

## LEGISLATIVE CONSENT MEMORANDUM

### FINANCE (No.2) BILL

1. This legislative consent memorandum is laid under Standing Order (“SO”) 29.2. SO29 prescribes that a legislative consent memorandum must be laid, and a legislative consent motion may be tabled, before Senedd Cymru (“the Senedd”) if a UK Parliamentary Bill makes provision in relation to Wales that has regard to devolved matters.
2. The Finance Bill (No.2) Bill (“the Bill”) was introduced in the House of Commons on 2 December 2025. The Bill can be found at: [Finance \(No. 2\) Bill - Parliamentary Bills - UK Parliament](#).

#### Policy Objective(s)

3. 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 26<sup>th</sup> November 2025 (“the Budget”). The UK Government’s stated policy objectives in the 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.
4. This legislative consent memorandum only relates to one element of the Bill’s policy objectives - the provisions in the Bill that create a new type of income tax – property income tax, whose stated policy objective is to ensure income from property is taxed more fairly.

#### Summary of the Bill

5. The Bill is sponsored by HM Treasury. It implements the Budget and covers measures including personal tax, corporate tax, indirect tax, tax administration and other measures.
6. As set out above, 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 (“the ITA 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.

### **Provisions in the Bill for which consent is required**

7. I consider the Senedd's consent is required in relation to the clauses identified below as they make provision with regard to devolved matters:
  - Clause 8, and
  - Schedule 2 Part 2, paragraphs 2 to 4.
8. Clause 8(1) provides that Schedule 2 of the Bill makes provision for Welsh property rates to be set by the Senedd. Clause 8(2) provides that clause 8 and Schedule 2 will come into force on such day as the Treasury appoints by regulations. Clause 8(3) provides that the amendments made by clause 8 and Schedule 2 have effect in relation to the tax year appointed by regulations made by the Treasury, and for subsequent tax years. Clause 8(4) requires that the tax year appointed by regulations under clause 8(3) be after the tax year 2026-27 and begin on or after the date appointed by regulations under clause 8(2). Clause 8(5) provides that regulations under clause 8 may appoint different days for different purposes.
9. Paragraph 2 of Schedule 2 amends section 6B(1A) ITA 2007 (the Welsh rates) (as inserted by paragraph 3 of Schedule 1 of the Bill) so as to provide (when Schedule 2 is commenced by regulations made by the Treasury under clause 8) that Step 3 in section 6B(1A) ITA 2007 refers to the Welsh rates set by the Senedd for that tax year (if any) for the purpose of calculating the Welsh property basic, higher and additional rates. Paragraphs 3 and 4, and specifically paragraph 4(2) amends section 116D(1) of the Government of Wales Act 2006 so as to provide the power to the Senedd to pass a resolution setting a Welsh rate for the purpose of calculating the Welsh property basic, higher and additional rates under section 6B(1A) ITA 2007.

### **UK Government view on the need for consent**

10. UK Government does not view Clause 6 and Schedule 1 as requiring legislative consent. In the UK Government's view Clause 8 and Schedule 2 Part 2 require a legislative consent motion.
11. I agree with UK Government's assessment in relation to clause 8 and the paragraphs in Schedule 2 Part 2 specified in paragraph 7 above.

### **Reasons for making these provision for Wales in the Bill**

12. 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.
13. The Bill relates to reserved matters which can only be made by way of primary legislation in Parliament.

### **Financial Implications**

14. There are no costs to the Welsh Government or Senedd associated with the Bill or administrative delivery, by HMRC, of the changes it makes.
15. Exercising the power to vary the Welsh rates of income tax would result in an addition or reduction in tax revenues from the Welsh rates of income tax with consequences for the Welsh Government's Budget.

### **Conclusion**

16. 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. Therefore, I recommend that the Senedd supports the proposals and gives its consent.

**Mark Drakeford MS**  
**Cabinet Secretary for Finance and Welsh Language**  
**16 December 2025**