



25 October 2018

Dear Llyr

Earlier this month, I wrote to Assembly Members to update them about the work by HMRC and the Welsh Government to prepare for the implementation of Welsh rates of income tax (WRIT) in April 2019. In setting out the outline draft Budget 2019-20 on 2 October, I also confirmed the Welsh Government would not be varying the rates of income tax in 2019-20, to ensure an orderly and smooth transition to the new arrangements.

We continue to make good progress in implementing WRIT – a recent independent assurance review concluded the project is on track to deliver and audits of the HMRC and Welsh Government preparations are being undertaken by the National Audit Office and Wales Audit Office, respectively. There has also been a positive response to the first phase of the Welsh Government's social media campaign to raise awareness.

Next month, every income taxpayer and HMRC customer living in Wales – more than two million people – will receive a letter from HMRC about WRIT, including a Welsh Government leaflet explaining the changes.

Earlier this week, Jim Harra, the deputy chief executive and second Permanent Secretary to HMRC updated me about the WRIT implementation costs. HMRC has refined its initial estimate of total implementation costs from £5m to £10m to £7.5m to £9.5m. This refined estimate includes all costs associated with WRIT implementation – IT costs, business costs and staff costs. This does not include annual running costs for administration of WRIT beyond April 2019, which is currently estimated at £319k per year, nor does this include costs incurred by the Department of Work and Pensions (DWP). DWP has confirmed these costs will not exceed £200k.

HMRC has assured me all estimates and costs are scrutinised and challenged by the project team and by the monthly project board on which my officials play an active role.

I hope this update helps to inform your ongoing scrutiny of the preparations to introduce WRIT.

Yours sincerely,

Mark

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Ysgrifennydd y Cabinet dros Gyllid

Cabinet Secretary for Finance