

Finance Committee inquiry into the general principles of the Tax Collection and Management (Wales) Bill

Submission by Natural Resources Wales

1.0 Introduction

- 1.1 We welcome the opportunity to provide our views and recognise that the transfer of tax-raising powers to Welsh Government represents a significant step in devolution in Wales.
- 1.2 The principles and process around tax collection and management is highly technical, and outside of our current expertise. However we continue to work with Welsh Government to ensure that the design and implementation of Welsh Landfill Disposals Tax is effective and best-suited to Welsh needs. Our response to this call for evidence is therefore focussed on broad principles of tax collection and management in relation to Welsh Landfills Disposal tax and potential implications for Natural Resources Wales.
- 1.3 We are represented on Welsh Government's Wales Landfill Tax Project Board, and Landfill Tax Technical Experts Group. Through these groups we have been looking at the potential role and opportunities for Natural Resource Wales in relation to Welsh Landfill Disposals Tax.

2. Role of Natural Resources Wales

- 2.1 The purpose of Natural Resources Wales is to ensure that the natural resources of Wales are sustainably maintained, used and enhanced, now and in the future.
- 2.2 Natural Resources Wales works as a regulator, partner and advisor to businesses, non-governmental organisations, local authorities and communities to help deliver Welsh Government and European Union policies and priorities.
- 2.3 Natural Resources Wales is responsible for regulating the waste industry and is principal adviser to WG, adviser to industry and the wider public and voluntary sector, and communicator about issues relating to the environment and its natural resources. We take an ecosystem approach to promoting integrated natural resource management that delivers social, economic and environmental benefits for the people of Wales.
- 2.4 Natural Resources Wales is also the designated monitoring authority for The Recycling, Preparation for Reuse and Composting Targets (Monitoring and Penalties) (Wales) Regulations 2011 and Landfill Allowances Scheme (Wales) Regulations 2004.

3. General Principles and need for the legislation

- 3.1 We support the introduction of this Bill and recognise its necessity in establishing the legal framework required for the future collection and management of devolved taxes in Wales.
- 3.2 The White Paper on devolved tax collection and management confirmed that Natural Resources Wales (NRW) would be considered as potential partners to work with the WRA in the delivery of tax collection and management functions in relation to Landfill Disposals Tax. Our ability to undertake such a role requires that Welsh Revenue Authority has the ability to delegate their functions, which the Section 13 of the Bill provides.
- 3.3 The UK Landfill Tax introduced in 1996 was the UK's first environmental tax and is a key mechanism in enabling the UK to meet its targets, for the landfilling of biodegradable municipal

waste, set out in the Landfill Directive. Landfill Tax is a tax on the disposal of waste at landfill, which provides a strong incentive for waste producers to produce less waste, recover more value from waste, for example, through recycling or composting and to use more environmentally friendly methods of waste management. Through increasing the cost of landfill, other advanced waste treatment technologies with higher gate fees are made to become more financially attractive. The effectiveness of this tax in changing behaviour has been demonstrated by the reduction of waste disposed at Landfill sites in Wales. Since 2000 the amount of waste disposed at landfills in Wales has reduced from 4.5 million to 2.1 million tonnes in 2013.

- 3.4 The proximity of major urban areas on both sides of the Welsh and English Borders means that potential flows of waste could easily be reversed simply by relatively small changes in differential rates. It is important therefore that the Welsh Disposals Tax is introduced and we believe there are significant potential benefits to continued consistency between Welsh Government and the UK and Scottish Governments.

4. Implementation and financial implications of the Bill

- 4.1 The provisions of the Bill and in particular delegating any functions from the Welsh Revenue Authority to Natural Resources Wales will have a financial implication. We indicated in our response to the Welsh Government's consultation on the white paper "Collection and management of devolved tax in Wales" that we did not wish to be considered for the collection and management role at this time, but recognising there are potential synergies between our existing regulatory role and the forthcoming landfill disposals tax regime, we committed to explore opportunities to deliver a more effective compliance and enforcement regime in Wales, working on the expectation that any additional role would be fully funded.
- 4.2 We continue to work with Welsh Government to explore the following three elements in relation to our potential role and the future collection and management of landfill disposals tax in Wales:
- information sharing opportunities,
 - policy opportunities,
 - compliance and enforcement responsibilities
- 4.3 Following National Assembly for Wales passing this Bill we anticipate more intensive discussions will begin with Welsh Government. We recognise that any potential financial implications from being involved in a compliance and enforcement role will be dependent on
- i. the scale and scope of any role in delivering functions and the anticipated required service standards,
 - ii. the future development of legislation and associated policy decisions.
- 4.4 We understand that the forthcoming regulations would also be subject to a further Regulatory Impact Assessment. This process would refine cost estimates and provide us with greater certainty on any likely costs that would be incurred.
- 4.5 We welcome the opportunity to provide oral evidence if invited to do so by the Finance Committee.

For more information

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