes have been introduced in many countries although they differ considerably. Some are applied to particular cities or resorts, whereas others tax hotel and campsite stays. They are generally a small proportion of the cost of the trip, and are collected at the local or national level depending on policy.

Out of the 17 countries in the EU which operate some form of tourism tax, only two countries do not offer a reduced rate of VAT for the tourism industry (Slovakia and Lithuania). No part of the UK currently operates a tourist tax, and the tourism industry does not benefit from a reduced rate of VAT (except for cultural attractions managed by public and not-for-profit organisations which are exempt because of EU regulations).



Source: Ranson, G. (2014), Comparison of tax reliefs, tourist taxes and VAT Thresholds in Europe

In Slovenia, a tax of between approximately €0.60 and €1.25 is paid per person per night on hotel rooms. It differs depending on where it is applied and the star rating of

the hotel, and some locations offer discounts for children. Hotels do benefit from a lower rate of VAT which is charged at 8.5% (compared to the standard rate of 20%). A similar model of a tourism tax on accommodation coupled with a VAT reduction to the same sector is applied in several EU states.

Slovakia also applies a very similar rate of tax on hotel stays (with regional variations of between €0.50 and €1.65), but hotels are also subject to the standard rate of VAT which is applied at 20%. In Lithuania, which also applies the standard rate of VAT to the tourism sector, an accommodation fee of €1 per person per night has been introduced in two resorts to fund infrastructure projects and promote local tourism.
Outside the EU, Switzerland, where hospitality amounts to 4% of GDP, a tourism tax is applied in two parts: BA tax and Kurtaxe. The former funds the infrastructure and marketing associated with tourism, while the latter is used to improve visitors' experience. The local authority (know as Cantons) are responsible for these taxes, and can introduce additional taxes if they wish.[11]

In North America, states and counties have placed several taxes on services associated with the tourism trade. Utah has a range of tourism taxes. Counties are permitted to place a 'Transient Room Tax' on hotel rooms at a maximum rate of 4.25%. As the rate is set at a county level, there is considerable variance in the rate applies across the state. Other taxes described as a 'tourism tax' by the state include a tax on food and drink purchased in restaurants and a tax on short-term car rentals and leases.

A Tourist Levy for Wales

A tourist levy could be introduced as a per night charge on temporary accommodation such as hotels, holiday parks and hostels for all visitors, with certain exceptions defined in legislation. Overnight stays in hotels, guest houses, B&Bs, and (serviced) holiday villages and centres would incur the levy, which would be applied as an additional charge on the guest's bill, in recognition that each customer should pay an equal amount to reflect their 'cost' to the area.

The levy could be extended to cover other holiday accommodation such as campsites and caravan rentals to broaden its base. The lower per-night cost of this sort of accommodation may need to be reflected in legislating for a lower rate for this category.

The levy is most suited to be collected and managed by local authorities. The revenue raised could then be used to promote local tourism, invested in

infrastructure such as transport networks or to offset the cost of tourism on public services.

A maximum rate would be set by legislation, as well as the option to set it at a zero rate to reflect the variations in the tourism industry in different parts of Wales. For example, in an area with very low levels of tourism it may be overly burdensome to collect a tourist tax and local authorities should therefore be able to set it at a zero rate where this is appropriate.

Local authorities would need to identify all hotels, guest houses, B&Bs and holiday villages/centres within their area. There is some complexity in identifying exactly what accommodation falls into these categories, but the following definitions already exist in current VAT regulations:

Hotels, inns and boarding houses - commercial establishments providing lodging (furnished sleeping accommodation) and possibly meals and other facilities such as laundry services, communal TV/rest rooms and phone services for guests and visitors. An establishment does not have to provide food or other facilities to be regarded as a hotel, inn or boarding house.

Similar establishments - establishments with similar characteristics to hotels, inns and boarding houses; and any premises, in which furnished sleeping accommodation is provided, that are used by or held out as being suitable for use by visitors or travellers (but not if such use is only occasional). This includes: motels, guesthouses, bed and breakfast establishments, private residential clubs, hostels, and serviced flats (other than those for permanent residential use).[12]

The VAT regulations also offer a definition of 'holiday accommodation' which covers tents, houses, flats, chalets, caravans, and a range of other dwellings which are classified based on being 'advertised or held out as suitable for holiday or leisure use is always treated as holiday accommodation.'[13]

Identifying these businesses would be done through self-declaration, with the onus then on the business owners to declare annually the number of overnight stays. This information may already be recorded as part of their book keeping processes, especially if they are liable for VAT, so this should not greatly increase the burden on recording information for the businesses.[14] The levy could then be collected via an additional charge on the non-domestic rates bill for these businesses.

The legislation would also need to offer exemptions for those using hotels or similar accommodation in vulnerable circumstances – i.e. those who are temporarily housed because of homelessness or fleeing domestic violence.

Revenue impact

A tourist levy applied as a per-night charge in Wales has the potential to raise significant revenue. As the table 3 shows, there were over 40 million overnight stays by UK and overseas visitors. Assuming that all these visitors stayed in levy-paying accommodation, the gross revenue from an uncapped levy of £1 per night would have been £41.8 million in 2014.

Table 3: Number of overnight stays by UK and overseas visitors to Wales, 2006-2014 (millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nights (UK visitors)	36.0	31.9	31.8	32.6	32.8	34.9	34.7	33.7	35.1
Nights (overseas visitors)	9.0	6.4	7.9	6.3	6.3	6.3	7.1	5.9	6.7
Total	45.0	38.2	39.7	38.9	39.0	41.2	41.8	39.6	41.8

Sources: VisitBritain (2015), Inbound tourism to Britain by area; VisitEngland, Visit Scotland and Visit Wales (2015), The GB Tourist: Statistics 2014

The revenue generated would enable local authorities to recoup some of the costs associated with tourism. The revenue could be allocated to spend on tourism-related services, with local tourism operators having a say in its expenditure. It could be used to fund public services which are partially or wholly intended to make the destination more attractive to tourists, such as building new and improving existing public amenities, picnic areas, viewing spots and signage, offering tourist information services and developing transport networks between various tourist destinations.

The revenues could also be used to mitigate the cost of the temporary increase in population, whether it is increased street cleaning, provision of public toilets or pressure on policing.

Unintended consequences

We recognise that a levy on tourism may have negative consequences, most obviously in deterring visitors. A tourist levy could affect the overall perception of Wales as a visitor destination, and it could also affect the price competitiveness of accommodation, including comparison with nearby destinations. Some studies have found that demand may be quite elastic in response to a tourist tax, or if the tax rate

is set low enough it would not impact on demand in any measureable way.[15] However these findings may not necessarily be a good indicator of circumstances in Wales.

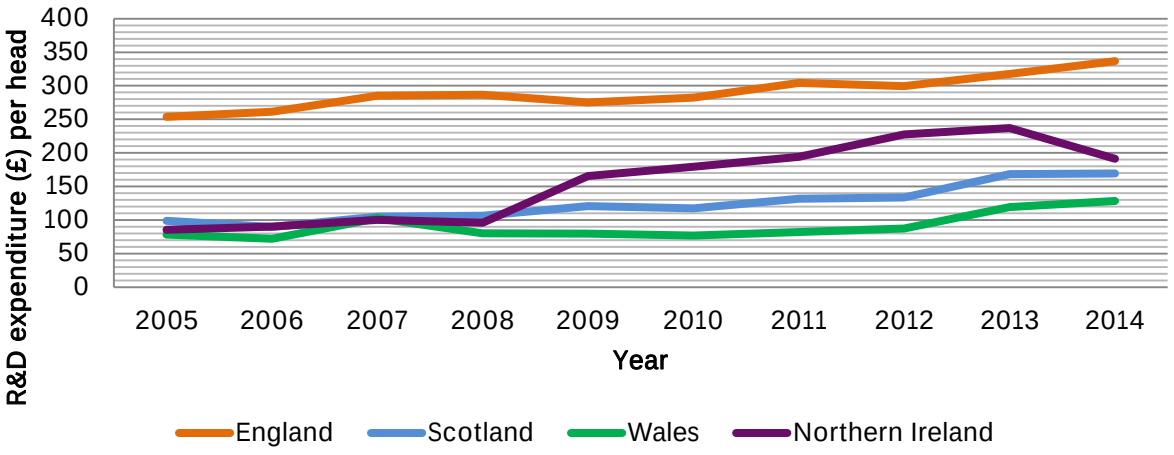
We also recognise that the majority of tourism businesses operating in Wales are micro-businesses,[16] meaning that they may be less able to absorb the impact of any price changes and additional administrative costs. A carefully phased introduction may help to resolve these challenges.

Issues of avoidance will need to be addressed, for example a business may not accurately declare the number of overnight stays. Compliance issues may also arise in respect of informal 'Airbnb' style holiday rentals and amongst very small operators.

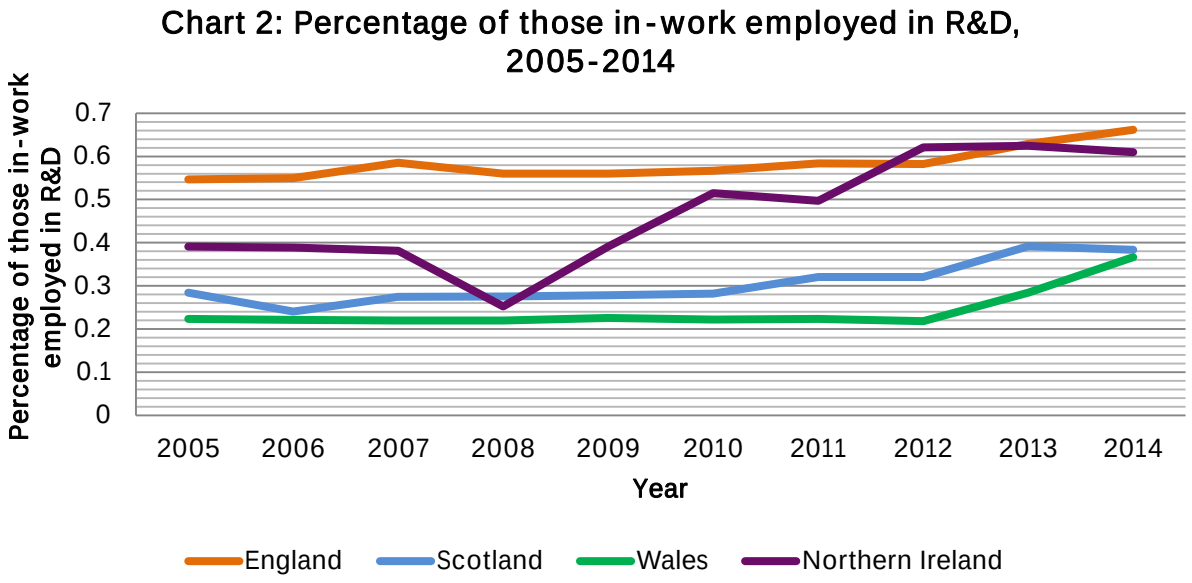
Innovation Tax Credits

One of the key weaknesses in the Welsh economy is its relatively low level of business innovation, linked with low levels of research and development (R&D). Wales has historically had the lowest per-head spend on R&D compared to England, Scotland and Northern Ireland. Despite rising in recent years, Wales had not matched the R&D spend per-head of Scotland and Northern Ireland since 2007, as shown in chart 1. Wales also has a smaller share of total employment resulting from investment in R&D compared to other UK nations (chart 2).

Chart 1: £ per head spend on R&D, 2005-2014



Sources: ONS, Business Enterprise Research and Development, 2014, Table 7; Nomis, Labour Market Statistics – England, Scotland, Wales and Northern Ireland 2005-2014



Source: ONS, Business Enterprise Research and Development, 2014, Table 7; Nomis, Labour Market Statistics – England, Scotland, Wales and Northern Ireland 2005-2014

The UK Government operates a scheme of Research and Development Tax Credits which provide additional funding and/or tax relief for SMEs and large companies which reinvest part of their profits into R&D activity. An enhanced version for vaccine research was introduced in 2003-4.[17] R&D Tax Credits essentially provide a relief from corporation tax, although companies that are liable for corporation tax but have a zero bill can receive R&D tax credits.

The vast majority of current R&D Tax Credit expenditure is in England, with Wales receiving £15 million for SME R&D schemes and £5 million for large company R&D schemes.[18]

Welsh Innovation Tax Credits

A Welsh Innovation Tax Credit Scheme would effectively replace the UK Government's scheme in Wales, and offer enhanced and extended benefits. Discussions with the UK Government would be required to ensure its devolution to Wales and avoid any duplication.

The Welsh scheme would enable businesses in Wales to declare their investment in defined innovation and R&D activity in Wales during the past financial year, with the Tax Credit being either a relief against Corporation Tax or paid as grant if Corporation Tax is not paid or is zero.

Innovation Tax Credits would help to encourage investment in innovation and R&D in Wales. R&D tax credits have been shown to be effective[19] with HMRC estimating that every pound spent on R&D tax credits stimulates between £1.53 and £2.35 additional business expenditure.[20]

A definition of qualifying innovation and R&D investment would be needed. The current UK definition states that an R&D project must "seek to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainly." Consideration may need to be given to ownership of intellectual property arising from the project.[21]

The credits could be focused on investment in specific areas of the economy that the Welsh Government wishes to encourage or in particular circumstances, such as the involvement of apprentices. Additional requirements could also be included, such as that applicants should be required to operate in such a way that is not detrimental to the communities in which they are based (e.g. in relation to the environment).

Innovation Tax Credits would not generate revenue for the Welsh Government. Indeed the Welsh Government may need to compensate the UK Government for lost corporation tax. However, Innovation Tax Credits are potentially a very valuable economic development instrument that could help to address the long-standing shortfall in investment in innovation, R&D in Wales. They could do so at a modest cost and are arguably more effective than grant aid.

Compliance

As with any tax, consideration needs to be given to compliance and administrative requirements. The potential for fraudulent or misrepresented claims could be a problem, especially as the onus will be on the business to prove how the tax credits were invested. Problems may also arise if there is an attempt to recoup fraudulently-claimed money, and this can be a costly and lengthy process. However, if the self-declaration system does not differ too greatly from the current application process for R&D tax credits this risk is unlikely to be exacerbated.

As is already observed in relation to the distribution of tax credits, they are costly to process and administer and it can be very difficult to identify fraudulent behaviour.[22] These costs and risks would need to be considered before the policy could be pursued, and the necessary checks must be in place on applicants' credentials.

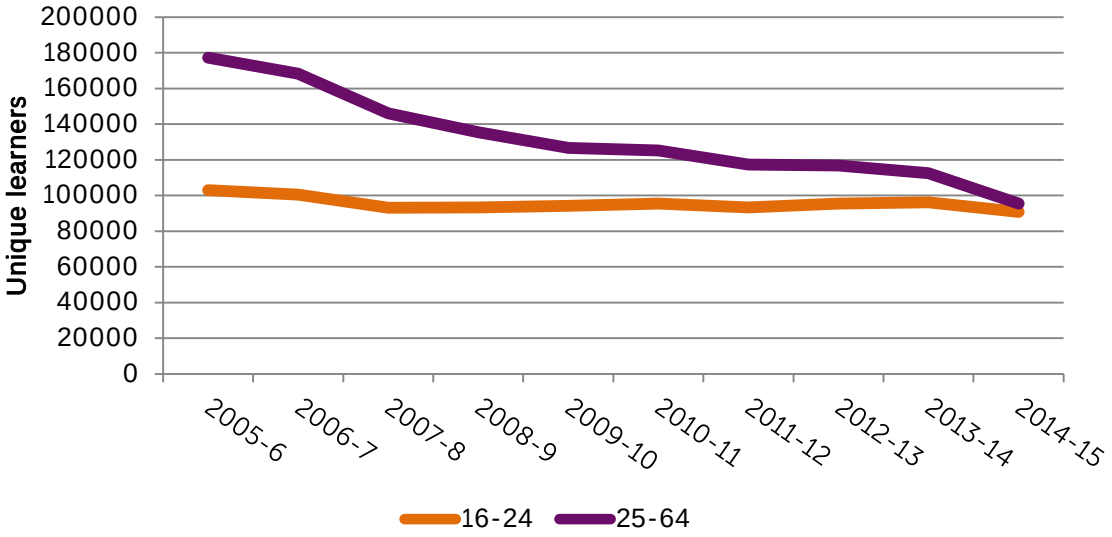
Under-claiming is also a potential problem that prevails in the current UK R&D tax credits regime, which would have to be taken into account when designing a Welsh R&D tax credits regime.[23]

Workforce Development Levy

Wales' workforce has lower skill levels than the UK average, with a lower proportion of economically active people of working age having qualifications at NVQ level 4 and above and a higher proportion of people having no qualifications.

In terms of participation in learning, there has been a continuous downwards trend in the number of adults aged 25 to 64 years of age participating in further education, community learning and work-based learning offered by Welsh Government-funded providers. And while the majority of employers in Wales do provide or fund training for their staff, there were still a third of employers who had not arranged training for any members of staff in the 12 months prior to being surveyed.[24] Half of employers who already offered training were restricted in what they could offer, with lack of funding cited as one of the main causes for this.[25]

Chart 3: Unique learner numbers by age group in Wales, 2005-2016



Source: StatsWales (2016), Unique learner numbers by age and gender

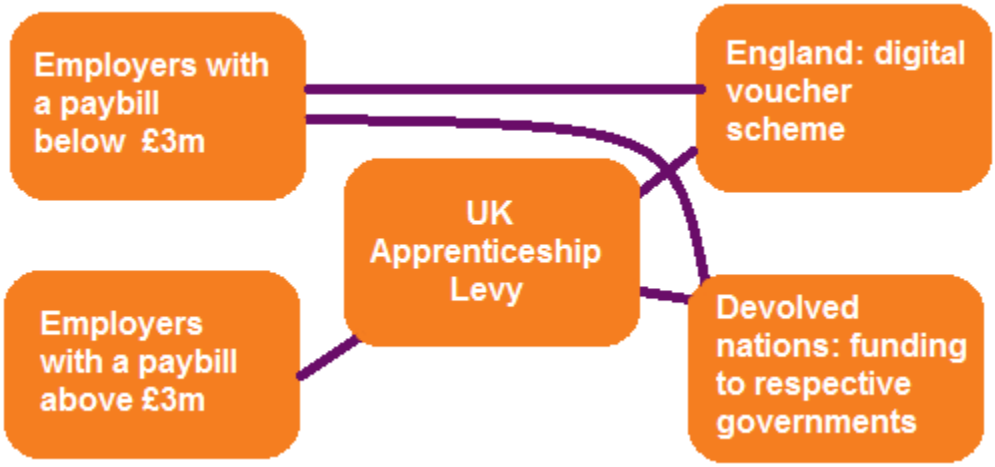
The costs of training and educating the workforce are currently shared between the state, individuals and employers. The benefit of training levies and taxes is that they require all employers (or a specific group of employers) to contribute to the cost of training for those in employment, or to fund training for unemployed people who may also be employed as trainees or apprentices for part or all of their study period. Levies on employers were once widespread through Industrial Training Boards

introduced in the 1960s, but were removed in 1988 except construction, engineering construction and the film industry.

In the 2015 Summer Budget, the UK Government announced plans to introduce a UK-wide Apprenticeship Levy. The rationale is to "reverse the long-term trend of employer underinvestment in training, which has seen the number of employees who attend a training course away from the workplace fall from 141,000 in 1995 to 18,000 in 2014."[26]

The UK Apprentice Levy is anticipated to operate through employers' National Insurance contributions, paid to HMRC. It will be set at 0.5% of an employer's paybill, but they will be granted a £15,000 allowance to offset against the levy payment. Therefore, only employers with a paybill above £3 million will contribute once the allowance has been taken into consideration.[27] As a result, fewer than 2% of UK employers are expected to pay the apprenticeship levy,[28] predicted to raise around £2.7 billion throughout the UK in 2017-18.

Figure 1: The UK Apprenticeship Levy



The proportion of employers paying the apprenticeship levy is likely to differ considerably between industries and sectors. For example, the Construction Industry Training Board (CITB) estimates that just 0.2% - approximately 700 – businesses within the construction sector will be liable to pay the levy, whereas it can be assumed that all local authorities and health boards in Wales have a payroll exceeding £3 million and will therefore be liable to pay the levy.[29]

The UK apprenticeship levy will apply to industries which already have a training levy, such as construction. Concern has been raised from within the construction industry

that some employers will effectively be taxed twice for the cost of training and apprenticeships if the industry levy remains.[30]

In England the money generated will fund a 'digital vouchers' system which can be accessed by all employers to assist with the cost of apprenticeships, including for those who do not pay the levy. The Digital Apprenticeship System will be supported by the Institute of Apprenticeships, which will advise the Secretary of State on how the levy should be spent.[31]

Although large employers in Wales will be required to pay the levy, how it will be devolved to the National Assembly for Wales remains uncertain. The Welsh Government raised concerns in February 2016 which are unresolved at the time of writing. A briefing paper by the House of Commons Library suggests that Wales, Scotland and Northern Ireland will each receive a share of the estimated total GB revenue of £3 billion. If the amount is distributed via the Barnett formula, Wales could receive around £142 million.[32]

Legislation for the collection of the Apprenticeship Levy will be introduced in a UK Finance Bill, which is being carried forward into the 2016-17 parliamentary session and at the time of publication is at the House of Commons Committee stage.[33] The present impasse is, however, an opportunity for the Welsh Government to go further than the UK Government's plans.

Experience elsewhere

Training or workforce levies are used elsewhere in the world. The limited evidence suggests that training levies generally have a positive impact, at least on the quantity of training taking place.[34]

In 2000, Ireland's Government introduced the National Training Fund (NTF) which was paid for by a levy on employers. The 0.7% levy is paid as part of each employee's Pay Related Social Insurance (PRSI), and it was introduced in tandem with a 0.7% reduction in the PRSI rate.[35] Opting to collect the levy in this way means that those who are self-employed are not obliged to pay it, and many employers are unaware that part of their employees' PRSI is allocated to the NTF. The Minister for Education and Skills is responsible for allocating the fund, subject to spending agreements made with the Minister for Public Expenditure and Reform.[36]

The NTF is almost wholly made up of revenue from the levy, which is approximately €350 million annually. It is spent on training (including essential skills and apprenticeships) for jobseekers and those in employment, and a part of the fund is allocated to identifying existing and future skills needs for the economy. It has funded

some of Ireland's apprenticeship and training programmes, such as the Skillnets initiative, as well as the Expert Group on Future Skills Need. However, as the NTF does not publish public accounts it is impossible (and perhaps surprising, given it is a levy) to determine exactly where it is spent.[37]

Malaysia's training levy (coined the Human Resource Development Fund) was introduced as a way of encouraging and assisting private-sector employers to retrain and upskill their workforce to support their own business plans and the wider needs of the workforce. It was introduced in 1993 as a levy of one percent on the payroll for employers with 50 or more employees, and an optional rate of 0.5 percent for smaller businesses, with the revenue matched by government. Funding is available for approved training courses (which in turn reduces the administration for employers looking for suitable training), as well to assist with the cost of developing training plans.[38]

A Welsh Workforce Development Levy

There is scope to enhance the UK Apprenticeship Levy with a tax that better reflects the needs and circumstances of Wales. We suggest replacing the UK Apprenticeship Levy in Wales with one which brings more employers into scope than under the UK system, and which offers support for a wider range of workforce development activity than apprenticeships.

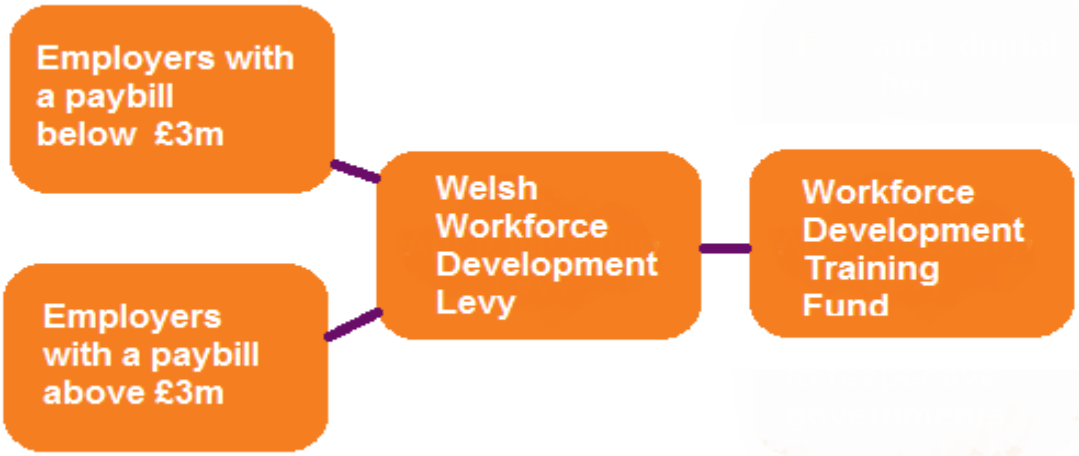
In terms of employers, we propose retaining, if possible, the UK Government's approach of a levy based on 0.5% of an employer's annual paybill. Using the total figure of £31.452 million paid in compensation to employees in Wales' regional accounts as a very rough indicator of the total Welsh paybill, a 0.5% levy would generate around £155 million. Having the same rate and collection method is important to ensure there is no competitive disadvantage to Wales and to minimise the administrative burden on business. It also avoids the risk of a Welsh tax being seen as a 'tax on jobs'.

However, rather than applying the Barnett formula to this sum as appears to be envisaged, it should be ring-fenced and allocated in full to the Welsh Government for expenditure on workforce development. This provides the transparency required for a levy of this type and provides an incentive for the Welsh Government to increase employment in Wales.

It is in the use of the revenues raised that we propose a different approach. First, rather than offering an allowance to employers to offset against the levy, which means small and medium-sized employers have no incentive to increase their

provision of training or development, we recommend that all employers contribute a cash sum.

Figure 2: Welsh Workforce Development Levy



We also propose that the levy be used to fund a wider range of activity than apprenticeships. Apprenticeships are important but are by no means the only solution to the issues facing Wales' economy and labour market. Revenues from the Levy could be used to support upskilling and progression of people already in-work, and to assist the entry into employment of key groups such as disabled people, carers and parents, and for people made redundant.

We envisage employers taking a leading role in directing the utilisation of Workforce Development Levy revenues, with robust monitoring and evaluation to avoid abuses.

Should the arrangements for operating a Welsh levy within the UK system not be agreed, the National Assembly for Wales could seek powers to collect a separate levy via business rates, although establishing a link between premises and the number of employees would be an additional task.

HEALTH AND WELLBEING

On almost all measures, people in Wales have, on average, poorer health than elsewhere in Britain. There is a higher incidence of almost all illnesses, from diabetes to cancer to dementia, a higher proportion of the population report that their health is poor, and healthy life expectancy is shorter. The reasons are mixed, including an older population profile, poverty and the legacy of Wales' heavy industries, but behaviour and environment are also factors.

The notion that tax can be used to deter people from engaging in unhealthy activities is something we are relatively used to. Tobacco products, alcohol and gambling are all heavily taxed by the UK Government with annual increases in taxation rates a reality of recent Budgets. Additional taxation on these products and activities is partly based on the idea that these products and activities place an additional cost on society, and that users should therefore make an extra contribution which can be used to mitigate the negative consequences of smoking, for example, on public services such as healthcare.

This section will look at how devolved taxes could be used to discourage people from making unhealthy lifestyle choices. It will focus on a Welsh Sugar Tax and a tax on tanning salons.

Sugar Tax

There is a close link between high levels of sugar consumption and high incidence of tooth decay and dental caries, obesity, cardiovascular disease and type 2 diabetes. Recent figures show that 41 per cent of five year olds and 52 per cent of twelve year olds in Wales displayed signs of obvious dental decay in primary teeth, while this stood at 63 per cent of 15 year olds.[39] For adults, 10 per cent have no natural teeth remaining, and 75 per cent had only natural teeth. Of those who still have natural teeth, 86 per cent had at least one filling and over half of adults with teeth were classified as having a high sugar intake (defined as consuming cakes, puddings, biscuits, pastries, sweets, chocolate or fizzy drinks at least six times per week or more.[40]

The Welsh Health Survey 2014 found that 58 per cent of adults in Wales were either obese or overweight.[41] Recent data indicates that over a quarter (26 per cent) of children in Wales are also overweight or obese.[42] Recent data indicates that 5.7 per

cent of all those registered with a GP practice in Wales have been diagnosed as diabetic, and 3.6 per cent have been diagnosed with cardiovascular disease.[43]

The risk posed by type 2 diabetes to public health in Wales is particularly alarming. Diabetes UK research has found that 182,600 people in Wales now have diabetes, while an additional 70,000 people are estimated to have Type 2 diabetes, but are unaware. Over half a million people in Wales are classified as being at high risk of developing type 2 diabetes.[44]

As mentioned, these health and dental diseases have all been linked to excessive sugar consumption. Recent figures suggest that sugar consumption across the UK is higher than the recommended daily allowance of 90g. In Wales, an average of 108g of sugar was consumed per day[45] between 2012 and 2014, although there has been an observable decrease in sugar consumption in recent years. In 2014, sugar consumption was at an average of 107g per day, while five years before in 2009 this was 129g per day.[46]

Table 4: Total sugar intake derived from household food & drink by government office region & country, 3 year average (2012-14)

	England	Wales	Scotland	Northern Ireland	England
Average total sugars consumed per person per day (g)	109	108	112	118	109

Source: DEFRA (2015), Living Costs and Food Survey - Energy and nutrient intakes derived from household food & drink by government office region & country

There have been several calls for a sugar tax to be introduced in Wales and the UK, including by the British Dental Association,[47] Public Health England,[48] the House of Commons Health Select Committee[49] and the British Medical Association[50]. In January 2015, Chief Medical Officer for Wales Dr Ruth Hussey said: "People across Wales are eating too much sugar. It's surprising how much sugar there is in some of the food and drink we give our children and these eating habits can have a huge impact on their health. From cereal in the morning through to puddings in the evening, not to mention the sugary drinks and snacks, it all adds up. Too much sugar can mean our children facing a life of bad health, from obesity, type 2 diabetes through to dental problems."[51]

Plaid Cymru has also campaigned for the introduction of a sugary drinks tax in Wales,[52] and received support from Labour Assembly Members for an Opposition motion to enable the next Welsh Government to introduce such a tax.[53]

Midway through writing this report, the UK Government proposed sugary drinks tax in the 2016 Budget. Highlighted as a means of tackling childhood obesity, the tax will target producers and importers of soft drinks that contain added sugar. There will be two bands: a lower rate for drinks with at least five grams of sugar per 100 millilitres and a higher rate for drinks containing at least eight grams of sugar per 100 millilitres. The tax is expected to be implemented in April 2018 following consultation in summer 2016.

The Wales Bill Command Paper states that, "[i]f the UK Government intends to introduce a new tax that has a degree of alignment with areas of devolved responsibility, it will consult with the Welsh Government about the scope for that tax to be devolved." However, we are not aware of any discussions despite a clear alignment with public health responsibilities – a devolved area. Based on indications from the UK Government, Wales will receive its share of sugar tax revenues via the Barnett Formula.

In our view there are questions about whether the UK Government's sugar tax is right for Wales, or if a different approach should be taken that is more closely aligned with Wales' other public health goals.

Experience elsewhere

Taxes on sugary foods and drinks operate in several countries, although due to industry lobbying and certain practical problems with compliance they have not always been long-lasting. In particular, sugary drinks levies have been introduced in several US cities, EU member states, and countries, including Mexico to varying degrees of success.

In France, a sugary drinks levy of €7.16 per hectolitre (approximately €0.02 per 330ml can) was applied to all non-alcoholic drinks containing added sugar and/or sweeteners from 1 January 2012. Despite the complex nature of the tax and the low amount it adds to the unit price of sugary drinks, research found that the price of drinks with added sugar or sweeteners did increase in response to the tax, particularly in the case of soda. Producers and retailers did not transfer this cost immediately – in many cases it was added over months once the tax was implemented and some retailers chose not to increase prices. On average, retailers did not wholly transfer the cost of the tax to consumers, particularly for flavoured waters and fruit drinks. The

study also noted that retailers increased the prices of own-brand products more than branded products.[54] Consumer behaviour did appear to change as a result of the introduction of the sugary drinks tax. In the first four months of 2012, the sales of soft drinks declined by 3.3%.[55]

It is also worthwhile considering the behaviour of corporations in response to the sugary drinks tax in France. When the sugary drinks tax was announced in the French Government's budget at a lower rate of €4.30 per hectolitre, Coca-Cola Enterprises briefly suspended plans to invest €17million in expanding the Bouches-du-Rhône plant in a public protest, while a national supermarket chain also ran a marketing campaign to inform its customers that it would not pass on the additional tax.[56] In addition, L'Association Nationale des Industries Alimentaires (ANIA), an association of food producers, also heavily lobbied against the tax.[57] The industry particularly objected to the idea that the tax was needed on health grounds, and as a small concession the government agreed to stop stating this as a justification.[58]

A similar response from a multi-national corporation was evident when the French Government tried to introduce an additional tax on energy drinks. A recent amendment adding a €1 per litre levy on energy drinks containing at least 150mg of caffeine per litre was ruled as discriminatory by a French judge following a challenge by the producers of the Red Bull energy drink.[59]

Denmark has experimented with several taxes on foods and drinks with a high fat or sugar content, but not all are still in place. At points, there has been a 1.64 DKK per litre tax on sugary drinks, a 4.5 DKK per kilogram tax on chocolates and sweets, a 1 DKK per litre levy on ice-cream, and a 16 DKK per kilogram tax on saturated fat on foods that exceed 2.3% saturated fat. This last tax is of interest as there have been several calls for fatty foods to be taxed, and Denmark was the first country to introduce it. It was part of wider reforms to Denmark's tax system which aimed to move towards more indirect taxes, and it was expected to raise about 1 billion kroner (£110 million) per annum.[60]

It is very difficult to assess the impact of sugar and fat taxes on consumer behaviour, partly because so many different factors must be considered. In the first few months, consumers may have hoarded taxed goods, the public health messages relating to the taxes will be more prominent and seasonality can be a factor. In the long term, the impact of taxes cannot be considered in isolation as the behaviour of suppliers and retailers with regard to pricing must also be taken into account, as well as access to foreign sources for taxed goods.

A study looking at the impact of the tax on saturated fat during its first three months found that there was a 10-20% reduction in consumption of the foods it looked at (butter, butter-blends, margarine and oils). This research backed-up many previous studies which had simulated the affect of a saturated fat tax. The Institute of Food and Resource Economics' study also noticed the discount supermarkets seemed to increase the price of certain taxed products by more than the tax amount, but that they improved their market share for certain products (the researchers noticed this for butter).[61]

Although the study noted that direct consumption of butter, butter-blends, margarine and oils did seem to be reduced as a consequence of the tax in its first three months, it is not evident that this would result in a long-term reduction in consumption or if the Danish people were consuming fewer calories (and therefore losing weight).

Two of Denmark's food and drink taxes have been repealed in the last couple of years. The levy on saturated fat was repealed after just over a year after it was blamed for inflating food prices, putting jobs at risk, and leading people to travel over the border to purchase duty free goods.[62] The government also repealed the tax on sugary drinks which had been introduced in the 1930s. Despite generating significant revenue for the government, it estimated that removing the tax would go a long way to mitigating this impact as it would remove the incentives for cross-border purchasing and a soft drink black market.[63]

St Helena introduced a £0.75 per litre tax on high-sugar drinks in May 2014. This decision was taken in response to figures showing that almost one million cans were imported by the island every year (which has a population of approximately 4000) and one of the highest rates of type 2 diabetes in the world. No information is available regarding the impact of the tax on consumption or health, but it was expected to have a considerable impact on consumption and has been cited as one of the causes for an increase in inflation because of the volume of soda that is usually purchased.[64, 65]

A Welsh Sugar Tax

A Welsh Sugar Tax would tax on sugary foods as well as drinks. It would be based on the added sugar content per portion, so exempting food and drinks with naturally high sugar such as fruit or fruit juices.

Evidence suggests that the tax should be at least 20% of the sale cost in order to change behaviour, so the cost of a £1 sugary drink would need to increase by at least

20p to have an impact on consumption levels. It has been estimated that a UK-wide tax on sugary drinks set at 20% would reduce the prevalence of obesity by 1.3% or 180,000.[66]

Determining the taxable amount of added sugar in a food or drink is more complex, especially as there are no fixed definitions of a portion size and the health effects of naturally-occurring and added sugars remain disputed. However, there is general consensus that the human body does not need to consume added sugar, and that sugar consumption is often difficult for individuals to monitor as added is not always separately identified and can appear under a number of different names.[67]

The impact of an added sugar tax on foods and drinks producers is also complex. The UK produces approximately half of its sugar output from sugar beet,[68] so if the tax has the intended effect of reducing consumption, it would affect the profits of large corporations, farmers, small businesses and others involved in the supply chain such as bakeries, cafes and restaurants.

It is important to recognise that a sugar tax is only one of several ways to reduce sugar consumption and improve people's diets and as such needs to be part of a raft of measures, such as clearer labelling, public education and availability of healthy alternatives. This is why it is fundamentally important that it is introduced as a devolved tax, as it must form part of the Welsh Government's wider public health strategy.

We envisage the tax on added sugar being applied as an additional sales tax applied at the point of sale. Ideally, the tax rate would reflect the amount of added sugar contained in the item, but a flat-rate may be more practical given the size of Wales' market and the potential costs of introducing a variable system.

It is worth noting that across the UK, there is no significant correlation between household income and sugar consumption, so a sugar tax is unlikely to have a disproportionate impact on low income households, especially if they make the intended dietary changes.

Table 5: UK total sugar intake derived from household food & drink by equivalised income decile, 3 year average (2012-14)

	Decile 1	Decile 2	Decile 3	Decile 4	Decile 5	Decile 6	Decile 7	Decile 8	Decile 9	Decile 10
Average daily total sugar consumption (g)	103	109	110	111	111	115	111	110	109	106

Source: DEFRA (2015), Living Costs and Food Survey - Energy and nutrient intakes derived from household food & drink by equivalised income decile

Compliance

There are risks of avoidance and non-compliance, particularly because of the proximity of much of Wales' population to the English border. This, coupled with the relatively small size of Wales' market, makes it unlikely that large producers will specifically change recipes for Welsh consumers.

Sunbed Tax

Skin cancer rates in Wales are comparatively high compared to the rest of the UK, with 709 new cases in 2013. The most recent data shows there has been a strong increase in new cases of malignant melanoma in Wales between 2001 and 2013, which included the number of new cases in men almost doubling.[69] In 2013, 125 people died in Wales as a result of melanoma.[70]

Table 6: Malignant Melanoma: Number of New Cases, Crude and European Age-Standardised (AS) Incidence Rates per 100,000 Population, UK, 2013

		England	Wales	Scotland	Northern Ireland	UK
Male	Cases	6,033	362	587	170	7,152
	Crude Rate	22.7	23.9	22.7	18.9	22.7
	AS Rate	26.7	26.1	26.1	24.4	26.5
Female	Cases	6,213	347	590	207	7,357

	Crude Rate	22.7	22.1	21.5	22.2	22.6
	AS Rate	23.5	21.8	21.4	24.0	23.2
Persons	Cases	12,246	709	1,177	377	14,509
	Crude Rate	22.7	23.0	22.1	20.6	22.6
	AS Rate	24.7	23.4	23.2	23.7	24.4

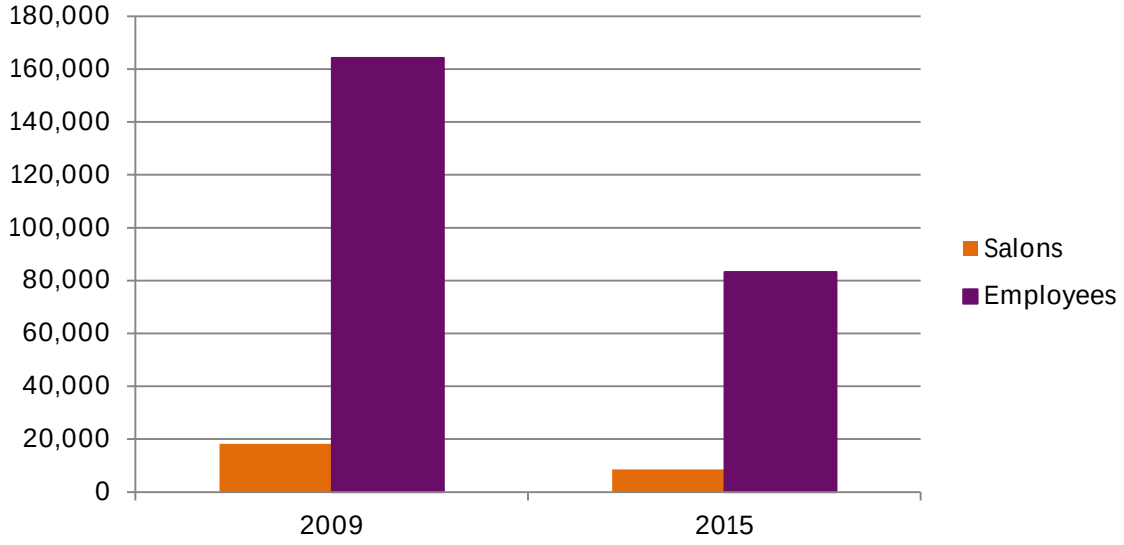
Source: Cancer Research UK (2016), Malignant Melanoma (C43), Number of New Cases, Crude and European Age-Standardised (AS) Incidence Rates per 100,000 Population, UK, 2013 [accessed via: http://www.cancerresearchuk.org/health-professional/cancer-statistics/statistics-by-cancer-type/skin-cancer/incidence#gDO5lCF3SjhFWLBU.99]

Experience elsewhere

A sunbed tax has been operating in the USA since 2010, in the form of a 10 per cent sales tax on all salons that use sunbeds. It was introduced in the Affordable Care Act, with the expectation that it could raise $2.7 billion in the first decade it was applied. It was justified on the basis of the harm that sunbeds cause to people, and as a way for federal government to raise revenue to invest in the healthcare service.

The tax was deeply opposed by owners of tanning salons and other businesses which offered sunbed services, and questions were raised over why certain operators – such as gyms – were exempt from the tax. Recent research by the American Suntanning Association estimated that 10,000 salons had closed since the tax was introduced, and has halved the number of people employed in the industry.[71] However, the closure of so many salons also indicates that the demand for sunbed services must have dramatically reduced during the past five years. Although the tax may not raise the intended revenue, it does seem to have worked at deterring people from using sunbeds in a commercial setting.

Chart 7: Total sunbed salons and employees in the UK, 2009 and 2015



Source: American Suntanning Association (2015), Tan tax state-by-state estimate [accessed via: http://americansuntanning.org/wp-content/uploads/2015/07/2015-June-Tan-Tax-State-by-State.pdf]

A Welsh Sunbed Tax

A sunbed salon tax would operate as a sales tax on sunbed services. It would apply to both standalone sunbed salons and other businesses, such as hair salons, which offer sunbed services. It would seek to reduce the number of people visiting tanning salons and the number of visits they make to reduce their risk of skin cancer, as there is a proven link between sunbed use and malignant melanoma.

There is no data available for the number of sunbed salons operating in Wales, and the most recent estimates are available from the Welsh Assembly's Health, Wellbeing and Local Government Committee which published a report on sunbed use in 2009. The evidence gathered by the Committee estimated that there were around 400-500 tanning salons operating in Wales at this time.[72] There is also little data available about the usage of sunbed salons by the general population, and the Committee was only able to conclude that "a significant number of people use commercial tanning outlets on a regular basis."[73] The Committee on Medical Aspects of Radiation in the Environment estimated that a quarter of adults in the UK have used sunbeds.[74]

To most effectively reduce the number of people visiting tanning salons, the sunbed tax would need to operate as a sales tax so that it is paid directly by customers. The

sunbed tax would be applied to each tanning session purchased, as a proportion of the overall cost of the session. If we assume than the longer the session, the more expensive it is, then we can assume that those opting for lengthier sessions (which present an increased risk to skin health) will be required to pay more tax than those opting for shorter sessions.

The tax base would be the customers of tanning salons and any other businesses offering sunbed services. Although there is no current requirement to register as a tanning salon in Wales, local authorities are responsible for ensuring that The Sunbeds (Regulation) Act 2010 (Wales) Regulations 2011 are enforced, so should keep records on which businesses are operating sunbeds within their boundaries.[75] It may therefore be suitable for responsibility for collecting and managing a tanning tax to be shared between local authorities and the Welsh Revenue Authority.

The risk of avoidance and compliance issues is the same as the risk posed by any sales tax. There is a greater risk with avoidance and compliance problems resulting from the tax operating as a sales tax rather than a flat tax on salons as it is reliant on all purchased sunbed sessions being declared. There are also opportunities for businesses to operate sunbed services without declaring it, or for people to travel to England where the tax does not apply or purchase domestic sunbeds. Compliance problems may arise due to the increased records tanning salons will be required to keep, although as the tax will operate as a flat percentage rate this should not prove too problematic.

ENVIRONMENT

The recognition of the scarcity of our natural resources and how our actions impact on the environment is key to ensuring the sustainability of Wales' environment and communities. New taxes present an important opportunity to change individuals' and corporate behaviour towards the environment, ecology and natural resources in Wales and further afield.

Simply put, the potential to tax environmentally 'harmful' activities or products means that behaviour can be influenced by making it cheaper to be 'green'. Arguably more business-friendly than a ban as it allows time to make a transition, taxing non-recyclables and toxic materials is an attractive option when they are widely used and there are readily-available green alternatives. As with many of the other new taxes proposed in this paper, the primary objective would be to change behaviour, and decreasing revenues would therefore be evidence of success.

The preservation and sustainable extraction of Wales' natural resources is also an area in which new taxes could be used to influence behaviour. Aside from the symbolic gesture of placing a value on Wales' assets such as coal, minerals and water, a new tax could also reduce wastage and reimburse the Welsh public purse for the wider 'harms' caused by use of natural resources such as loss of landscape and noise pollution.

The power to introduce new taxes also brings an opportunity to overhaul the way in which property and wealth are taxed on a much bigger scale. Criticisms levied against these taxes not only refer to their direct impact – such as the accusation that council tax is regressive – but also the impact they have indirectly, such as the disincentive for business owners to invest in their premises resulting from the way in which non-domestic rates are calculated.

Takeaway Packaging Tax

Polystyrene is a petroleum-based plastic. Expanded polystyrene (EPS is formed by expanding tiny beads of polystyrene to form a sponge-like material which can be shaped accordingly. EPS is a popular form of packaging with the takeaway food industry because of the material's thermal properties, because it does not affect the food and drink contained in it and it is a very cost-effective packaging option.[76]

Expanded polystyrene (EPS) has proven particularly popular with the takeaway food industry because it is a relatively good insulator and very cheap to purchase. Biodegradable, aluminium foil and cardboard alternatives are usually more expensive than polystyrene packaging, with many options being more than double the price. For example, Cater 4 You, an online wholesaler, offers 500 large polystyrene burger boxes for £25.08, whereas the biodegradable burger boxes are sold at £44.48 for 500.[77] There is a clear economic disincentive to purchase biodegradable packaging for many takeaway food outlets, which this tax will seek to remove.

Some multi-national corporations have introduced policies to ban the use of this material in their outlets, and others have policies relating to the environmental impact of their packaging:

- McDonald's, which has approximately 64 restaurants in Wales[78], sources 89% of its packaging from renewable sources and has stopped using polystyrene for its tea and coffee packaging. While it has taken steps to reduce the quantity of plastic packaging it uses, it has not committed to stopping all use of EPS packaging.[79]
- Costa, which has 67 branches in Wales[80], only uses paper cups made from sustainable wood pulp, and states that the lid is also 100% recyclable (although they are working with suppliers to use a more widely-recycled product).[81]
- Greggs has 113 shops and cafes in Wales. It predominantly uses paper packaging to serve heated food, and is committed to a 'reduce, reuse, recycle' approach to packaging. The company has made no public statement on whether it uses EPS packaging.

EPS is still used as a default packaging option by many takeaway food and drink retailers throughout Wales. In fact, very little is known about the packaging decisions of the food and drinks industry in Wales, so we are not able to offer any accurate data about the volume of EPS takeaway packaging used in Wales.

There is only very limited recycling in Wales for polystyrene products. This becomes even more problematic because packaging used for takeaway foods and drinks will be contaminated.

EPS waste that is not recycled ends up in landfill or as litter. There is substantial body of academic literature on the impact of EPS on waterways, seas and oceans. As the plastic is so light, it tends to float in water and is a significant contributor to marine debris. Not only does it pollute, it has been found to have been ingested by turtles, fish, seabirds, and other mammals and invertebrates.[82] As land-based litter, Keep Wales Tidy found that fast food litter was present on an average of 17.2% of Wales' streets.[83]

Experience elsewhere

Taxes on takeaway food packaging and polystyrene have been introduced in several countries and are particularly popular in Scandinavia where they operate as a way of ensuring that single-use packaging is taxed to reflect the environmental impact it has and to encourage more people to recycle.

Finland introduced a tax on soft and alcoholic drink containers in the early 1990s. The tax is applied at the point the producer or importer sells on the product (either to a retailer or directly to the consumer) at €0.51 per litre held by the container and it is reduced and not applicable to recyclable and refillable containers respectively. The tax is intended to reduce packaging, although it has been criticised for supporting deposit schemes and not being fairly applied. For example, the tax does not apply to milk packaging. Although the tax does not raise much revenue, Finland has very high rates of recycling and reuse for drink containers. 97% of cans are returned to Palpa, which is owned by the drinks industry, as are 92% of plastic bottles and 89% and 97% of recyclable and reusable glass bottles. Although it has meant that the production of new packaging is reduced, it has resulted in other industries emerging such as the cleaning of reusable glass.

Taxes on packaging in Denmark are far more complex than those imposed elsewhere. Like Finland, there is a tax on drink containers on which a deposit is not paid. But there are also a range of other taxes paid on packaging, determined by their weight, material and some items, such as non-reusable tableware, are mentioned explicitly in legislation. The lowest tax rate is charged at 0.05 DKK and the highest rate is 33.30 DKK.

As there was little known about the quantities of packaging used before the taxes were introduced, it is hard to state how much of an impact it has had on packaging consumption. The introduction of the taxes has led to much better data on packaging consumption, showing that recycling and revenues from packaging appear to be stable.

A Welsh EPS Tax

A Takeaway Packaging Tax would tax polystyrene containers used for takeaway food and drinks. It would not tax other types of container, e.g. cardboard or polystyrene used for pre-packaged food. The tax would result in an additional £0.10 charge per piece of EPS packaging used. Retailers can either choose to pay it themselves, or pass on the cost to the customer. It would be a 'true' tax, collected by local authorities from food takeaway outlets.

The tax is intended to reduce the use of one of the most environmentally harmful materials commonly used for packaging, and replace it with widely-recyclable and biodegradable alternatives. In switching demand it should make recyclable alternatives more easily available to both retailers and consumers. In turn, this should reduce litter and the overall amount of waste being sent to landfill. It should also raise awareness about the environmental impact of takeaway food packaging.

The tax base is all food outlets offering a takeaway food service in Wales. They should be identifiable by their existing relationships with local authorities, which are already responsible for a number of regulations relating to takeaway food outlets such as food hygiene. Data is not available for the number of takeaway outlets operating in Wales, but the information available on the number of food outlets requiring a hygiene rating (28,143 across Wales to date[84]) indicates that the overall figure is highly likely to be in the thousands.

Packaging taxes have been proven to reduce the use of non-recycled goods. Wales has an excellent example of this, whereby a 5p charge on non-reusable carrier bags has resulted in a decline in use of over 70%. The Welsh charge has now been mirrored across the UK.

Several US cities and states have explored the idea of banning the use of polystyrene takeaway packaging. A ban was introduced in New York City on possessing, selling or offering single-use polystyrene products in July 2015, allowing for a six-month transition period. This ban was overturned by the city's Supreme Court, which ruled that polystyrene could be recycled and so there was no foundation for a ban. Oxford City Council faced a similar challenge from the industry when they tried to introduce a ban on non-recyclable takeaway food packaging.

Industry objections may focus on the justification given for needing the tax. The Foodservice Packaging Association (FPA) took a leading role in opposing Oxford City Council's efforts to ban the use of EPS packaging by street vendors. The industry argued that the authority should invest more in recycling services rather than ban a

material, and the FPA also runs its own EPS group to explore recycling options for this material.[85]

There are potential compliance issues, especially amongst independent, small takeaways. Compliance with the carrier bag charge is estimated at just over 70% and it is hoped that even higher compliance could be secured for takeaway packaging. If it is collected by local authorities as we recommend, they have a proven track record of high collection rates for taxes. Compliance issues do not detract from the potential of the tax to have positive impacts on the environment.

Unintended consequences

The packaging industry in Wales provides employment, and any reduction in sales of EPS packaging could have an impact on the number of jobs. However manufacturers may be able to switch to producing more widely-recycled products which are readily available.

Land Value Tax

Land is a precious, finite resource. Owning land confers an advantage because land has value. The value of land reflects a mix of factors: first of all its scarcity, secondly the value of any improvements made by the owner and thirdly the value of improvements made by other people or organisations, e.g. building a road interchange nearby.

It is argued that it is right and fair that value created simply because land is scarce or by the actions of others especially the public sector should be taxed, because the value of land is not due to the actions of the owner. Essentially, a land value tax seeks to capture some of the wealth created by scarcity and by public decisions.

Because a land value tax applies to all land, including undeveloped land, it can encourage development. It acts as a disincentive to hoard or neglect valuable land, and an incentive for development as investment no longer results in an increased rateable value.[86] It can be especially useful in areas of housing shortage but could also stimulate development in disadvantaged communities.

A tax on land values has attracted many proponents because it is as close as possible to an ideal tax - it is efficient (does not alter economic activity), equitable (the richer tend to have more land than the poor) and has revenue raising potential (the tax is difficult to avoid or evade). It also recognises land as a precious finite resource. More importantly, if implemented properly it can potentially seed economic growth, lead

to greater productivity and even energise house building (as well as helping stabilise the cycle in land prices).

It has an extraordinarily wide range of support, from think-tanks such as the right-leaning Institute for Economic Affairs[87] to the left-leaning Compass[88] and Institute for Public Policy Research;[89] from economists such as Mirrlees[90] to the World Bank,[91] and from the Green Party and Liberal Democrats to some Conservative and Labour MPs.

Experience elsewhere

Several countries operate land value taxes, either at a national or regional level. Land value taxes have also been proposed in a handful of EU countries such as the Republic of Ireland.

Taiwan's land value tax is collected centrally, while land values are set at the municipal level. It is a complex system, relying on an element of self-declaration which must take into account nationally agreed land values based on an area average. There are also special rates for land used for certain purposes, such as public housing, mining or hospitals, and a progressive scale whereby more valuable land is taxed at a higher rate.[92]

There are also a number of exemptions and reductions to Taiwan's land value tax. For example, exemptions apply for land used for railroads and highways if they are regularly open for public use. Exemptions for the period of use are also given to land used for public schools, military institutes and governmental agencies. [93]

In Kenya, a land value tax is applied to all land, except land used for roads, streets, car parks, squares, parks and public land, as well as a handful of exemptions for special buildings such as churches. The rates are determined by state-appointed valuers, and it is intended that they are reassessed once a decade (although, in reality, it is less frequent).

Kenya's land value tax is not without its critics who have claimed that administrative problems such as too few valuers have resulted in many regions using out of date valuations, and low collection rates. This has led to a growing appetite for improvements and development on the land to be taken into account rather than simply the undeveloped land value, as well as calls for further resources to be invested in managing and enforcing the land value tax to maximise its potential. [94]

A land value tax does not have to be an absolute approach to taxing property. Land value can be taken into account alongside property value as the basis for a property tax. Several cities in the USA have had or continue to apply a split-rate of property

tax, with Harrisburg, Pennsylvania serving as an oft-cited example.[95] This bases a portion of the property tax calculation on the property, but placing a significantly higher value on the land.

While more complex to administer, it is intended to boost economic activity by encouraging improvements to land and property. A study of the impact of split-rate property taxes in the USA found that it was most beneficial to landowners with a low land to improvement ratio, while those with a lot of land but who made few improvements were worse off than under a regime which just takes property into account.[96] Analyses of the impact of split-rate property taxes also found that it had a role to play in boosting building activity and filling vacant property,[97]

A Welsh Land Value Tax

A Welsh land value tax would tax the annual rental value of land based on specified usage (i.e. agriculture, public services, industrial), disregarding any development of the land. This could be applied as a flat rate tax on the valuation, which would be issued annually, or a system could be devised with various bandings and rates e.g. for commercial and domestic payees. If desired exemptions or reductions for land used for certain activities or of particular national significance and size, such as national parks, could be introduced.

A land value tax could replace the other major forms of property taxation, e.g. non-domestic rates and council tax. A land value tax could also replace Stamp Duty Land Tax. It might even be the case that the National Assembly for Wales could introduce a Land Value Tax under its powers over council tax and non-domestic rates rather than as a new devolved tax.

A land value tax would make Wales' property and business tax arrangements more progressive, so that those with the greatest wealth would pay the most tax. There may be rare instances of owners being asset rich but cash poor, for example someone who purchased their council house under the 'right to buy' in an area which is now highly sought-after. Some form of discretionary assistance could be made available for such cases, similar to the current regime of support with council tax.

A Land Value Tax would remove incentives for landowners to retain land in prime development locations speculatively, in the hope that it will rise in value. While there has been some doubt over whether taxing land value would lead to additional land being brought forward for development, it is expected to result in a more fluid market which could assist smaller developers as large plots of land are broken up for

a quicker sale.[98] It could therefore boost the construction industry, both by incentivising land owners to build on un- or partially-developed land, and by encouraging property and business owners to invest in their properties. It would also encourage investment in areas of Wales with limited commercial development, hopefully bringing jobs.

A Land Value Tax could also address the way in which council tax accelerates the decline of disadvantaged areas. It is argued that when house prices in an area are falling, council tax contributes to the momentum of falling prices and therefore falling demand.[99] A land value tax where revaluations occur frequently, such as in Denmark where they take place every two years, would stabilise the property market.

The tax base could be identified through existing records of land ownership, currently held by the Land Registry. However land values are not assessed at present, so there would be a major role for the Valuation Office Agency (responsible for providing government with the valuations and property advice needed to support taxation and benefits). Given this, it is difficult to predict what a land value tax would raise, and what rates would need to be set at to guarantee a similar income for local authorities as they currently receive from council tax and non-domestic rates.

Table 7 illustrates the amount collected via council tax and non-domestic rates in Wales between 2006 and 2015. For both taxes, collection amounts have increased year on year and the combined total has surpassed £2 billion since 2011-12. As council tax and non-domestic rates are the main sources of local government funding in Wales, a land value tax would be expected to replicate the collection amounts, trends and very high collection rates for both council tax and non-domestic rates.

Table 7: Council tax and non-domestic rates collection amounts and rates in Wales, 2006-2015 (£billion)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Council tax*	0.923	0.974	1.020	1.052	1.090	1.131	1.165	1.216	1.282
Collection rate	99.8%	99.6%	99.1%	99.4%	99.3%	99.4%	99.5%	100.5%	100.2%
Non-domestic rates**	0.717	0.755	0.817	0.834	0.859	0.875	0.918	0.937	0.946

Collection rate	98.0%	97.9%	97.0%	96.6%	97.3%	97.1%	96.7%	97.1%	97.6%
Total collected	1.640	1.729	1.838	1.887	1.949	2.007	2.082	2.154	2.228

Sources: StatsWales (2015), Council tax collection rates, by billing authority; StatsWales (2015), Collection rates of non-domestic rates, by authority: In-year council tax debit for year

** Estimated in-year NDR net collectable debit

The risk of avoidance and non-compliance are very low because land is static and visible. There is a minor risk of abandonment of land and that a high tax rate could be a disincentive to investment. As with any tax, penalties for non-payment will be important.

Water Tax

The idea of taxing Wales' natural resources is not new: it was identified by the Holtham Commission and has been raised several times since. Advocates argue that current arrangements do not reflect the cost of removing or using the resources, the scarcity of the resources or, in some cases, the permanent damage caused by resource usage.

A resource that Wales has in abundance and also exports is water. Every day, over three million people in Wales receive water from five different water companies. Water is also sent to households in the Midlands and north west of England. Natural Resources Wales is the environmental regulator of water companies in Wales, via a licensing system.[100] NRA currently regulates some 1,160 abstraction licences and 627 impoundment licences across Wales, generating around £18 million in fees which must be used only to offset the costs of licensing. [101] The fees do not take into account the wider impact of water abstraction or impoundment on the environment or community.

Climate change and demographic change mean that demand for water is likely to increase by 2050, at the same time as hotter, drier summers limit supply. The NRA's approach is to manage supply effectively and reduce demand, using various approaches. Tariffs and charges have an important role to play here. The conventional approach is to consider consumer charges, and these do have a role to play. But charging could also be used to incentivise companies to reduce leakage and encourage water recycling and re-use of effluent.

Experience elsewhere

Water taxes have been introduced in various means and to differing levels of success elsewhere in the world, and have often focussed on the use of water as a resource for commercial gain.

The Water Conservation Tax forms part of a raft of measures introduced in Singapore to reduce water consumption. The government states that this is to raise awareness of how precious water is and to encourage water conservation. It is calculated to ensure that the price of drinking water is equivalent to the cost of production, and is intended to reflect the scarcity of water. For domestic customers, it is currently 30 or 45% of their Water Tariff (a higher rate is applied to those with higher consumption levels), and 30% for non-domestic and shipping customers.

Although total consumption has risen due to population increase, household consumption has fallen since the tax and other measures have been introduced, from 176 litres per person per day to 151 litres per day.

Water taxes can go beyond simple water consumption. Russia taxes corporations for their use of water areas (in m^3), as well as the use of water bodies for creating hydroelectricity and wood-floating.

Brazil also has a long-established tax on water usage associated with hydroelectric power. The 1997 Water Law imposed a 6.75% levy on hydroelectricity which is charged to compensate for the use of water resources. According to an OECD study, in 2009 the levy raised €527 million. This is then shared between the National Water Agency and the national, state and municipal governments in areas where hydroelectricity is generated.

A Water Tax for Wales?

The question of a tax on water in Wales is highly controversial and has proved difficult to develop in any detail. Notwithstanding the difficulties we propose the principle of a tax on the extraction of water from sources based within Wales' boundaries. It could be applied at a flat rate to those extracting water for commercial purposes, and collected centrally to be distributed throughout Wales. When water is extracted from a source which spans a boundary, the amount of tax owed could be based on a calculation of the proportion of the water source which is based in Wales.

We anticipate that a Water Tax would make a significant contribution to encouraging the careful management of a precious and increasingly valuable resource by commercial operators. It would also enable the National Assembly for Wales to

collect financial compensation to reflect the wider costs of extracting Wales' natural resources. However steps would need to be taken to ensure low income consumers are not penalised by water companies passing on the cost of taxes.

The tax base could easily be identified through records already held by Natural Resources Wales for water abstraction licenses. It would therefore seem practical for this body to also be responsible for collecting this tax due to their pre-existing relationships with water extractors.

Problems with avoidance and compliance are likely to be relatively limited, given that water extraction is already a regulated area. Arrangements would need to be made to manage cross-border issues.

Because of the controversial nature of a water tax and the risks for low income consumers, further work needs to be undertaken on the potential for a Water Tax.

CONCLUSION

The Wales Act 2014 brings the National Assembly for Wales an unprecedented opportunity to use new, devolved taxes to achieve lasting change. We are firmly of the view that this is a power that should be used, albeit with care, as the Assembly matures. Unlike devolution of other taxes the financial risks are minimal and the social, economic and environmental gains are potentially large.

We are not proposing taxation for its own sake. Rather, we see new taxes being part of a set of policy tools that can be used to deliver better outcomes for people in Wales. The eight new taxes outlined here are credible, evidenced proposals that could, for example, help to cut obesity, increase work-related training and achieve a dramatic fall in the use of polystyrene waste to name just three.

Some of the new taxes we propose could also raise much-needed revenue as public spending continues to be severely constrained. Indeed for employers and business, which are perhaps not usually seen as pro-taxation, some new devolved taxes offer a revenue stream that, in a tough financial climate, may not be available otherwise.

Yet despite the potential value of new, devolved taxes there has been extraordinarily little debate about them. At the outset of this project, many people doubted that the National Assembly for Wales has the power to propose new taxes. There have been no proposals for any new taxes other than on sugary drinks, either during the fourth Assembly or in 2016 election manifestos. Similarly, there has been little debate about the interface between the UK Government's Apprenticeship Levy and levy on sugary soft drinks despite the obvious alignment with devolved responsibilities. This needs to change: we hope that not only will the ideas in this report be taken forward but that it will also stimulate the emergence of other ideas.

The challenges that Wales faces will not go away simply because we want them to. With its new taxation powers sitting alongside legislative powers, leverage from its spending and its long-standing policy-making capacity, the National Assembly for Wales is equipped to build a better Wales.

ANNEX 1: CHECKLIST FOR NEW TAXES

This checklist can be used to identify how well proposals for new taxes comply with relevant existing and future legislation (i.e. Wales Act 2014 and Tax Collection and Management (Wales) Bill).

- Will the new tax affect the UK's macro-economic or fiscal policy and/or the single market?
- Does it comply with EU legislation?
- Will it increase tax avoidance risks?
- Will it create additional compliance burdens for businesses, other employers and/or individuals?
- Is it aligned with devolved responsibilities?
- Can you identify the tax base for the new tax and estimate revenue?
- Can you assess the economic impact of the new tax on Wales?
- Will the new tax interfere with existing UK-wide taxes?
- Will the new tax be regressive?
- Does it improve the accountability of businesses in Wales?
- Does it seek to reduce a social or health 'harm'?
- Will it offer certainty and stability for taxpayers?
- Does the new tax support the Welsh Government's wider agenda to encourage growth and jobs?
- Will it be simple and easy to communicate?
- Can the new tax be applied fairly to those who pay taxes, including businesses and other organisations?

Sources: HM Government (2014), Wales Bill: Financial Empowerment and Accountability; Tax Collection and Management (Wales) Act 2016

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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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