

Mark Drakeford MS
Cabinet Secretary for Finance and Welsh Language

23 January 2026

Dear Mark,

Legislative Consent Memorandum: Finance (No. 2) Bill

Thank you for providing evidence in relation to the legislative consent memorandum on the Finance (No. 2) Bill (the Bill) as part of the Committee's evidence session on the Final Budget 2026-27 on 21 January.

While we recognise that the ability to set different rates for property income tax in Wales, as provided by the Bill, may generate only modest sums, we agree that the power is nevertheless valuable and appropriately recognises devolution.

We note that, under Clause 8(2) of the Bill, the provision enabling the Senedd to set separate Welsh property income tax rates would come into force on a day appointed by HM Treasury by regulations, with the 2027-28 tax year being the earliest point at which the power could be exercised. In our discussion, we considered how Senedd procedures would need to change to accommodate a vote on Welsh property income tax rates, and how it would operate alongside the annual Welsh rates of income tax resolution for the main rates. We believe that the procedural considerations for exercising this power, including changes to Standing Orders, will need to be discussed by the Senedd's Business Committee in due course.

We also discussed the UK Government's decisions to change the way that property income is treated in the calculation of income tax liability and to introduce higher tax rates on property income. We would be grateful if you could clarify how the devolution of powers to vary property income tax will impact on both forecast revenues split between WRIT and devolved property income tax in 2027-28, including how the UK policy change has influenced this. We would also be grateful if you could share any initial assessment you have made of the potential behavioural impact of these policies, for example, incentivising incorporation as limited companies or in relation to landlords with a Welsh tax code deriving income in England and vice versa.

Finally, we look forward to receiving further information on the mechanisms to be used to implement the High Value Council Tax Surcharge ("mansion tax") in England from 2028 to most residential properties valued at more than £2 million. In particular, we would welcome clarification on any powers available to the Welsh Government to introduce a tax, levy or surcharge to implement a similar policy in Wales.

A copy of this letter has been sent to the Business Committee.

Yours sincerely,



Peredur Owen Griffiths MS
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.