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Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad  
a Swyddfa'r Cabinet  
Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru  
Welsh Government

Peredur Owen Griffiths MS  
Chair of Finance Committee  
Welsh Parliament

23 July 2024

Dear Peredur,

### **Landfill Disposals Tax Avoidance**

Thank you for your letter, raising the recent allegations made in the Channel 4 Dispatches documentary, Rubbish Tip Britain, that waste in Wales is being misdescribed to evade the standard rate of Landfill Disposals Tax (LDT).

#### The WRA's current compliance processes

##### *The WRA approach*

The Welsh Revenue Authority (WRA) works closely with taxpayers and their advisers to help them pay the right amount of tax at the right time. This is part of the WRA's commitment to 'Our Approach': Cydweithio, Cadarnhau and Cywiro. It has a zero-tolerance policy towards tax avoidance and evasion, which includes misdescription of waste.

The WRA has dedicated LDT customer relationship managers who work closely with landfill site operators (LSO) to help them get their tax right from the start. Within the organisation, they are a single point of contact for LSOs to go to with any questions or concerns. This system helps the WRA to understand each LSO's unique business model and identify and mitigate risk by working closely with them.

##### *WRA activities*

The WRA identifies potential instances of tax risk (i.e. where taxpayers might have paid the wrong amount of tax) through its close working relationships with LSOs, the data it receives via LDT tax returns, and intelligence shared with it by Natural Resources Wales (NRW) and other agencies. It has a range of civil and criminal powers to address these instances. How and when these are used depends on the circumstances of the issue. Where appropriate, it shares information with a network of partners, such as NRW and law enforcement agencies, who may also take action.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The WRA may take the following actions where it believes there is a loss of tax:

- opening an enquiry into a tax return,
- issuing requests for information (including from third parties),
- visiting landfill sites,
- charging penalties where taxpayer behaviour has been careless or deliberate, and
- making an assessment of tax chargeable (to make good a loss of devolved tax).

LSOs are not the only LDT taxpayers. Where the WRA believes an unauthorised disposal of waste has occurred, it may charge tax at the unauthorised disposal rate (150% of the standard rate of LDT). The WRA may charge any person who made or who knowingly caused or permitted an unauthorised disposal. Where multiple persons are involved in one disposal, they will be jointly and severally liable for the tax charged.

Even when they do not agree on the amount of tax owed, the WRA works productively and jointly with taxpayers to resolve the issue, using its powers where appropriate to do so. Where the WRA issues a formal decision on a taxpayer's liability to LDT, the taxpayer has the right to request that the WRA review it and/or they may appeal the decision to the Tribunal.

### *Partnership with NRW*

The WRA has developed a close working partnership with NRW since the devolution of LDT in 2018, including the delegation of certain investigative functions and the funding of a dedicated LDT team within NRW. Together, the WRA and NRW have developed a joint LDT strategy to maximise the impact of their complimentary powers and map out the joint actions they will take to address instances of waste crime. They routinely share expertise and information on both authorised landfill sites and instances of unauthorised disposals of waste. They also conduct joint visits to authorised landfill sites.

### Misdescription project update

The WRA and Natural Resources Wales have jointly undertaken a project to identify where misdescription occurs and how to mitigate it. So far, they have identified multiple points in the waste cycle at which waste can be misdescribed and have been investigating cases of misdescription.

As you have noted, the Independent Review of LDT identified that the gap between the lower and standard rates has contributed to the intentional misclassification of waste. Increased regulatory action at key points in the waste cycle could help reduce instances of misdescription, but it would not address the driving force behind them.

Raising or removing the lower rate of LDT may have a significant impact on reducing the risk of misdescription and contribute to Wales' circular economy goals. My officials have worked with the WRA and NRW to understand the impact and risks of such a change. I recently made a [written statement](#) regarding this, and launching a public consultation on these options.

### Assessments of LDT revenue lost due to tax avoidance/evasion activities and any steps taken to address those behaviours

The WRA does not model LDT revenue lost, due to the high degree of complexity in the industry and uncertainty involved with modelling using the small number of LSOs in Wales (17). Publishing data based on this small number could also risk disclosing individual taxpayer information.

The WRA is currently working, or has already concluded, enquiries into a number of landfill site operators who together pay 50-60% of the total LDT collected in Wales. The majority of these cases involve the misdescription of waste. In addition to this, the WRA has so far received 50 referrals of potential unauthorised disposals cases from NRW. Of these, the WRA has or is currently investigating 15. In 2023, the WRA become the first revenue authority in the UK to collect tax on cases of unauthorised disposals of waste.

The WRA's compliance processes make it confident it is taking a robust approach to addressing tax avoidance and evasion. It is working with partners to take both the operational and policy steps necessary to reduce tax risk and help to achieve Wales' goal of becoming a Zero Waste nation by 2050.

I would be happy to meet with you to further discuss the issue of misdescription, if this would be helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a large initial 'R' and a distinct 'E'.

**Rebecca Evans AS/MS**

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