



Income tax is changing in Wales

An employee guide to the changes

What is happening?

As of 6th April 2019, the Welsh Assembly will have the ability to decide how much income tax a Welsh taxpayer will have to pay and how the tax raised will be spent within the annual budget.

If you live in Wales, you will be affected, and your tax code will change.

What does this mean?

The rate of income tax in Wales has been lowered by 10p in the pound and replaced by the Welsh Rate of Income Tax (WRIT) – which currently has been set at 10p by the Welsh Assembly. So, for now, you won't notice any real change compared to people living in England.

The Welsh Rate of Income tax will apply to the tax you pay on your wages, pension and other taxable income, but you'll continue to pay the same tax as the rest of the UK on dividends and savings interest.

Your Personal Allowance - the amount of income you do not pay tax on - also stays the same as the rest of the UK.

However, in future people living in Wales may pay different levels if the Welsh Assembly change the income tax rates (read on for details).



Who does this affect?

If your main home address is in Wales, you will pay the Welsh rate of income tax. You may have received a letter about this already from HMRC. From April 2019 you will find that your tax code starts with a “C” (which stands for Cymru), for example your tax code might be something like C1250L.

If you work in Wales, but your home address is in England, you won't be affected. This is because the new changes will only affect Welsh tax payers, which is defined as somebody whose main residential address is in Wales.

Will I pay more/less tax in the future?

The Welsh assembly has promised not to increase income tax until the next election, which is due in 2021. This means that they should only add 10p per pound of income tax (the next budget is due in December) to match what tax payers are currently facing. However, Mark Drakeford (the current finance secretary and the frontrunner for the Welsh Labour leadership) has admitted when releasing the draft budget that he may be “compelled” to increase the income tax.

Currently, unlike the Scottish Parliament, the Welsh Assembly doesn't have the ability to vary the tax band levels or tax-free allowance. Meaning that the basic, higher and additional rates are still the same as those set by HMRC. So your personal tax-free allowance for 2019/2020 will be £12,500 – the same as people living in England.

What do I need to do?

You don't have to do anything at this stage, however it is good practice to ensure you complete the following:

1. Update your address within your Government Gateway <https://www.gov.uk/tell-hmrc-change-address> - particularly if you have recently moved to or moved away from Wales.
2. Make sure your employer also has the correct address for you on their records.

You should receive your new tax code soon if you are deemed a Welsh taxpayer (if you haven't already received this). Your new tax code will apply from 6th April 2019 and you will automatically be taxed at the Welsh Rate of Income Tax if you have a tax code starting with the letter “C”.



Notes for the future

If you move house, move to Wales, or move away from Wales, you should update your address within your Government Gateway.

Keeping this up to date with your residential address and any other important information will reduce the chances of any mistakes being made when it comes to your taxes.

You should also ensure that your employer has your correct address in their records as well.

Why is this happening?

With Scotland receiving devolution of powers with regards to income tax it was only natural that Wales would be next to take control of some of their budget. There had been growing unrest amongst Welsh ministers to gain more autonomy from the UK government especially when it came to how to spend for their constituents.

The new income tax law gives the Welsh Assembly the ability to lower the level of tax by up to 10p in the pound or to increase the level of tax that Welsh tax payers pay, leading to more revenue for their annual budget.

With the Welsh Assembly estimating the revenue generated from the new income tax will equate to 16% of their annual budget this is proving to be a huge coup and something that is only for the betterment of the country. However, HM Treasury will be adjusting the Welsh block grant, a population-based proportion of changes in planned UK Government spending, meaning that should there be a slow down in population growth Wales would lose out on revenue.



Find out more

HMRC Guide to Income Tax in Wales

<https://www.gov.uk/welsh-income-tax> (English)

<https://www.gov.uk/treth-incwm-cymru> (Welsh)

How to change your address with HMRC

<https://www.gov.uk/tell-hmrc-change-address>
(English only)

Information correct as of 13th November 2018. This information does not constitute financial advice.

Pay Dashboard Limited is registered in England and Wales with registered number 08853884 and registered office located at 4th Floor, 86-90 Paul Street, London, EC2A 4NE.