



Jim Harra
Director General
Customer Strategy and Tax Design
HMRC
2E/07, 100 Parliament Street
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13 December 2017

Dear Jim

Thank you for your letter of 6 December regarding HMRC's latest estimate of costs for implementing the financial aspects of the Wales Act 2014, including the transition to land transaction tax (LTT) in Wales and implementing the Welsh Rates of Income Tax (WRIT).

It is my view that tax devolution should be undertaken in an orderly way and as cost-effectively as possible. Money we spend on implementing tax devolution is money that would otherwise go to fund public services in Wales. With this in mind, I am very disappointed the revised estimate for the work to transition to LTT is so much higher than the estimate – described as a maximum cost – provided by HMRC in June. I welcome your commitment to continue to minimise costs whilst providing the necessary infrastructure to enable collaboration between HMRC and the Welsh Revenue Authority on compliance, and look forward to further updates on this.

I am grateful for the estimate of the savings to HMRC of no longer administering stamp duty land tax and landfill tax in Wales which will be passed to the Welsh Government and I would welcome final confirmation of this figure before April 1 2018. I am also grateful for the latest estimate of WRIT implementation costs and note that this is substantially lower than the cost of SRIT implementation. I expect there to be continued close working between HMRC and Welsh Government officials to keep the overall costs of tax devolution to a minimum, including both the costs of transition to the devolved taxes and, increasingly importantly, implementation of WRIT. I expect to see these costs towards the bottom end of the £5-10m range and would welcome regular updates on how the Welsh Government will indeed receive the benefits of the new HMRC IT systems.

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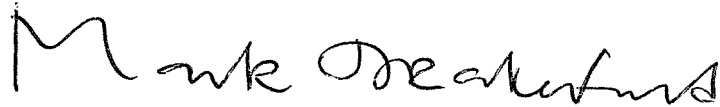
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.

I would be pleased to meet you on the 25 January to discuss these and other matters. My office will be in touch in due course. I am copying this letter and – further to your agreement – your original letter to the Finance Committee of the National Assembly for Wales.

Yours sincerely

A handwritten signature in black ink, reading "Mark Drakeford". The signature is written in a cursive, flowing style.

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid

Cabinet Secretary for Finance