Welsh Income Tax

Personal tax

01 April 2019

As you will be aware Welsh income tax is being partially devolved from the 2019 /20 tax year onwards. This will be the third tax to be devolved (following Land Transaction Tax and Landfill Tax in April 2018) and will be collected and administrated by HMRC and not the Welsh Revenue Authority. HMRC have recently published factsheets on the Welsh rates of income tax which are on the <u>CIOT website</u>.

Welsh income tax applies to non-savings and non-dividend income only. For each tax band (basic, higher and additional), the UK government reduces the amount of tax it will collect by 10 pence and the Welsh government sets the Welsh rates of income tax to be added to the UK rates of tax. Welsh taxpayers will continue to pay income tax at the same rates that apply in the rest of the UK on their savings and dividend income.

For the 2019 /20 tax year the National Assembly for Wales has confirmed that the rates will be the same as the main UK tax rates. There is no change to tax bands or to any allowances such as the marriage allowance or personal allowance.

Welsh income tax only affects Welsh taxpayers. The rules for defining who is a Welsh taxpayer are similar to the rules for defining Scottish taxpayers and there is detailed HMRC guidance on <u>GOV.UK</u>. It is important to ensure that taxpayers who may be affected have an up-to-date address with HMRC. HMRC wrote to potential Welsh taxpayers in November explaining that PAYE codes will be amended to use a 'C' prefix to show that a taxpayer is paying Welsh income tax and there will be a 'Welsh taxpayer' pre-populated box on the online 2019 /20 self assessment tax return.