

Office for
**Budget
Responsibility**

Welsh taxes outlook

October 2025

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1 Updated tax forecasts

Introduction

- 1.1 The February 2025 *Welsh taxes outlook (WTO)* presented five-year tax forecasts alongside the Welsh Government's final 2025-26 Budget, covering updated outturn for land transaction tax (LTT) and landfill disposals tax (LDT).¹ These forecasts were based on our October 2024 UK-wide economy and fiscal forecasts plus new receipts data.
- 1.2 Since then, we have produced updated forecasts for Welsh rates of income tax (WRIT), LTT and LDT as part of our *Devolved tax and spending forecasts*, published alongside our March 2025 *Economic and fiscal outlook (EFO)*. These forecasts were based on the March 2025 UK-wide economy and fiscal forecasts alongside updated outturn.
- 1.3 For its 2026-27 Draft Budget, that will be published on 14 October, the Welsh Government has requested updated forecasts for LTT and LDT. These forecasts incorporate the latest LTT and LDT outturn data but remain underpinned by the March 2025 economy forecast, as the Welsh Draft Budget will be published ahead of our next UK forecast, which is scheduled alongside the UK Budget on 26 November. Throughout this publication, comparisons are made to the February *Welsh taxes outlook*, so any changes reflect updated economic determinants from March, as well as revised judgements based on outturn since then.
- 1.4 The WRIT forecasts have not been updated for this publication, with the March 2025 forecast therefore remaining the latest available. The ONS's Public Sector Finances (PSF) bulletin published on 19 September showed the latest position for income tax receipts for the UK £1.9 billion below the March forecast profile. The shortfall is due to a different split between income tax and National Insurance contributions (NICs) than in our March 2025 forecast. A shortfall in PAYE income tax compared to outturn so far this year is largely offset by a surplus in employee NICs. The combined outturn is close to our March forecast. We have not yet assessed how much of the income tax receipts relate to non-savings, non-dividend income tax, the element which is subject to the Welsh rates or the extent to which the shortfall affects revenues from different parts of the UK.²
- 1.5 An updated view on UK-wide and Welsh income tax, including an update of the income tax and NICs split, will be provided in the next *Economic and fiscal outlook* and *Devolved tax and spending forecasts* which will be published on 26 November alongside the UK Budget. These will reflect the updated UK-wide economy and fiscal forecasts.

¹ Welsh rates of income tax were not updated as part of the publication.

² For more details, see: OBR, *Commentary on the Public Sector Finances: August 2025*, September 2025.

1.6 The forecasts in this *WTO* incorporate the impacts of policies announced in the Welsh Government's Draft Budget, which we have scrutinised and certified using the same approach as we apply to the UK Government's policies. The Welsh Government policies that we have incorporated are as follows:

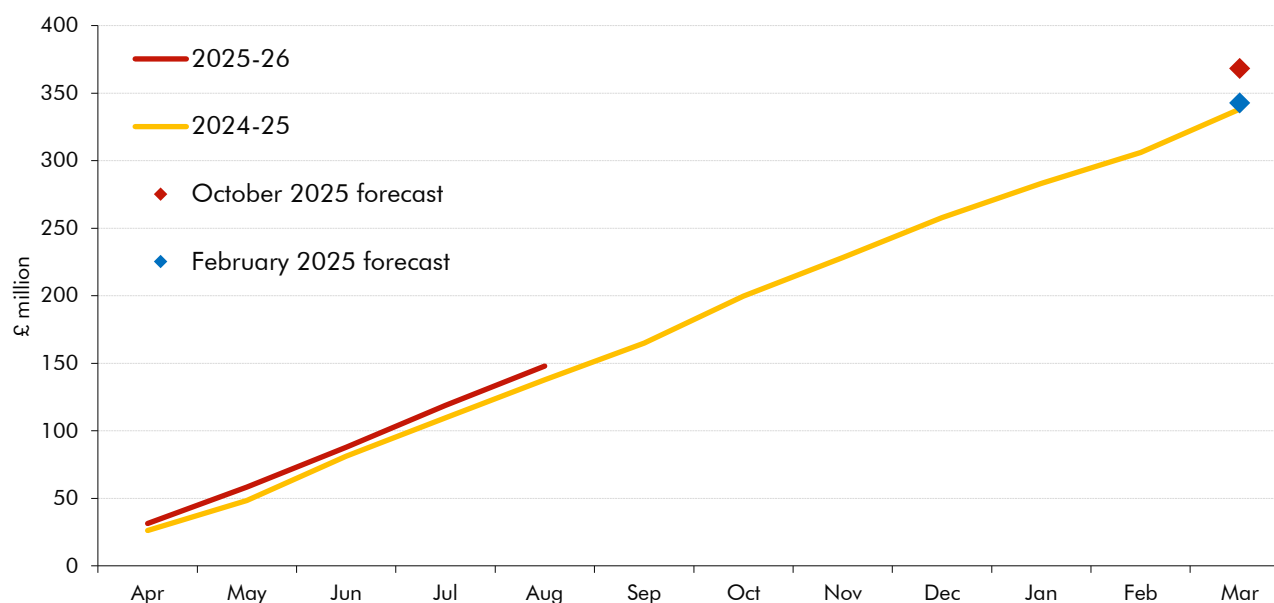
- **LDT additional compliance:** the Welsh Revenue Authority (WRA) is allocating additional resourcing for staff to undertake compliance activity on unauthorised disposals for LDT, which is estimated to increase LDT receipts by £0.7 million a year from 2026-27 onwards. The Welsh Government have confirmed the funding for this compliance activity will be additional and not offset elsewhere. Uncertainties in this costing relate to the extent of waste crime activity in the future and the complexity of the cases investigated.
- **LTT relief and rate changes:** the Welsh Government is introducing a package of measures relating to land transaction tax. These include new rules to ensure parity in tax liability between multiple and single dwelling transactions, an increase in the minimum tax rate for mixed-use multiple dwelling transactions with multiple dwellings relief (MDR) from 1 per cent to 3 per cent, and a new refund of higher residential rates for newly purchased properties placed into Leasing Scheme Wales. The net revenue gain from these measures is expected to average less than £0.1 million a year from 2026-27 onwards. Key uncertainties relate to behavioural responses to the MDR rate changes and the number of properties entering Leasing Scheme Wales.

Land transaction tax

Recent developments

1.7 Chart 1.1 presents monthly LTT receipts outturn for 2025-26 and compares them to the February 2025 *WTO* forecast. In the five months of outturn data published for 2025-26 receipts are up 7.5 per cent, £10.3 million on 2024-25 levels. In our March 2025 *EFO*, we revised up our near-term forecast for residential house prices, but lowered our forecasts for commercial property prices, commercial transactions, and residential transactions. Relative to the February *WTO*, these economy determinants changes therefore largely offset one another. The stronger-than-expected receipts seen in 2024-25, however, are expected to persist, which has led us to revise up the forecast by £25 million this year relative to the February forecast.

Chart 1.1: Recent land transaction tax outturns



Note: There is a slight discrepancy between the annual figure and the monthly cash position due to the timings of data reporting. The annual financial year figure is an extract taken at 30 April, whilst the monthly data are from the monthly fixed positions, with adjustments for higher rates refunds.

Source: WRA, OBR

1.8 The LTT forecast is based on the outlook for the UK-wide property market and an assessment of whether and how far the Welsh property market is deviating from the UK outlook. In the absence of evidence to the contrary, our starting assumption is that Welsh property prices and transactions move in line with those across the UK as a whole.³ That assumption is maintained in this forecast given that outturn data shows that recent house price changes across the two countries have followed similar paths. There are risks around this assumption, such as the possibility that any further changes in interest rates impact the Welsh property market differently from the rest of the UK.

Latest forecasts

1.9 Table 1.1 shows the updated LTT forecast and the changes since the February *WTO*. Total receipts have been revised up by £25.2 million (6.1 per cent) on average in each year of the forecast, reflecting stronger outturn receipts and higher forecast house prices from our March *EFO*.

1.10 Breaking the overall difference down by component relative to the February *WTO*:

- The forecast for **residential main rates** has been revised up by an average of £20.5 million (8.9 per cent) a year. Residential main rate receipts in 2024-25 were £11.0 million higher than expected in our February forecast. Combined with our higher forecast for house prices from our March *EFO*, this has led us to raise the medium-term forecast.

³ For residential transactions and prices, our forecast for Wales excludes the effect of the planning reforms announced by the Government, which only affect England.

Updated tax forecasts

- The forecast for **higher rates on additional residential properties** has been revised down by an average of £7.1 million (7.1 per cent) a year. This largely reflects weaker than expected receipts since our February forecast.
- The forecast for **commercial property** has been revised up by an average of £11.8 million (14.2 per cent) a year. This is driven by higher-than-expected outturn receipts since our February forecast. Thereafter, receipts are expected to remain flat reflecting the profile for commercial prices and transactions.

Table 1.1: Land transaction tax: October 2025 forecast

	£ million					
	Outturn 2024-25	Forecast				
	2025-26	2026-27	2027-28	2028-29	2029-30	
Total LTT						
February forecast	326	343	377	415	452	486
October forecast	341	368	401	440	478	512
Difference	14	25	24	24	26	26
Residential main rates						
February forecast	167	181	204	231	257	282
October forecast	178	200	223	251	279	304
Difference	11	19	19	20	22	22
Higher rates on additional properties						
February forecast	71	86	94	102	108	114
October forecast	74	83	87	94	100	105
Difference	2	-4	-7	-8	-8	-9
Commercial						
February forecast	88	76	79	83	86	90
October forecast	89	86	91	95	99	103
Difference	1	10	11	12	12	13

Source: WRA, OBR

Landfill disposals tax

1.11 Table 1.2 shows the updated LDT forecast. The forecast has been revised upwards by an average of £2.5 million (7.9 per cent) a year. Strength in receipts since our February WTO forecast explains around three-quarters of this increase, as landfill volumes have not declined as much as expected following recent rises in the lower and standard rates. The additional funding for compliance, set out above, explains the remaining increase, raising the forecast by an average of £0.7 million a year (2.4 per cent) from 2026-27 onwards.

Table 1.2: Landfill disposals tax: October 2025 forecast

	£ million					
	Outturn 2024-25	Forecast				
	2025-26	2026-27	2027-28	2028-29	2029-30	
February forecast	34	33	32	31	30	30
October forecast	34	35	34	34	33	32
Difference	-0.1	2.1	2.6	2.6	2.5	2.5

Source: WRA, OBR

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