

LAND TRANSACTION TAX AND ANTI-AVOIDANCE OF DEVOLVED TAXES (WALES) ACT 2017

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 8 – Interpretation and Final Provisions

Schedule 6 - Leases

Part 5 - Calculation of tax chargeable

Residential leases, non-residential leases and mixed leases

268. [Paragraph 26](#) defines an acquisition of residential, non-residential and mixed leases.

No tax chargeable in respect of rent: residential leases

269. [Paragraph 27](#) provides that the rents paid under a residential lease are not chargeable to LTT. Any other consideration that is not rent remains chargeable under the normal rules. A regulation making power is provided so that the Welsh Ministers can make such rents chargeable to the tax. Further powers are provided so that the Welsh Ministers can set the initial and subsequent rates and bands which would apply should they bring such rents within the tax.

Tax rates and bands: rent element of non-residential and mixed leases

270. [Paragraph 28](#) provides the Welsh Ministers with regulation making powers so that they can set the initial and subsequent rates of tax and the bands that are to apply to rents paid under non-residential and mixed leases. The rates and bands must include a zero rate band, the other bands and rates above the zero rate band, and also the date on which those rates and bands are to apply.

Calculation of tax chargeable in respect of rent: non-residential and mixed leases

271. [Paragraph 29](#) provides the steps to be taken to calculate the charge to tax by applying the rate of tax to the amount of consideration that falls within a particular tax band, and then adding those different amounts together.

Calculation of tax chargeable in respect of rent: linked transactions

272. [Paragraph 30](#) provides calculation rules where the transaction is linked to one or more other transactions.

Net present value

273. [Paragraph 31](#) provides the formula for establishing the net present value of future years rent payments. This ensures that rent payments for future years are taxed at an amount that represents the value of that payment at the effective date of the transaction.

Temporal discount rate

274. [Paragraph 32](#) sets the temporal discount rate to be used in the net present value formula. It is set at 3.5% and can be varied by the Welsh Ministers through regulations.

Tax chargeable in respect of consideration other than rent: general

275. [Paragraph 33](#) confirms that consideration other than rent is taxed under the provisions of the Act, and that tax charged under this Schedule is in addition to the tax calculated under the other provisions.

Tax chargeable in respect of consideration other than rent: mixed leases

276. [Paragraph 35](#) provides for consideration other than rent for a mixed lease to be split on a just and reasonable basis between residential and non-residential property and that those two notional transactions are to be treated as linked transactions.

Relevant rent

277. [Paragraph 36](#) provides definitions for “the relevant rent”, “the specified amount” and “annual rent”. The Welsh Ministers are able to make regulations to amend or repeal paragraphs 34 to 36 of this Schedule. Any regulations made under this paragraph will be subject to the affirmative procedure.