

The Welsh Government's Legislative Consent Memorandum on the Finance (No. 2) Bill

January 2026



1. Background

1. The Finance (No. 2) Bill¹ (the Bill) was introduced into the House of Commons on 2 December 2025. It is sponsored by HM Treasury.
2. The long title of the Bill states that it is a Bill to make “provision in connection with finance.”
3. The Bill comprises 279 clauses and 23 Schedules.
4. The Bill received its second reading on 16 December 2025 and was considered by the Committee of the whole House on 12 January 2026. At the time this report was agreed, the Bill was at Committee Stage in the House of Commons.²

The Welsh Government's Legislative Consent Memorandum

5. Standing Orders 29.1 and 29.2 provide that a legislative consent memorandum is required when a relevant Bill before the UK Parliament makes provision in relation to Wales that has regard to devolved matters.
6. Mark Drakeford MS, the Cabinet Secretary for Finance and Welsh Language (the Cabinet Secretary), laid a Legislative Consent Memorandum (the Memorandum) on 16 December 2025.³
7. The Business Committee agreed that the Legislation, Justice and Constitution Committee and the Finance Committee would report on the Memorandum by 30 January 2026.⁴

Provisions for which the Senedd's consent is required

8. The Memorandum notes the Bill's policy objectives, stating:

“The Bill is intended to bring into law UK Government's budget statement, as far as it relates to taxation, made by the Chancellor of the Exchequer on 26th November 2025 (“the Budget”). The UK Government's stated policy objectives in the

¹ Finance (No. 2) Bill, as introduced (Bill 342)

² Finance (No. 2) Bill, Stages

³ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025

⁴ Business Committee, Timetable for consideration: Legislative Consent Memorandum on the Finance (No. 2) Bill, December 2025

Budget are to deliver legislation in relation to a wide range of policies particularly in the areas of renewing annual taxes, delivering new tax proposals and maintaining administration of the tax system. The Bill is how the Budget's taxation policy objectives are to be implemented.”⁵

9. The Memorandum only relates to one element of the Bill's policy objectives, namely the creation of a new type of income tax, property income tax.⁶

10. The Cabinet Secretary states in the Memorandum:

“... only one element of the Bill requires consideration under SO 29 – clauses 6 to 8 and Schedules 1 and 2 which create a new property income tax which is carved out from the existing income tax arrangements which are set out in the Income Tax Act 2007 (...) There are currently 7 types of income tax and the Bill inserts into this framework a new type – property income tax. As a result of this, UK Government have also proposed a new Welsh property income tax which replicates the current provision in relation to the income tax – the Welsh rate of income tax but, in relation to property income tax. Clauses 6 to 8 (and schedules 1 and 2) in the Bill seek to bring the property income tax into law.”⁷

11. The Welsh Government's assessment is that consent is required for clause 8 (Scottish and Welsh property rates set by Scottish Parliament and Senedd) and paragraphs 2 to 4 of Schedule 2 (Scottish and Welsh property income rates), as they have regard to devolved matters.⁸

12. Clause 8(1) provides that Schedule 2 of the Bill “makes provision for Welsh property rates to be set by the Senedd”.⁹

13. In the Memorandum, the Cabinet Secretary states:

⁵ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 3

⁶ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 4

⁷ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 6

⁸ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 7

⁹ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 8

*"The UK Government does not consider Clause 6 and Schedule 1 require a legislative consent motion, but they do consider that Clause 8 and Schedule 2 Part 2 require one."*¹⁰

14. The Welsh Government agrees with the UK Government's assessment in relation to clause 8 and paragraphs 2 to 4 in Schedule 2, Part 2.¹¹

Delegated powers

15. Subsection (2) of clause 8 specifies that the provisions for separate Welsh property rates to be set by the Senedd will come into force on a day appointed by HM Treasury by regulations. Subsections (3) and (4) provide that the earliest these provisions can be brought into force is the 2027-28 tax year.¹²

16. Subsection (5) of clause 8 specifies that the regulations "may appoint different days for different purposes". The Explanatory Notes to the Bill explain this provision, by stating that this could allow for "a different commencement date in relation to Scotland and Wales".¹³

17. The Bill does not delegate any regulation-making powers to the Welsh Ministers.

Welsh Government's position

18. The Cabinet Secretary sets out the Welsh Government's view on the reasons for making these provisions for Wales, stating:

"The Welsh Government supports the provisions in the Bill relating to income taxation on property income, and the provision of additional power to the Senedd to vary the Welsh rates of property income tax are consistent with the Welsh Government's tax principles and strategic objective of progressing the case for clear and stable tax devolution. The Bill

¹⁰ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 10

¹¹ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 11

¹² Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 8

¹³ Finance (No. 2) Bill Explanatory Notes, as introduced (Bill 342), page 23

relates to reserved matters which can only be made by way of primary legislation in Parliament.”¹⁴

19. He also notes:

“It is the view of the Welsh Government that it is appropriate to deal with the subject matter of this legislative consent memorandum in the Bill as it will provide the only option of additional power to the Senedd to set the Welsh rates of income tax in relation to property income.”¹⁵

20. The Cabinet Secretary recommends that the Senedd gives its consent to the provisions listed in the Memorandum.¹⁶

2. Committee consideration

21. We considered the Memorandum at our meeting on 19 January 2026¹⁷ and we considered and agreed our report at our meeting on 26 January 2026¹⁸.

Our view

Legislative consent

22. We note the Welsh Government's assessment of the provisions within the Bill that require the consent of the Senedd, as set out in the Memorandum.

23. We also note the position of the UK Government as regards consent.

Conclusion 1. We agree with the Welsh Government's assessment, as set out in the Memorandum, of the provisions of the Bill that require the consent of the Senedd in accordance with Standing Order 29.

¹⁴ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraphs 12 and 13

¹⁵ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 16

¹⁶ Welsh Government, Legislative Consent Memorandum on the Finance (No. 2) Bill, 16 December 2025, paragraph 16

¹⁷ ~~Legislation, Justice and Constitution Committee~~, 19 January 2026

¹⁸ ~~Legislation, Justice and Constitution Committee~~, 26 January 2026

Intergovernmental working and delegated powers

24. We note that the Bill does not delegate any regulation-making powers to the Welsh Ministers.

25. The Memorandum does not confirm what engagement there was between HM Treasury and the Welsh Government on the Bill.

26. In particular, the Memorandum does not specify whether any discussions have taken place regarding whether the Welsh Ministers could have been granted the power to bring these provisions into force for Wales, by regulations, instead of HM Treasury. This is particularly notable given that clause 8(5) allows for a different commencement date in Wales and Scotland. As such, any detail on when the Welsh Government expects the powers to be commenced would be useful.

27. The Cabinet Secretary should explain why the additional powers proposed for the Senedd in Schedule 2 to the Bill are to be commenced by regulations made by HM Treasury, with no role for the Welsh Ministers.

Recommendation 1. The Cabinet Secretary should explain how clause 8(2) of the Bill takes account of the Welsh Government's Principles on UK Legislation in devolved areas¹⁹ which provide that delegated powers in UK Bills in devolved areas should be conferred on the Welsh Ministers alone.

Recommendation 2. The Cabinet Secretary should state what assurances he has received from the UK Government that the powers proposed for the Senedd in the Bill will be commenced, and, accordingly, the date on which he expects those powers to be commenced by HM Treasury. In so doing, the Cabinet Secretary should provide a summary of any relevant discussions held with the UK Government on these matters.

28. The Committee acknowledges that the Bill introduces a new financial lever for Wales, by introducing the power to set separate Welsh rates for property income tax. It would be useful to know whether the Welsh Government has engaged with the UK Government, as part of discussions relating to this Bill, on the subject of further devolution of other reserved elements of income tax.

Recommendation 3. The Cabinet Secretary should explain what discussions have been held with UK Government counterparts about the future devolution of

¹⁹ Welsh Government. Written Statement: The Welsh Government's Principles on UK Legislation in devolved areas, 13 December 2024

any other elements of the income tax regime, including, but not limited to, dividend income.