

Explanatory Memorandum to The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) (No.2) Regulation 2025

This Explanatory Memorandum has been prepared by Welsh Treasury: Tax Strategy and Intergovernmental Relations Division and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) (No.2) Regulations 2025 and I am satisfied that the benefits justify the likely costs.

Mark Drakeford MS

Cabinet Secretary for Finance and Welsh Language

9 December 2025

PART 1 – Explanatory Memorandum

1. Description

- 1.1. The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) (No.2) Regulations 2025 (“the Regulations”) are being made under the Landfill Disposals Tax (Wales) Act 2017 (“LDT Act”)¹. The LDT Act establishes and sets out the framework and operational arrangements for landfill disposals tax which replaced UK landfill tax in Wales when it was devolved in April 2018.
- 1.2. These Regulations will amend the standard rate and lower rate and unauthorised disposals rate for landfill disposals tax which will apply to taxable disposals made on or after 1 April 2026 in Wales. Taxable disposals made on or after 1 April 2025 but before 1 April 2026 will remain subject to rates set by The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) Regulations 2025 as a result of the amendment made by regulation 4 of these Regulations.
- 1.3. Subject to the will of the Senedd, the Regulations will come into force on 1 April 2026.

2. Matters of special interest to the Legislation, Justice and Constitution Committee

- 2.1. None.

3. Legislative background

- 3.1. The Regulations are being made pursuant to sections 14, 46, 93 and 94(1) of the LDT Act:
 - Section 14 gives the Welsh Ministers powers to make regulations to prescribe the standard rate and the lower rate; and,
 - Section 46 gives the Welsh Ministers powers to make regulations to prescribe the unauthorised disposals rate.
- 3.2. Section 95 of LDT Act requires the regulations varying the rates of landfill disposals tax to be (i) laid before the Senedd, and (ii) must be approved by the Senedd within 28 days of being made, not counting any period during which the Senedd is dissolved or in recess for more than 4 days. This is known as the “provisional” or “made” affirmative procedure.

4. Purpose and intended effect of the legislation

Summary

¹ <http://www.legislation.gov.uk/anaw/2017/3/contents/enacted>

- 4.1 The Regulations will increase the standard rate, lower rate and unauthorised disposals rate for landfill disposals tax which will apply to taxable disposals made on or after 1 April 2026 in Wales. Taxable disposals made on or after 1 April 2025 but before 1 April 2026 will remain subject to rates set by The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) Regulations 2025.

Policy aims and tax principles

- 4.2 In developing Landfill Disposals Tax (LDT) for Wales, including the Regulations, the Welsh Government has applied its five principles for the development of devolved tax policy and legislation to:
- raise revenue to support public services as fairly as possible;
 - help deliver wider fiscal and policy objectives, including jobs and economic growth;
 - be simple, clear and stable;
 - engage with taxpayers and wider stakeholders;
 - contribute directly to the Well-being of Future Generations (Wales) Act 2015 goal of creating a more equal Wales.
- 4.3 Additionally, the Welsh Government has an objective of reducing landfill disposals in Wales and in developing these Regulations this objective has been considered.
- 4.4 Landfill Disposals Tax, including the Regulations, contributes towards wider green objectives and the national well-being goals, in particular through actions to promote a low carbon economy and develop a more resource efficient economy. This builds on Wales's success in recycling and reducing the environmental impacts of production and consumption.
- 4.5 The revenue from LDT will be used to directly fund public services in Wales².

Current position

- 4.6 There are three rates of LDT; a lower rate for materials specified in the list of qualifying materials (and meeting certain requirements) and a standard rate for all other materials. There is also a separate unauthorised disposals rate which is applied to those materials which have been disposed of illegally at sites other than authorised landfill sites.
- 4.7 To date, the standard rate of LDT in Wales has matched that of the Landfill Tax (LFT) in England and Northern Ireland. This approach has reflected our position that rates should only diverge should Welsh circumstances and priorities require them to do so. The UK Government has, historically, set LFT rates in line with RPI forecast inflation at the Budget a year prior to the commencement date.

² <http://gov.wales/funding/?lang=en>

- 4.8 In March 2024, the UK Government announced the rates of LfT for 2025-26³. The UK Government significantly increased the rates by adjusting the Retail Prices Index (RPI) to account for high inflation in the period 2022 to 2024.
- 4.9 The Landfill Disposals Tax (Tax Rates) (Wales) (Amendment) Regulations 2025 delivered the Welsh Government's response to this higher than forecast inflation.
- 4.10 Following this significant increase, the UK Government has now returned to its regular practice of increasing the standard rate of LfT by forecast RPI inflation, however, it is expected this will now be done in the Finance Bill immediately preceding the tax year to which it will apply.
- 4.11 The lower rate of LfT will now be set to ensure that cash terms gap of £122.10 that currently exists between the standard and lower rates does not increase.
- 4.12 The Regulations propose to maintain the Welsh Government's existing approach in relation to the standard rate of LDT by uprating by forecast RPI inflation, which will continue to align with the standard rate of LfT.
- 4.13 Our approach to setting the rates in Wales has minimised the risk of waste tourism (cross-border movement of waste), provided stability and certainty for businesses in Wales, and has enabled LDT to continue to complement existing resource efficiency and circular economy policy initiatives.
- 4.14 It is proposed that the lower rate of LDT be increased to align with the lower rate of LfT to ensure that a lower rate of LDT does not contribute to waste tourism or undermine circular economy goals.

Purpose and intended effect of the regulations

- 4.15 As part of the draft budget package in October 2025, the Cabinet Secretary for Finance and Welsh Language announced the LDT rates for 2025-26 will increase by forecast RPI.
- 4.16 The Cabinet Secretary for Finance and Welsh Language has published a written statement following the publication of updated forecast inflation by the OBR and the announcement of the rates of Landfill Tax confirming the rates are as follows:
- The standard rate will increase from **£126.15** per tonne to **£130.75** per tonne;
 - The lower rate will increase from **£6.30** per tonne to **£8.65** per tonne; and,
 - The unauthorised disposals rate (set at 150% of the standard rate) will increase from **£189.25** per tonne to **£196.15** per tonne.
- 4.17 The approach to setting tax rates has been guided by the tax principles and the objective to reduce landfill disposals in Wales, as required by section 91 of the

³ [Landfill Tax: increase in rates - GOV.UK](#)

LDTA 2017. Delivering stability and certainty for taxpayers and the wider waste industry has also been a key factor in setting the rates to date.

- 4.18 The lower rate of LDT was increased to be equivalent to 5% of the standard rate from 1 April 2025 to contribute to the reduction of lower-rated waste disposed to landfill in Wales. From 1 April 2026, the cash terms gaps between the standard and lower rates will not be greater than £122.10. As a result, the lower rate of LDT in 2026 will be equivalent to 6.6% of the standard rate.
- 4.19 These Regulations propose to increase the standard and unauthorised disposals rates by forecast RPI inflation. As a result, there will be continued alignment of the standard rate of LDT with that of LfT, providing ongoing stability and recognising that the standard rate continues to be an effective measure contributing to the reduction of waste landfilled in Wales.
- 4.20 The unauthorised disposals rate is set higher than the standard rate (equivalent to 150% of the standard rate), creating an additional financial deterrent for people seeking to avoid their environmental obligations and dispose of waste illegally. Setting the rate higher than the standard rate takes account of the increased negative impact on the environment of unauthorised disposals of waste. The rate also recognises that administrative costs incurred by legitimate operators will have been avoided and better reflects the enforcement costs of the Welsh Revenue Authority (WRA).

5. Consultation

- 5.1 There is no statutory duty to consult on the Regulations in relation to the tax rates. The intention to increase the rates of LDT by forecast RPI inflation and the potential need to make further changes following the UK Government's Budget was announced by the Cabinet Secretary for Finance and Welsh Language as part of the publication of the Welsh Government's draft budget on 14 October 2025. As with other tax administrations, the Welsh Government does not consult formally on tax rate changes.

PART 2 – REGULATORY IMPACT ASSESSMENT

6. Options

6.1 Two options have been considered:

- Option A: uprate the existing rates (standard, lower and unauthorised disposals) by forecast RPI
- Option B: uprate the standard and unauthorised disposal rates by forecast RPI and increase the lower rate to align with the lower rate of LfT

Option A: uprate the existing rates (standard, lower and unauthorised disposals) by forecast RPI

6.2 This option would increase each of the rates using inflation, as forecast by the Office for Budget Responsibility (OBR). This option provides clarity for the waste industry and resumes the previous practice of uprating by forecast RPI following the exceptional increases to the rate last year to account for higher than forecast inflation.

Option B: uprate the standard and unauthorised disposal rates by forecast RPI and increase the lower rate to align with the lower rate of LfT

6.3 This option applies the same increase to the standard and unauthorised disposals rates as under Option A, however, it recognises that the effect of the UK Government's changes to the lower rate of LfT is that the lower rate of LfT, if increased by forecast RPI, would be a £2.10 per tonne difference between the rates.

6.4 This option would provide that both the standard and lower rates of LfT and LDT align.

7. Costs and benefits

7.1 The costs and benefits associated with each option have been produced using the best available information at the time.

7.2 There is considerable uncertainty around the costs and benefits for the option where rates cease to align with the rest of the UK. This is because to date, there has been very little divergence in rates, save for the increase of the lower rate of LfT to be equivalent to 5% of the standard rate last year for which there is currently only two quarters of data, so there is little evidence on which to evaluate these options.

7.3 The rates are based on the OBR RPI forecast from the Economic and Fiscal Outlook published on 26 November⁴.

⁴ [Economic and fiscal outlook – November 2025 - Office for Budget Responsibility](#)

Option A: uprate the existing rates (standard, lower and unauthorised disposals) by forecast RPI

- 7.4 This option would represent a resumption of the policy of increasing rates by forecast inflation and therefore ensuring consistent costs and benefits for waste producers in Wales in line with previous years.
- 7.5 In relation to the standard rate there would also be continued alignment with the rate applied under LfT. Each of the rates would maintain their real terms value when compared with the rates that have applied since 1 April 2025.
- 7.6 The lower rate of LDT, retained at 5% of the standard rate, would become comparatively cheaper compared with the lower rate of LfT as the lower rate of LDT would be £6.55 per tonne. This may therefore contribute to some behavioural effects, including the potential for waste tourism to Wales. Given the small difference in the rates it is unlikely that any behavioural effect would be significant.
- 7.7 In future years the lower rates of the two respective taxes would continue to diverge as the cash terms gap limit applied in LfT has the effect of increasing the proportion of the standard rate that the lower rate of LfT reflects over time. This would offer a greater incentive for waste tourism.
- 7.8 Under this option, total revenue is forecast to be £34.6m in 2026-27.

Option B: uprate the standard and unauthorised disposal rates by forecast RPI and increase the lower rate to align with the lower rate of LfT

- 7.9 This option protects the real terms values of the standard and unauthorised disposal rates and continues alignment with the standard rate applied under LfT.
- 7.10 The lower rate of LDT under this option will increase to be equivalent to 6.6% of the standard rate of LDT and will align with the lower rate of LfT.
- 7.11 Forecast revenue under this option is £35.5m. This is £0.8m higher than under Option A (uprating in line with RPI).
- 7.12 Under this option the tax rates do not incentivise waste tourism. In addition, the increase in the lower rate above inflation encourages the use of alternative waste reuse or disposal methods. By closing the gap between standard and lower rate, the incentive for misdescription is also reduced.
- 7.13 However, by increasing the lower rate above inflation, this may offer a greater incentive for unauthorised disposals.

8. Summary of preferred option

- 8.1 The preferred option would be Option B.
- 8.2 Raising the standard rate to £130.75 maintains the real value of the tax and ensures the standard rate continues to act as a disincentive to landfilling. It also aligns with the rest of the UK and ensures minimal waste tourism. This option provides additional tax revenues to the Welsh Government estimated to amount to £xm in 2026-27 compared with leaving the rates unchanged.
- 8.3 Raising the lower rate to £8.65 ensures that the lower rate of LDT does not contribute negatively to waste tourism or undermine circular economy goals in Wales.

9. Competition Assessment

- 9.1 See Appendix A.
- 9.2 At present there are 17 landfill site operators⁵ covering 21 sites in the market.
- 9.3 The Regulations are not expected to significantly adversely affect levels of competition in Wales or the competitiveness of Welsh firms, as a percentage uplift in rates will apply to all Welsh operators.
- 9.4 The difference between the lower rate of LDT and other landfill taxes in the UK will result in a relative reduction in revenues for Welsh landfill sites and is an intended consequence of the decision to increase the lower rate to better contribute to the Welsh Government's environmental goals.

10. Post implementation review

- 10.1 The effect of the LDTA 2017 and the Regulations will be assessed through the data collected as part of LDT tax returns. These will provide an evidence base from which evaluation of a number of Welsh Government policies can be undertaken. The data will include information on LDT revenue and the tax base directly, for example, the tonnage of standard and lower rate materials sent to landfill in Wales and the amount of tax raised at the unauthorised disposals tax rate.

⁵ <https://beta.gov.wales/welsh-revenue-authority-list-landfill-site-operators>

APPENDIX A

The Competition Assessment

There are two stages to the Competition Assessment. The first is a quick filter that assesses whether there is a risk of a significant detrimental effect on competition. The results of the competition filter are presented in the table below:

The competition filter test for landfill site operators	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Yes
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	Yes
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Yes
Q4: Would the costs of the regulation affect some firms substantially more than others?	No
Q5: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No