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Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-P-0545-15

Jenny Rathbone AM

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Dear Jenny,

I am writing with regards to the issue of whether the National Assembly has competency to introduce a 'sugar tax', which you raised at Business Questions on the 13 October.

The Wales Act 2014 devolved specific tax powers to the National Assembly, which includes fully devolving Stamp Duty Land Tax and Landfill Tax, and the priority at this stage is to deliver our replacements for those taxes. Whilst the Welsh Government has no immediate plans to create further devolved taxes, the Act does allow for further devolved taxes to be introduced in the future by Order in Council, subject to approval by each House of Parliament and the Welsh Assembly. The ability to design new taxes could be a useful area for policy development in the future. The power could have the potential to make a real difference to Wales: whether targeted at changing behaviour, raising revenue to invest in our public services, or both.

Introducing a new tax would not be a straightforward process as the UK Government has set a high bar for judging proposals. There would need to be a period of discussion with HM Treasury before seeking formal Parliamentary approval to introduce a new tax. The UK Government has set out a range of criteria that the case for a new tax would need to address, including the extent to which the tax:

- affects UK macro-economic or fiscal policy and/or the single market;
- may be non-compliant with EU legislation;
- would increase tax avoidance risks;
- would create additional compliance burdens for businesses and/or individuals;
- would be aligned with devolved responsibilities.

Moreover, the close integration of the economy in Wales with that of England means that an important element of the assessment work for a new tax would be an examination of cross border issues. There would also be practical considerations on issues such as enforcement and tax collection arrangements.

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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.

The primary consideration, with regards to the possible introduction of any future tax or levy, must be the effectiveness of such an approach, and ensuring that the action would deliver the desired outputs without producing unwanted consequences.

The current evidence base supporting a tax or levy on sugar is emerging but, especially with regards to the long term effectiveness of such an approach, is in no way definitive. The experience in Denmark, where their saturated fat tax legislation was repealed due to impact on the economy related to cross border issues, also needs to be carefully considered if Wales were to consider introducing any such measure independently of the other UK nations, especially England.

Improving diets of the people of Wales, and the reduction of sugar in those diets, is a focus of this Government and all avenues to achieving this will be considered, and a 'sugar tax' or levy may be a useful, future addition to support this aim. In considering options around a 'sugar tax' or levy on sugar, what is clear is that a unified UK approach would be more effective, having fewer complexities and reducing the risk of unwanted consequences, and that is why I have written to the Secretary of State to ask the UK Government to consider using their powers to deliver stronger action on sugar at a UK level.

Best wishes,

Mark.

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