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Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol  
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Simon Thomas AM  
Chair  
Finance Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

4 December 2017

Dear Simon,

## WELSH REVENUE AUTHORITY BUDGETS FOR 2017/18 - 2019/20

As we will soon be approaching the moment when Wales takes on responsibility for two new devolved taxes, I am writing to provide a further update on the costs to establish the Welsh Revenue Authority (WRA).

In March 2017, I wrote to the Finance Committee providing an update on the cost estimates for the *implementation* of the WRA, explaining it had cost £1.3 million in 2016/17 and it was forecast to cost around £3.5 million in 2017/18. I also set out that I expected there to be a further £1 million or so of implementation costs in 2018/19. In September I confirmed that current estimates showed WRA implementation could be achieved within the figures previously published, (within £6.3m over three years).

In addition, the March letter explained that the WRA was likely to incur operational, (i.e. running) costs of around £1 million in 2017/18 in addition to the implementation costs. In September I wrote to explain that annual running costs for the WRA would need to reflect the additional duties associated with the collection of the higher rates residential property transactions and the operational independence of the WRA.

I have promised to refine cost estimates when key milestones were achieved. We are at a stage where the WRA itself is legally established and a number of the key implementation and operational costs are better understood.

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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.

In order to pay for digital services project costs incurred this year, I have agreed to the full remaining implementation budget of £5m being utilised in this financial year. Overall, my expectation remains that WRA implementation will be achieved within the figures previously published, (£6.3m) with the implementation programme now ending in March 2018.

In relation to WRA operations, new requirements associated with the collection and management of the higher rates for additional residential property transactions and ensuring full operational independence have increased the complexity, and hence the costs, of WRA operations. These new requirements were not originally known when the legislation establishing the WRA was agreed by the National Assembly for Wales and initial estimates of operational costs were published.

In particular, the management of the higher rates for additional residential property transactions means the WRA will be putting in place measures to deal with an estimated 7,500 additional taxable transactions. In total, over £65m of gross additional revenue is forecast to be generated and WRA may need to administer repayments of around £15m per year as a result of the additional residential property policy. New compliance measures - in particular even closer working with HMRC and Revenue Scotland - will be particularly important in collecting the higher rates. The higher rate takes into account properties owned across the UK, so it is vital the WRA is equipped to undertake the kind of compliance work needed to assure the correct amount of tax is being collected and repayments are being appropriately claimed.

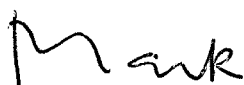
Additional development work this year means that this year the WRA's operational budget will be £1,500,000. In its first two years of operation, 2018/19 and 2019/20, it will be £6,000,000 in each year. I will, of course, be keeping budgets under close review.

The table below summarises the revised WRA budget.

Project	2016/17	2017/18	2018/19	2019/20
WRA implementation	£1,300,000	£5,000,000	£0	n/a
WRA operational, ('running') costs		£1,500,000	£6,000,000	£6,000,000

I trust the above is helpful.

Yours sincerely,



**Mark Drakeford AM/AC**

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