

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE BILL

(Except clauses 16, 17, 43 and 45 and schedules 2 and 3)

Second Sitting

Thursday 17 September 2015

(Afternoon)

CONTENTS

CLAUSES 3 to 11 agreed to, one with amendments.

SCHEDULE 1 agreed to.

CLAUSES 12 to 15 agreed to.

Adjourned till twenty-five minutes past Nine o'clock on Tuesday
13 October.

Written evidence reported to the House.

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON – THE STATIONERY OFFICE LIMITED

£6.00

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The Committee consisted of the following Members:

Chairs: SIR ROGER GALE, †MR GEORGE HOWARTH

† Baldwin, Harriett (*Economic Secretary to the Treasury*)
 † Berry, Jake (*Rossendale and Darwen*) (Con)
 † Burns, Conor (*Bournemouth West*) (Con)
 † Caulfield, Maria (*Lewes*) (Con)
 Cummins, Judith (*Bradford South*) (Lab)
 † Dakin, Nic (*Scunthorpe*) (Lab)
 † Frazer, Lucy (*South East Cambridgeshire*) (Con)
 † Garnier, Mark (*Wyre Forest*) (Con)
 † Gauke, Mr David (*Financial Secretary to the Treasury*)
 † Hall, Luke (*Thornbury and Yate*) (Con)
 † Hoare, Simon (*North Dorset*) (Con)
 † Keeley, Barbara (*Worsley and Eccles South*) (Lab)
 † Kerevan, George (*East Lothian*) (SNP)
 † Lynch, Holly (*Halifax*) (Lab)
 McGovern, Alison (*Wirral South*) (Lab)
 † Mak, Mr Alan (*Havant*) (Con)

Malhotra, Seema (*Feltham and Heston*) (Lab/Co-op)
 † Menzies, Mark (*Fylde*) (Con)
 † Merriman, Huw (*Bexhill and Battle*) (Con)
 † Mullin, Roger (*Kirkcaldy and Cowdenbeath*) (SNP)
 Pearce, Teresa (*Erith and Thamesmead*) (Lab)
 † Philp, Chris (*Croydon South*) (Con)
 † Sherriff, Paula (*Dewsbury*) (Lab)
 † Stride, Mel (*Lord Commissioner of Her Majesty's Treasury*)
 † Thewliss, Alison (*Glasgow Central*) (SNP)
 † Thomas-Symonds, Nick (*Torfaen*) (Lab)
 † Thomson, Michelle (*Edinburgh West*) (SNP)
 † Tolhurst, Kelly (*Rochester and Strood*) (Con)
 Warman, Matt (*Boston and Skegness*) (Con)
 † Zeichner, Daniel (*Cambridge*) (Lab)

Matthew Hamlyn, *Committee Clerk*

† **attended the Committee**

Public Bill Committee

Thursday 17 September 2015

(Afternoon)

[MR GEORGE HOWARTH *in the Chair*]

Finance Bill

(Except clauses 16, 17, 43 and 45 and schedules 2 and 3)

2 pm

The Chair: Before we commence debate, people may have noticed that there is an unusual buzzing sound, which appears to be caused by some technical fault. For convenience of making sure that what people say is recorded accurately, I would be grateful if colleagues spoke even more clearly than they normally do.

Clause 3

PERSONAL ALLOWANCE AND NATIONAL MINIMUM WAGE

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

Clause 4 stand part.

Clause 5 stand part.

The Financial Secretary to the Treasury (Mr David Gauke): Welcome to the Chair this afternoon, Mr Howarth. As I said to Sir Roger this morning, we look forward to serving under you both in the weeks ahead.

Clauses 3 and 4 will ensure that in future an individual working 30 hours a week on the national minimum wage will not pay income tax. Clause 5 sets the income tax personal allowance for 2016-17 and 2017-18. The changes deliver the Government's commitment to support and to reward those in work. The Government are committed to supporting hard-working individuals, which is why we have a strong record in cutting taxes and reducing the tax bill for the lowest paid. To date, 27.5 million individuals have seen their typical income tax bill reduced by £825 as a result of personal allowance increases over the previous Parliament.

Nick Thomas-Symonds (Torfaen) (Lab): I am sure that, like me, the Minister has read the Joseph Rowntree Foundation's report on the Budget proposals. It finds that, over the course of this Parliament, a single parent working full time on the national minimum wage will end up being worse off as a result of this Budget. Is what is being introduced really a national living wage?

Mr Gauke: If one takes into account the overall Budget measures, including the changes to welfare and the personal allowance, the introduction of the national living wage and the extension of free child care to 30 hours, eight out of 10 households will be better off by 2017 as a consequence. That is a record to be proud of.

Mark Garnier (Wyre Forest) (Con): My hon. Friend has referred to specific personal changes that help, but is it not also the case that the Government have done a great deal to support very small businesses, of which many are microbusinesses or sole traders? The reduction in corporation tax and the non-domestic rate relief for those very small businesses will also help households, particularly those who are self-employed and who run small businesses.

Mr Gauke: My hon. Friend is absolutely right. The best way to ensure that we have rising living standards is to have strong economy, which ensures that we encourage businesses, attract investment to the UK and reward entrepreneurship. That is the Government's approach, but whether it is that of the official Opposition remains to be seen.

As we are talking about income tax, it is worth pointing out that 3.8 million individuals have been removed from income tax altogether since 2010 as a consequence of increases in the personal allowance. The Government are committed to continuing to make work pay and have pledged to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament. The Government also believe that people working 30 hours a week on the national minimum wage should not pay income tax. That is why we are introducing a change so that the personal allowance will automatically increase to ensure that it does not fall below the equivalent of 30 hours a week on the national minimum wage.

This will be the first time in history that the personal allowance has not been indexed on the basis of price inflation, instead ensuring that individuals who earn up to 30 hours on the national minimum wage will not pay income tax in the future. Clause 3 changes the basis of indexation for the income tax personal allowance from the consumer prices index to ensure that it is always set at a level at least equivalent to 30 hours a week on the national minimum wage. The change will take effect once the personal allowance reaches £12,500. Individuals working 30 hours a week or fewer on the national minimum wage will therefore be taken out of income tax altogether.

Clause 4 sets out that, until the personal allowance reaches £12,500, the Chancellor will have a legal duty to consider the impact of any proposed increase to the personal allowance on an individual working 30 hours a week on the national minimum wage. The clause also sets out the requirement for the Chancellor to make a statement on the impact that this will have on those individuals when an increase to the personal allowance is made at a future fiscal event.

The changes to income tax thresholds in the Bill will mean that an individual can work at least 30 hours a week without paying income tax both in 2015-16 and next year. In 2010, an individual could work only 21 hours on the national minimum wage without paying income tax. In time, an individual working 30 hours on the national minimum wage will be brought back into income tax.

On clause 5, it is worth pointing out how much the personal allowance has increased in recent years. In 2010-11, it was just £6,475; now, it is £10,600. Following on from that record, in this Parliament, we have committed

to delivering a high wage, low tax, low welfare society. That includes reducing taxes for the lower paid, and that is why we have committed to increasing the personal allowance from its current level of £10,600 to £12,500 by the end of the Parliament. Clause 5 increases the personal allowance from £10,600 in 2015-16 to £11,000 in 2016-17 and to £11,200 in 2017-18.

In total, 570,000 individuals will be taken out of income tax altogether by 2016-17. That will increase to more than 660,000 by 2017-18. The changes represent a tax cut for 29 million taxpayers who will see their typical income tax bill reduced by £905 by 2016-17. Taxpayers who are over 65 will also benefit. From 2016-17 onwards, the tax system will be simplified so that all taxpayers will be entitled to the same personal allowance; the remaining age-related allowance of £10,660 will be merged with the higher personal allowance of £11,000.

The clauses allow us to support those in work by enabling people to keep more of the money they earn by paying less income tax. We are helping the lowest paid by taking them out of income tax altogether and we are moving towards a high wage, low tax and low welfare society.

Barbara Keeley (Worsley and Eccles South) (Lab): Welcome to the Chair, Mr Howarth. It is a very long time since I did a Finance Bill—it was in my very first year as an MP. We have had a lot of guidance this morning, because apart from me going back to 2006, many Members have not done one before.

Clause 3 changes the basis of indexation for the income tax personal allowance from the consumer prices index to a link to an annual equivalent of an individual working 30 hours per week at the national minimum wage adult rate, when the personal allowance reaches £12,500. Clause 5 outlines future increases in the personal allowance that will work towards the Government's stated aim of a personal allowance threshold of £12,500. The personal allowance is currently £10,600 and is set to rise to £11,000 in 2016-17, followed by a further increase to £11,200 in 2017-18.

Labour supports measures to improve the living standards of families across the UK. Every worker should be entitled to a fair wage and we welcome the increase in the personal allowance. We understand the reasoning behind changing the indexation for the income tax personal allowance. Linking the allowance to the annual equivalent of an individual working 30 hours per week at the adult rate of the national minimum wage when the personal allowance reaches £12,500 should help to increase a worker's take-home pay when they work full time on the national minimum wage.

Currently, a person working on the minimum wage for 48 weeks a year earns £9,360 and so is already below the personal allowance threshold. Indexing the personal allowance to the national minimum wage rather than inflation will help to protect the earnings of minimum wage workers as the minimum wage rises above inflation. If the indexation of the personal allowance were to remain aligned to the consumer prices index measure of inflation, many workers on the national minimum wage could find themselves dragged into the personal allowance as their wages increase, as has certainly been the case in the past.

It is welcome that the Government are moving towards a wage and tax system that acknowledges people's right to make a decent living, but it must be noted that the change in indexation may also have unintended consequences, particularly in the long term. In future, if the national minimum wage fails to rise in line with inflation, families could be hit by stagnant wages and a personal allowance that fails to reflect a squeeze on living standards. I hope that is borne in mind and that any future Government faced with this problem will act to protect family incomes.

Although the measure means that people working 30 hours a week on the national minimum wage do not have to pay any income tax, many people are excluded from the additional benefits that brings because they do not earn enough to qualify. In particular, it will make little difference to someone who works part time on the national minimum wage. There are 8.27 million part-time employees in the UK. People work part time for a wide variety of reasons. For example, they may have caring responsibilities or be unable to find any other suitable work. We know that the majority of low-paid part-time workers are women, and we must bear in mind that an increase in the personal allowance is unlikely to have any effect on that group. If the Government are serious about helping those on low pay to achieve a decent standard of living, we must also look towards other areas of income taxation.

The Institute for Fiscal Studies has suggested that reform of national insurance contributions could help those on low incomes. Many people earning below the income tax personal allowance threshold still pay national insurance contributions. I question the Government's priorities in increasing the income tax personal allowance, because I feel that there could be more targeted assistance for those on the lowest incomes through changes to national insurance contributions.

That is a symptom of a wider problem within our tax system. The lack of alignment between income tax and national insurance causes additional complications for employers, Her Majesty's Revenue and Customs and the public. We welcome the Chancellor's asking the Office of Tax Simplification to look at the possibility of merging income tax and national insurance. As national insurance and income tax have become less distinct in their purpose and what they are used to fund, it is important that we review how we can address the lack of alignment between the two.

Although the personal allowance for income tax has consistently been raised to take more people out of tax, the tax people pay through national insurance has lagged behind. We must consider whether any future increases in the personal allowance could be targeted at national insurance, reducing distortions in our tax system and simultaneously helping those on low pay.

Although the use of the adult national minimum wage as a benchmark for the personal allowance is welcome, we must note that it will not be equivalent to the real living wage or even the apparent living wage announced by the Chancellor in the summer Budget. As the Bill stands, the national minimum wage appears to be the rate for those aged 21 and over. The personal allowance is therefore no guarantee of a living wage for people who work more than 30 hours a week. Will the

[Barbara Keeley]

Minister say whether the Government will seek to increase the personal allowance in future to the level of the new national living wage for the over-25s, once it is introduced?

There is great confusion about the Chancellor's use of the term "living wage" in the Budget. Even if the new so-called living wage of £9 per hour were used in this calculation, it is unlikely to provide a real living wage for full-time workers. The current UK living wage, as calculated by the Living Wage Foundation, is £7.85 an hour throughout the UK, with the exception of London, where it is £9.15 an hour. The current real living wage, however, takes into account the tax credits that many families will lose under the Budget. When the Chancellor's living wage reaches £9 an hour in 2020, it is likely that that will not reflect a real living wage as calculated by the Living Wage Foundation.

2.15 pm

I stress the need for a wider focus on improving security at work. When income is insecure, changes to tax on earnings will not address people's wider problems. There have been concerns that the introduction of the new national living wage for over-25s will have negative impacts on the employment market—such concerns always rise when changes to the national minimum wage are proposed. According to the Office for Budget Responsibility, assuming no change in employment or hours worked, the rise in the national minimum wage would result in a 0.3% increase in whole-economy compensation of employees. Although that seems small, the OBR has also warned that the response of businesses was "subject to significant uncertainty".

Employers may respond to the change in a variety of ways, including by reducing hours or jobs, replacing over-25s with younger workers, or increasing prices. The OBR estimates that by 2020 there will be 60,000 fewer jobs as a result of the national living wage, and a reduction 0.1 % of GDP. Perhaps it is worth giving an example.

I am very worried about the care sector. In previous debates I have raised concerns about the effect of minimum wage increases on social care provision. There is real concern about that, particularly as, if the Government do not fund increases as a new burden on local authorities, such increases are funded through local authority budgets. That interaction between the Treasury and the Department for Communities and Local Government is important. The care sector is one of the lowest paid, with many people employed part time or on zero-hours contracts. For care workers, the planned increases in the national minimum wage are estimated by the Local Government Association to cost £330 million this year, rising to £1 billion a year by 2020. Labour believe that low-paid care workers should have a wage increase—of course we do—but we need to find ways to fund that which do not involve further cuts to care or local authority services.

Earlier this week, I met national organisations and care providers, and they are very worried about the change. It must be dealt with, so what plans does the Financial Secretary have in place to mitigate the negative consequences of what are very welcome changes? The increase in the personal allowance is extremely welcome, but in itself does not achieve secure incomes. Issues such as those in the care sector have to be dealt with.

Clause 4 stipulates that, until the personal allowance reaches £12,500, the Chancellor has following duty:

"Before the Chancellor of the Exchequer announces a proposal to increase"

the personal allowance, he

"must consider the financial effect"

of the increase on an individual working 30 hours a week. We welcome the decision to put greater emphasis on the impact of a personal allowance rise on people working for the adult rate of the national minimum wage, but it must be noted that the adult national minimum wage will not be equivalent to the real living wage. We need to get away from the confusion there has been since the Budget. It will also be much lower than the Government's headline measure of a new rate for the over-25s.

Mr Gauke: From what the hon. Lady said, I take it that she welcomes the significant further increases in the personal allowance. We have come a long way from the days when it was just £6,475, and I am glad we have made that progress. I am pleased that she appears to accept the principle of linking the personal allowance to the national minimum wage. I hope she recognises that the reforms we are making are helping the country to move towards the low-tax economy we need.

The hon. Lady asked a number of questions, for which I am grateful. She stated her support for the introduction of the national living wage, but then raised concerns about the jobs that will be lost and the care sector. We have to remember that this country is successfully creating a lot of jobs. Large numbers of jobs have been created in the past year or so, so we believe that the time is right for us to introduce the national living wage. We are locking in a more generous floor for the lowest paid across the economy, which obviously applies to the social care sector. Clearly, the costs of social care will be taken into account as part of the local government settlement in the spending review later this year. I cannot add much more to that at the moment, but I hear the hon. Lady's point.

Barbara Keeley: It is instructive to listen to care providers and the people around them—the national provider associations. Privately paying residents of care homes now subsidise the residents who are paid for through local authorities to a substantial extent. I was given a case of somebody who, at the end of their life, was moved to a much smaller, cheaper room. That can happen in people's last months, as they are approaching death. Care home providers do not want to do that, but they are in an awful situation in which there is a great disparity between the cost of supporting people as they need more and more care and the money available. We have to recognise that that is happening. I want to emphasise how important this is. The Minister and his colleagues should listen to the people who are worried about this. Although more jobs are being created and people can transfer between jobs, we cannot live without care homes.

Mr Gauke: I reiterate the point I made. The hon. Lady expresses her experience very articulately. The cost of social care will be taken into account as part of the spending review.

Maria Caulfield (Lewes) (Con): As someone from a healthcare background—I was a nurse—I take the point made by the hon. Member for Worsley and Eccles South about how vital staff are, but surely if there are cost issues, we must find ways to meet the cost pressures elsewhere. Paying the living wage is absolutely fundamental. Yes, it puts pressure on budgets, but not paying the living wage is not the way to address those issues.

Mr Gauke: I am grateful to my hon. Friend for her contribution. She makes a very good point.

The hon. Member for Worsley and Eccles South asked what would happen if inflation is higher than the increase in the national minimum wage. The Government's aim is to have a national minimum wage that helps as many low-paid workers as possible without damaging their employment prospects. We welcome the fact that the Low Pay Commission shares our aim of seeing progressive real increases in the national minimum wage. It is because we have a strong economy and high levels of employment that we are seeing increases in the national minimum wage and that we now have the flexibility to introduce a national living wage.

On those who do not benefit from the increase in the personal allowance, we believe that in our income tax system someone working 30 hours a week on the national minimum wage should not pay income tax. These changes will ensure that those individuals will be taken out of income tax. We want to create incentives to encourage those who, for example, wish to increase their hours if their circumstances permit them to do so. They should be able to do that without finding themselves paying income tax.

Daniel Zeichner (Cambridge) (Lab): It is a pleasure to serve under your chairmanship, Mr Howarth. Will the Minister tell me how much a part-time worker earning, say, £8,000 will benefit from the changes?

Mr Gauke: The point I am making is that as we increase the personal allowance, people who earn under that amount do not pay income tax. If we still had a personal allowance of £6,475, such a person would clearly be paying income tax. If the hon. Gentleman is saying that we have already made an awful lot of progress, I would entirely agree with him. That does not mean that we should stop.

The hon. Member for Worsley and Eccles South raised the issue of the national living wage, which we will introduce. It is based on the national minimum wage, which we believe should continue in its current form, applying recommendations from the Low Pay Commission to the Government. That has an important role to play.

The Government want to protect younger workers' employment prospects as well as see as many people as possible benefiting from a higher wage. Given that younger workers tend to have less experience in the labour market than older workers, there is a risk that too high a wage rate might make them relatively less attractive to employers. That is why we will have both the national living wage and the national minimum wage.

Barbara Keeley: I talked at some length about national insurance and the fact that those with very low earnings may not reach the personal allowance but still pay

national insurance contributions. Will the Minister comment on possible steps to remedy that drift? What are the Government's plans?

Mr Gauke: I understand the hon. Lady's point. In the coalition agreement in 2010, the coalition Government made it clear that our objective was to increase the personal allowance. Again, in my party's manifesto for the 2015 general election, we made it clear that we wanted to increase the personal allowance, and of course we will. Our priority is to honour our manifesto commitments and that is what we will do.

It is worth pointing out that the income tax rate is higher than the rate of national insurance contributions. The increases in the personal allowance have been effective in sending a clear signal that we are making work pay and I think they have contributed to the strong recovery we see in jobs. That is to be welcomed, because it incentivises people to work.

Barbara Keeley: I understand that we want to ensure that people on the lowest incomes who may not work a lot of hours, and certainly those on the national minimum wage or zero-hours contracts, do not reach the personal allowance. However, the point remains that they are paying national insurance contributions and that is an alternative route to help people on very low pay.

Mr Gauke: That is an alternative route; it is hard to argue against that point. What I would say is that we had a manifesto commitment to increase the personal allowance to £12,500. Given that that was our manifesto commitment, it is right that we fulfil it—I am sure the hon. Lady does not disagree with that—and that is precisely what this measure will do. I hope that the Committee will support the clause.

Question put and agreed to.

Clause 3 accordingly ordered to stand part of the Bill.

Clauses 4 and 5 ordered to stand part of the Bill.

Clause 6

BASIC RATE LIMIT FROM 2016

Question proposed, That the clause stand part of the Bill.

2.30 pm

Mr Gauke: The clause sets the income tax basic rate limit for 2016-17 and 2017-18. The changes deliver the Government's commitment to support and reward those in work. In the last debate I set out the Government's record on cutting taxes. On top of that, we also want to support middle-income households and to reward individuals who want to work hard and progress. That is why we have committed to increasing the higher rate threshold—the point at which the higher rate of income tax is applied—to £50,000 by the end of the Parliament. The clause takes the first step in delivering that commitment.

Clause 6 increases the basic rate limit from £31,785 in 2015-16 to £32,000 in 2016-17 and £32,400 in 2017-18. That is the income on which 20% tax is due. The income tax higher rate threshold, which is the sum of the personal allowance and the basic rate limit, will therefore increase from £42,385 in 2015-16 to £43,000 in 2016-17

[Mr Gauke]

and to £43,600 in 2017-18. Above that level, 40% tax is due. This is the first above-real-terms increase in the higher rate threshold since 2010, taking 130,000 people out of the higher rate of tax by 2016-17. By 2017-18, that will rise to more than 160,000 individuals. Since 2010, a typical higher rate taxpayer will have gained £818 by 2016-17 and £918 by 2017-18.

As in previous years, the national insurance upper earnings and upper profits limits will remain aligned with the higher rate threshold in 2016-17 and 2017-18. I noted on Second Reading of the National Insurance Contributions (Rate Ceilings) Bill earlier this week that a number of Labour MPs suggested that the link should be broken and that national insurance contributions should be charged at 12% above the higher rate threshold. Clause 6 allows the Government to support those in work, enabling people to keep more of the money they earn by paying less income tax. That helps us to move towards a high wage, low tax and low welfare society.

Barbara Keeley: I note the Minister's point about the comments of Back-Bench MPs, but as I said earlier, all parties in the House have Members who do not share the views of those on the Front Bench. That is the way it is, and I could certainly quote all kinds of thing that have been said by Conservative Members on matters dear to my heart.

Clause 6 sets the income tax basic rate limit for the 2016-17 and 2017-18 tax years. It will rise to £32,000 in 2016-17 and £32,400 in 2017-18. We are in favour of tax cuts for those on middle incomes and we support the increases in both the personal allowance and the basic rate limit for 2016-17. However, as inflation, pay and living costs increase, we need to ensure that the basic rate limit for income tax reflects that change. That will prevent families and individuals from being dragged into a higher tax bracket and paying a higher proportion of their income in taxes, despite them seeing no real-terms increase in their living standards or disposable income. Many people feel that is the situation they are in today.

We must also bear in mind how many people will benefit from the increase in the basic rate. In the most recent annual survey of hours and earnings, which used 2013 data, the median gross annual earnings for an individual was just over £22,000. The majority of basic rate taxpayers earn much less than the basic rate limit and are unlikely to benefit from the increase. It will only benefit people with earnings towards the top of the basic rate of tax and will disproportionately benefit people who earn much more than the average income of an individual in the United Kingdom.

As always, we must look at the package of measures outlined in the summer Budget to understand the true impact of the change for working people. Although the Government are altering the tax system to help to ensure that people are rewarded for work, this still does not help to tackle low-paid insecure work. On 2 September, the Office for National Statistics released its figures for zero-hours contracts, which we have already touched on today. Those figures showed that zero-hours work is on the rise, with the total number of contracts rising to 1.5 million and the number of people reporting zero-hours contracts as their main source of employment rising by almost 20% since last year.

At the same time, there are now more than 1.2 million people working part time because they could not find full-time work. That is 200,000 more people than when the Conservative party took office in 2010. John Philpott, director of the Jobs Economist, has raised concerns that the new national minimum wage will mean that employers could stop offering full-time permanent contracts to avoid paying the steep rise in the national living wage for the over-25s, which comes into force next April. He has stated:

“In an otherwise very lightly regulated UK labour market the forthcoming large hike in the minimum wage when the national living wage (NVL) is introduced next year might act as a further incentive to employers to increase their use of zero-hours contracts—which are already very prevalent in sectors where the NVL will bite hardest—in order to minimise the impact on total labour costs.”

We welcome the introduction of the higher limit for basic rate taxpayers. Although basic rate taxpayers will be protected from a rise in living costs, the Government's freeze in working-age benefits will mean that benefit recipients will not receive the same assurances. In fact, taking into account inflation forecasts, the Institute for Fiscal Studies has estimated that the freeze in working-age benefits is equivalent to a 4.8% cut to working-age benefits over the four years. That will result in 13 million families losing £260 a year on average in benefits.

Although a basic rate rise will be welcomed by those who will benefit from the increase, we must bear in mind that many workers will not benefit from the rate rise. It will not help to solve the problem of insecure work nor will it make up for the other changes to welfare payments and tax credits that go to people who earn significantly less than the threshold.

Mr Gauke: The hon. Lady supports the measures that we are discussing, although I note that she is keen to dismiss the opinions of Back-Bench MPs—

Barbara Keeley: Not at all.

Mr Gauke: I retract that. The hon. Lady is not dismissing the opinions of Back Benchers; she just does not like them being quoted. I can understand why she holds that position, given the circumstances in which she finds herself.

The hon. Lady makes the point that the changes will not help individuals who do not pay income tax, or those who do not pay higher rate income tax. Under the circumstances, however, we believe that it is right to increase the higher rate threshold. This is the first above-inflation increase for some years. We have set out our intention to have a higher rate threshold of £50,000 by the end of the Parliament, and I hope that the hon. Lady will support that.

It is right that we support work. I sat in similar debates during the previous Parliament and listened while Front-Bench Labour spokespeople made the point that some nurses, policeman and others would benefit from bigger increases in the higher rate threshold, but that we were not increasing it fast enough. I hope that she will welcome the fact that we are making that progress and that the Labour party will continue to support such measures, which are all part of our move towards a low tax, low welfare and high wage economy.

Question put and agreed to.

Clause 6 accordingly ordered to stand part of the Bill.

Clause 7

RATE OF CORPORATION TAX FOR FINANCIAL YEARS 2017-2020

Question proposed, That the clause stand part of the Bill.

Mr Gauke: Clause 7 will cut the rate of corporation tax to 19% in 2017 and 18% in 2020. Let me begin by giving some background to the measure. The Government have made it clear that we want a business tax regime that is competitive and fair, and since 2010 we have made clear strides towards that goal. The main rate of corporation tax was 28% in 2010. We had the 20th-lowest main rate among the EU27 countries, as other countries cut rates further and faster than the UK. To combat that, we have cut the rate by almost a third, to 20%, to make the UK more competitive and to support growth and investment. That is one of the biggest boosts that British business has ever seen. [HON. MEMBERS: “Hear, hear!”] In addition, the small profits rate was also cut to 20% in the previous Parliament, and the two rates were merged to simplify the tax regime. Overall, the cuts delivered in the previous Parliament will save businesses £10 billion a year from 2016-17.

[MARK GARNIER *in the Chair*]

The cuts that we have already delivered are significant, Mr Garnier—

The Chair: It is as much of a surprise to me as it is to you.

Mr Gauke: Such greatness to fall on one so young.

In the face of global competition, the UK cannot afford to stand still, which is why we will go further in this Parliament, cutting the rate to 19% in 2017 and 18% in 2020. Those cuts will benefit more than 1 million businesses, saving them a further £6.6 billion by 2021, and will give the UK the lowest corporation tax rate in the G20, supporting investment, productivity and growth.

There is strong evidence of the economic benefits of lower corporation tax rates. Low rates increase the return that companies receive on investment, so encouraging the business investment that is vital to productivity growth. The University of Oxford estimates that the reduction in the corporate tax burden that we have delivered will increase business investment by £11 billion. The Treasury and HMRC have modelled the economic impact of the corporation tax cuts delivered since 2010, along with those announced at the summer Budget. The modelling suggests that the cuts could increase long-run GDP by more than 1%, or almost £20 billion in today’s prices.

[MR GEORGE HOWARTH *in the Chair*]

As well as supporting businesses already operating in the UK, lower rates of corporation tax make the UK more attractive to international businesses. UK foreign direct investment stock has increased by almost 50% since 2010, reaching £1 trillion by the end of 2014. Last year, UK Trade & Investment reported almost 2,000 inward investment projects—the highest number ever—which have created almost 85,000 new jobs. The corporation

tax cuts and other reforms, such as the introduction of the patent box, have completely changed perceptions of the UK tax regime. Five years ago, businesses were leaving the UK because of our tax regime; that regime has now become an asset that attracts firms to the UK, which is now regularly cited in surveys as having one of the most competitive regimes in the world.

In conclusion, cutting corporation tax has been a central part of the Government’s economic strategy, and it is working. The UK grew faster than any other G7 economy in 2014, and 2 million more people are in employment since 2010. Business investment is growing rapidly. Tax competition is dynamic. In the past few decades, we have seen countries throughout the world cut their corporation tax rates. We cannot afford to stand still while others rush ahead. The UK needs to be as competitive as possible.

There were those at the general election who advocated an increase in corporation tax to 21%. I am pleased that, months later, on Second Reading, those very same people were supportive of the measures in the clause. I am grateful to the hon. Member for Birmingham, Ladywood (Shabana Mahmood), who spoke for her party in that debate and supported the reduction in corporation tax to 19% and then 18%. A new 18% rate will send out the message around the world loud and clear that Britain is open for business. I hope that the Labour party will continue to support the policy, and I commend the clause to the Committee.

Barbara Keeley: I am glad to see you back in the Chair, Mr Howarth. I put my head down for a moment and then you were not there.

As we have heard, clause 7 sets the main corporation tax rate at 19% for the financial years beginning on 1 April in 2017, 2018 and 2019, and at 18% for the financial year beginning 1 April 2020. Labour is in favour of support for businesses, which is what we need to discuss as we consider the clause. We want to help British businesses to invest in the UK and to enable long-term investment. We will support the corporation tax measures, but we have questions about the future direction of policy on support for businesses. It perhaps is not appropriate to discuss it at this point, but that is why later in our consideration of the Bill we would like to introduce a new clause asking for a public consultation on the reforms to the system of tax relief for businesses.

2.45 pm

We believe that it is essential that the Government consider the whole system of tax reliefs available to businesses and how we can make it more simple, efficient and fair for businesses and for society. Businesses need certainty to encourage long-term investment and good business planning. Although they should pay their fair share of taxes, we should be looking at how we can provide certainty.

Our policy at the general election was not to go ahead with the corporation tax cut from 21% to 20%, but instead to use the money to pay for a cut to business rates this year and a freeze next year. It was a direct switch spend—a different choice and a different way, and I will come on to talk more about that. At 18%, we will have a lower rate than Luxembourg. Given the ongoing international negotiations at OECD level, will

the Minister confirm what the reaction has been from our friends at the base erosion and profit shifting project to the Government's proposals on the rate changes?

The reductions in the rate of corporation tax raise ethical questions about the direction of UK tax policy. We should be attracting businesses for the right reasons. The UK is a leading example in adopting fair tax policies. That is why we committed ourselves to early adoption of the common reporting standard by signing the statement, the second part of which states:

"We committed ourselves to early adoption of the Common Reporting Standard, through joining the initiative first launched by France, Germany, Italy, Spain and the UK... In doing so we recognised that only those financial centres which adopt the highest standards in tax transparency and work in close cooperation to tackle cross-border tax evasion will prosper in the future."

In all areas of our tax policy, we should consider our duty to endorse a fair global tax system. Will the Minister clarify what steps will be taken to alleviate concerns that we might start to be viewed as a tax haven? It is likely that some countries with which we do business may have concerns after the recent change to corporation tax. Although the Government have been quick to give to businesses, businesses themselves have not called for a cut in the rate. Given that our rate is already highly competitive, why have the Government taken the decision to progressively reduce the rate to 18%?

Chris Philp (Croydon South) (Con): I suggest to the hon. Lady that businesses have been generous in passing on the fruits of their expansion and profitability, as evidenced by this week's figures showing that wage growth is at a record recent level.

Barbara Keeley: I do not see how that follows the flow of what I am talking about, but if I find a place to give a reply, I will do so.

In 2014-15, corporation tax made up 7% of the total tax take in the UK. We need to be clear that cutting corporation tax amounts to a transfer to the largest businesses that disproportionately benefits them. We are concerned that a more effective policy measure, such as the one suggested at the election, could have been used to help all businesses, rather than just the largest companies. We question the reasoning behind the Government's policy decision. It appears that corporation tax has been used because it is relatively easy to alter. I am sure the Government recognise that a substantial amount of money is going to businesses. Will the Minister outline how the Government intend to pay for the rate cut, which in 2020-21 will cost £2.5 billion? We have not seen a breakdown of exactly how that will be paid.

We have heard the point about firms being attracted to this country due to our tax regime. KPMG's December 2014 survey of tax competitiveness revealed that only 8% of respondents saw favourable tax policies as the factor with the most impact on our recovery. Only 18% saw tax as having a high influence on where companies base themselves. That contradicts the point that the Minister just made. We believe that the focus of support for small and medium-sized businesses should be a priority and that policies to encourage businesses would have been better targeted elsewhere than this tax rate change.

Many small and medium businesses will have been disappointed that the Chancellor failed to mention business rates in his Budget speech. During the general election campaign, we outlined proposals to cut and then freeze business rates, so that smaller firms could have the support needed to invest, innovate and raise productivity. That would have helped more than 1.5 million small business properties. Small and medium-sized businesses are concerned about the pressures on business rates. Every time I visit such businesses in my constituency, that is almost the first thing they raise. Labour, along with small and medium-sized businesses up and down the country, will be waiting to see whether the Government will take action to reduce the business rates burden. There are reports that the valuation office now has to deal with 500 appeals a day. Will the Government give small and medium-sized businesses a gesture of support by providing them with an interim report on their business rates review?

Rates reform continually tops many small retailers' and business groups' lists of areas that need real reform, but the tax, over which there is a backlog of more than 250,000 complaints, failed to get a mention in the Chancellor's speech. That caused a lot of disappointment. The British Retail Consortium has warned that the level of business rates could cause 80,000 shops to close by 2017, and business groups including the Confederation of British Industry say that the antiquated system of business rates is a major barrier to investment.

Let me return briefly to the point about the 80,000 shops. Very many MPs, including me, have in our constituencies the situation of empty shops on high streets and we all want to do something about that, but here is the big problem. John Allan, chairman of the Federation of Small Businesses, urged the Government to take action. He said:

"Bringing forward reforms to business rates is an immediate priority."

We urge the Minister and the Chancellor to ensure that the ongoing review of business rates does not result in small businesses paying disproportionately more. We call for greater attention to be given to business rates as a means to support small businesses.

It is quite common in these debates to hear questions backwards and forwards about the different priorities. During the general election campaign, Labour set out further ways to support small businesses, including elements that are often talked about here in debates. One was the tackling of late payments with a new requirement on larger businesses to set out the extent of late payment that they have been responsible for and the action that they have taken to compensate suppliers. We would have given business organisations, such as the Federation of Small Businesses, the right to take cases on behalf of their members, because they believe that that is very important.

We wanted to strive to reduce unnecessary regulation in the small business arena by establishing a small business administration, which the FSB has called for, to co-ordinate work across the Government to benefit smaller businesses and cut unnecessary regulation as it affects them. Our small business administration would have been given a remit to ensure that regulations or requirements on small business were proportionate and appropriate and avoided unnecessary burdens or

compliance costs. They want to see regulation designed from the perspective of the smaller firm and they feel that it is not.

There is a need to deliver a longer-term road map for capital allowances and incentives for research and innovation such as the research and development tax credit, and not just for the headline rate of corporation tax. There is also a need to improve support for entrepreneurs and small and medium-sized enterprises that want to grow rapidly.

We understand that the Government have started to take steps to address the issue of late payments and that a consultation on the proposed role of small business commissioner was undertaken. As we are talking about the different scale of businesses, may I ask whether Ministers can provide us with an update on the new role, because that consultation ended on 21 August?

What other action are the Government taking to offer the support needed for small and medium-sized businesses? Feedback from a cross-section of businesses, ranging from start-ups to FTSE 100 companies, that was gathered by PricewaterhouseCoopers stated a number of key messages about their view on how the UK tax system should be shaped in the future. They included the following. The UK needs to be clearer on tax; that is the issue of the road map to instil confidence. A longer-term approach to tax needs to be taken. We will talk about that later in terms of how some taxes and allowances have changed. Businesses feel that the tax system should be more focused. It is too complex, with many different reliefs and exemptions; reliefs should be better targeted at specific purposes. Also—I have already made this point—national insurance contributions should be aligned with income tax. That was the view of those businesses.

Labour wants certainty for businesses looking to invest.

Lucy Frazer (South East Cambridgeshire) (Con): The hon. Lady mentions certainty. Does she accept that other measures in the Budget, such as the national insurance contribution ceiling, will not only create certainty, but help the small businesses that she is mentioning?

Barbara Keeley: Indeed; that is why we made that pledge first. There is nothing else to say about that. We understood how important that was, and made the pledge first—on income tax, national insurance and VAT. The only difference between us on that is that we would not have spent the time of a Public Bill Committee or Committee of the whole House on gimmicks—on putting forward legislation to bring in what we pledged. We support action to help small and medium-sized businesses, and a system in which business reliefs are clear and focused. We want to ease the burden on smaller business of navigating the myriad reliefs that, we have to admit, exist today.

George Kerevan (East Lothian) (SNP): We will not challenge the main substance of clause 7, but it has unintended consequences that reflect on later clauses that we will try to amend; I want to bring those up, and will ask the Minister to reflect on them and perhaps discuss them with the Chancellor.

The clause pre-announces the cut to the main rate five years in advance. Ordinarily, I would think that was quite a good thing to do, because it maximises revenue

streams and still gets us the maximum impact of the incentive. That worked very well in Sweden, so we should congratulate the Minister on that principle. The first problem that emerges is that significant evidence shows that large amounts of corporate surpluses are staying in the bank or are being used for share buy-backs. There has been no great evidence over the past few years to show that cuts to corporation tax are leading directly to reinvestment in manufacturing plant and productive infrastructure. In fact, corporate balances have been going up significantly in the UK and, for the same reason, the United States.

My practical worry is that if we continue, over these five years, to cut corporation tax, that may incentivise profit-making in business, but the profits will not be reinvested into raising productivity in the British economy. That link has to be looked at. The issue could be dealt with by adding extra incentives for investment, so that the corporate surpluses are recycled. One of my criticisms of the Bill overall is that those incentives do not exist. I ask the Minister to look at that.

Chris Philp: Does the hon. Gentleman agree that if we put in place the incentives that he describes, we would add complication to an already very complicated tax code? On his point about reinvestment, if corporate profits are dividended back to shareholders, it is likely that those shareholders will reinvest them elsewhere. If the profits are deposited in banks, my basic Maynard Keynes reading suggests that the banks will lend the money to other people. The money will find its way back into the economy, but via different routes.

George Kerevan: Both are fair points, but the recycling is largely going into property. Every crane that we count around this building is the result of that. We have offset productive investment into an overheated property market, which is hardly what we want to do to raise productivity.

On the hon. Gentleman's first point about how we craft incentives so that they do not become over-complicated and lead to further tax loopholes, that is an historical problem. This is a question of the here and now. I am sure that the Chancellor and the Government can come up with some good ideas on that.

I raised the issue with the Treasury Committee and the Monetary Policy Committee yesterday, because I am concerned that the Government are adding to the burden by attempting to run a permanent budget surplus—to generate surpluses that do not go into the productive economy. The representatives of the Monetary Policy Committee committed themselves to an answer that they may rue and that the Government should go away and think about. The committee was pressed on the point that if the Government run a permanent budget surplus, it must have an impact on the rest of the national income accounts. If we run a budget surplus, we are saving; we are taxing people to save. Where do the savings go? The best that the committee could do was say that there would be a further rundown of corporate balance sheets—in other words, money would flow out of the corporate sector—and that money might start flowing abroad, so we would end up investing abroad.

Chris Philp: We have a £1.5 trillion national debt, and I would respectfully suggest that surpluses would begin, in a very small way, to pay it down.

3 pm

George Kerevan: I merely reflect the answer given to me by the Monetary Policy Committee of the Bank of England. The hon. Gentleman may take it up with them.

Clause 7 will have a second unintended consequence, which is more specific. The Finance Bill does not just cut taxes to business; it raises them in a new way in the banking sector through the introduction of the bank levy—the surcharge on bank profits, which will replace the old levy. The problem with the change to the surcharge is that it extends the new tax to challenger banks and mutual building societies. The Chancellor responded to me personally and said that challenger banks and mutuals will not be disadvantaged because any shift in the extra tax burden from the surcharge on their profits will be offset by the reduction in corporation tax. Unfortunately, there is a five-year gap, and therein lies the problem. Yes, the reduction in corporation tax will eventually feed through to the challenger banks and mutuals, but in the interim they will have to pay a surcharge. There is a problem for competition, because we will be placing an extra burden on the mutuals and challenger banks in the interim by raising the surcharge on their profits. The full effect of the cut in corporation tax will come only five years down the road.

The Chair: Order. The hon. Gentleman has done a very good job of conflating two issues into one clause, but he needs to keep relating his speech to the levy on corporation tax. He has done that so far, but he seems to be straying from that a bit.

George Kerevan: I stand chastened, Mr Howarth. My point is that the one does not offset the other because of the time gap, which is where I wanted to finish. That is what I would like the Minister to reflect on.

Mr Gauke: I begin by welcoming the support of the hon. Member for Worsley and Eccles South for the reduction in corporation tax—although, if I may say so, she could have sounded a little more enthusiastic about the measure. I would be grateful to know whether the shadow Chancellor agrees with the reduction in the corporation tax rate first to 19% and then to 18%. He is on record suggesting that the rate should be considerably higher, but I appreciate that he made those comments when he was a Back Bencher, so perhaps we should not dwell on them for too long.

A few issues were raised, some of which relate to this clause. I will try to address as many as possible. First, on the issue of the UK's reputation and the base erosion and profit shifting process, which was instigated by the UK Government and others, the UK believes in a tax system that is competitive and fair, and which properly reflects where economic activity takes place. We want a simple, competitive and fair tax system, which is why we instigated the BEPS initiative to ensure that companies are not able to make use of an outdated international tax system that does not properly reflect where economic activity takes place. Within that system it is perfectly reasonable to have low and competitive rates, and that is exactly what we have delivered.

As I set out earlier, we are seeing signs of increased business investment. The analysis undertaken by the Treasury and HMRC shows that much of the tax loss as

a consequence of the reductions is recovered by increases in economic activity. A dynamic behavioural analysis shows that this is helping. Real business investment is growing as a proportion of GDP; business investment grew by 8% in 2014, and the Office for Budget Responsibility is forecasting that it will grow strongly over the next few years. It is also worth pointing out that the likes of the OECD make the case that corporation tax is perhaps one of the most economically damaging taxes and one of the most inefficient of our taxes. That is why it has been a priority for the Government to reduce it. We believe that if the UK is to prosper and to win the global race, it is important that we have that competitive tax system.

Our case as a country would be aided if there was consensus that we should have low rates of corporation tax, and that is why I genuinely welcome the fact that the Opposition parties apparently will not divide the Committee on that issue. I hope that that consensus can be maintained, because those who go around advocating very high rates for corporation tax do not aid those of us who are trying to advocate that businesses should invest in the UK when they have a number of international choices.

Barbara Keeley: Will the Minister give way?

Mr Gauke: I certainly give way to the hon. Lady, who can confirm her party's and, indeed, the shadow Chancellor's support for this measure.

Barbara Keeley: I do not think it would be my place to confirm the shadow Chancellor's support for the measure. If this is going to come up again in the debate, I should explain that we have a robust system of policy development and that decisions in the short to medium term are taken by the shadow Cabinet, which I think has met only once since we had the change of leadership at the weekend; then we have a substantial policy forum set up, which works nationally with our annual conference to take forward new developments and changes in policy direction and decisions. It is not sensible in this very short time into a new administration to ask a junior shadow Treasury Minister to make that point.

To bring the Minister back to my questions, I spent quite a lot of time talking about corporation tax versus business rates. We made our pledge on business rates and we are very concerned about small and medium-sized businesses, and about the high street. Can he answer my questions?

Mr Gauke: I will, although I do not want to hurry away from corporation tax, given that it is the essence of clause 7. I note that the hon. Lady said that although she is able to make a statement about party policy as the Labour party Front Bencher in this Committee, neither the leader of her party nor the shadow Chancellor are in a position to do so. If that is the way the Labour party operates, that is one for that party, curious though it might be to the rest of us.

The Chair: Exactly, and I think we should not get too drawn into policy-making processes of any political party.

Mr Gauke: I can understand your making that point, Mr Howarth.

Simon Hoare (North Dorset) (Con): I wonder whether my hon. Friend shares my view that those who usually call for higher rates of corporation tax have never themselves ever been involved in the running of a business.

Mr Gauke: My hon. Friend makes a very important point. Another point about corporation tax that can be lost in the debate is that, ultimately, the burden of all taxes falls on people. There is a lively debate on corporation tax about how much should it fall upon shareholders, in which case we are often talking about pension funds that pay pensions to ordinary people. Sometimes it could fall upon employees as a consequence of the fact that there is a reduction in investment as a consequence of corporation tax, which in turn means that productivity does not improve, and as productivity tends to drive salaries and wages, employees often suffer; or it could indeed be consumers who suffer from higher prices as a consequence of corporation tax.

Let us be clear that all taxes that we debate in this Committee are ultimately paid by people. They might not be writing the cheque or transferring the funds from their account, but ultimately all taxes are paid by people, and if one has an economically inefficient tax, the price that people pay for the benefit to the public finances becomes all the greater.

Barbara Keeley: I find the comment from the hon. Member for North Dorset about the prior experience of Members of this House rather patronising. I started my career in IBM, which is one of the biggest companies in the world. In fact, I worked at the large systems end of IBM with some of the largest organisations in the country, so I will not be patronised about my business experience. I have also been self-employed, which an awful lot of Members have not been.

I return to the point that this was a straightforward switch. I do not have many large corporations in my constituency in Salford, but I do have a lot of small and medium-sized businesses. Our straight switch from corporation tax was to support those small and medium-sized businesses. That was the essence of my contribution.

Mr Gauke: I am grateful to the hon. Lady for her intervention. To be fair to my hon. Friend the Member for North Dorset, he was saying that those who advocate corporation tax rises might not understand business. As she is not advocating corporation tax rises, I do not think she should take those remarks personally.

The coalition Government introduced a number of measures on business rates at autumn statements and in Budgets—for example, introducing a discount and extending the small business rate relief. We have announced a review of business rates, which will report by the end of the year. We set out details in the Budget of how we are paying for the rate cut, as part of a set of tax-reforming measures.

The Government have taken strong steps to deal with avoidance both domestically and internationally. I will not detain the Committee on that, but I am happy to do so if necessary.

On tax simplification and helping small and medium-sized enterprises, it is worth pointing out that the Office of Tax Simplification was set up in 2010 and has made more than 400 recommendations, of which half have already been implemented. The OTS will be established on a statutory basis with an expanded role and capacity.

The hon. Lady asked specifically about the late payments consultation. As we heard, that consultation was completed last month and the House will be updated on its results once responses have been reviewed. I am grateful for the Committee's support for the measures, and I hope clause 7 will stand part of the Bill.

Question put and agreed to.

Clause 7 accordingly ordered to stand part of the Bill.

Clause 8

ANNUAL INVESTMENT ALLOWANCE

Question proposed, That the clause stand part of the Bill.

Mr Gauke: Clause 8 increases the permanent level of qualifying expenditure eligible for the annual investment allowance to £200,000 from 1 January 2016. It provides a stable and long-term incentive for small and medium-sized businesses to invest in plant and machinery by allowing them to reduce their taxable profits by 100% of the value of their investment, up to the £200,000 threshold.

Encouraging long-term investment has been highlighted as a fundamental objective for achieving greater productivity, as outlined in the Chancellor's productivity plan. The clause signals the Government's intention to do just that, in order to support long-term business investment. Business groups such as the Confederation of British Industry, the Federation of Small Businesses and the British Chambers of Commerce have all welcomed a higher permanent level of the allowance.

The coalition Government temporarily increased the annual investment allowance to £250,000 and £500,000 in 2012 and 2014 respectively. Those temporary increases have provided valuable support to businesses as investment has recovered since the recession. The allowance was due to revert to a permanent level of £25,000 at the end of the calendar year, but the clause prevents that from happening. Instead, the annual investment allowance will be set at £200,000, its highest ever permanent level. That will provide certainty for businesses in the long term.

3.15 pm

Business investment grew by 8% in 2014, its fastest rate since 2007, and it is forecast by the Office for Budget Responsibility to grow by 6% in 2015. The new annual investment allowance will ensure that we do not lose any momentum in the business investment recovery by removing support through the tax system too soon.

The change made by the clause enables companies and unincorporated businesses, regardless of size, to reduce their taxable profits by 100% of their expenditure on qualifying plant or machinery up to the £200,000 threshold in each year from January 2016. That change to the allowance provides a strong incentive for businesses

to invest. It will particularly benefit small and medium-sized enterprises, with an estimated 85% of the allowance going to SMEs.

The allowance supports businesses across the UK: 75% of the businesses of the businesses estimated to benefit are located outside London and the south-east. Businesses in sectors such as manufacturing and agriculture, which we want to do more to build up, will benefit in particular.

The change sits alongside other measures in the Bill to support business investment and productivity, including the reduction to the corporation tax rate. The OBR expects that the new allowance, alongside the proposed cuts to corporation tax rates, will increase business investment by £1.6 billion a year by 2020-21. We listened to industry's recommendation for a permanent level of annual investment allowance to be set and we have acted to set that level at its highest ever amount, eight times higher than the level it was due to fall to.

We recognise the importance of long-term investment in driving productivity growth and the clause will facilitate that investment. The increase in the permanent level of the annual investment allowance will give businesses a stable and generous incentive to make that investment and grow.

Barbara Keeley: I think businesses might say, "About time," given the history of the allowance. As the Minister said, the clause increases the maximum amount of the annual investment allowance from £25,000 to £200,000 for expenditure incurred on or after January 2016. In fact, that is a cut to the existing temporary level of £500,000.

The allowance ensures the immediate deduction of expenditure on most plant and machinery from taxable profits. The history of the allowance's levels is entertaining. It was set at £50,000 between 2008 and 2010 and then it increased to £100,000. It was cut to £25,000 in 2012 but then increased to £250,000—supposedly temporarily—in 2013. In the 2014 Budget, as we just heard, it was raised again to £500,000 and, as was announced in the Budget, it is now being cut to £200,000 in 2016. The Institute for Fiscal Studies said:

"These changes and instability create costs and uncertainty and distort behaviour."

In 2010, the Chancellor cut the main capital allowance rate and reduced the annual investment allowance to just a quarter of its previous level, from £100,000 down to £25,000. The Government then increased it, but on a temporary basis. Such unpredictability and complexity makes it difficult for businesses to plan the long-term investments that the allowances are intended to support—that is their whole purpose.

Huw Merriman (Bexhill and Battle) (Con): That said, taking into account fluctuations over the years and the fact that it was a two-year stimulus, does the hon. Lady agree that the key part to the provision is that it is permanent, thus allowing businesses to plan in the way she advocates should be the way forward?

Barbara Keeley: The hon. Gentleman says that, but, looking at what people say about this, it seems that they do not have confidence that the allowance is permanent because of the way it has chopped and changed. That

the Government acted in 2010 to reduce it to a quarter of its earlier value—it was £100,000—is part of the problem. One can see from what I just read out that it jumped around.

To answer the hon. Gentleman's point, both the Institute of Directors and the British Chambers of Commerce have called for the annual investment allowance to be retained at £500,000. Crucially, the IFS also states that

"restricting the AIA to investment in plant and machinery only creates distortions through differential treatment of assets."

The IFS has estimated that setting the annual investment allowance at £200,000 from January next year will cost £0.8 billion.

Will the Minister explain how the Chancellor reached the figure of £200,000? As I say, the allowance has jumped about: it was cut to just £25,000 and is now going to be £200,000. There were calls from some small and medium-sized businesses to set a level over £500,000. The IFS says that over the past few years there has been "an absurd degree of inconsistency"

in the setting of the allowance. As highlighted earlier, PricewaterhouseCoopers' "Paying for Tomorrow" campaign put forward a strong argument for a need for a long-term view on tax, with a simple, focused approach to tax reliefs. The history of the allowance is anything but that.

The inconsistency has a damaging effect on businesses' confidence to plan for the future. The move to make the annual investment allowance a permanent rate is welcome, and we support the move to encourage investment and productivity, but we question whether the measure goes far enough. As I said, a number of small and medium-sized businesses have called for the allowance to be set above the current level of £500,000. As with business rates, they feel that the Chancellor has not listened to them. There are calls for him to look again at how he helps businesses to continue to spend and grow.

Other reliefs should also be considered. Consultations are out on business rates—although the Minister did not seem keen to tell me more about that one—enterprise investment schemes and venture capital trusts. We encourage the Government to focus more than they have on the needs of small businesses. I have many questions about how the annual investment allowance has been handled by the Government to date, but of course we welcome some degree of permanence, as guaranteed in the summer Budget—if it is to be permanent. However, the overall system of tax reliefs for businesses must be considered if we are to have a competitive and fair system for businesses to invest and grow. I hope that the Minister will adopt Labour's new clause and launch a public consultation on reforms to the system of tax reliefs for businesses. I hope also that Members will support the new clause when we vote on it later.

Michelle Thomson (Edinburgh West) (SNP): Much of what I say will be in support of the comments made by the hon. Member for Worsley and Eccles South. The Scottish National party also considers the allowance a vital investment tool, particularly for small businesses. The fact that it can be claimed during a year of investment rather than over a number of years is particularly beneficial for encouraging investment and therefore productivity, which we are also keen to see.

To reiterate what the hon. Lady said, yes, the allowance was increased to £500,000, and we are pleased that it will not fall off a cliff edge to £25,000 in January 2016; rather, it will just be decreased to £200,000. It is, however, a pity that it is a decrease of £300,000. My question for the Minister is, if it is good at £500,000, why not keep it there to encourage productivity? In his Mansion House speech, the Chancellor said that we do not export enough, train enough, save enough or invest enough. The key question stands: why not make the allowance permanent at £500,000?

Mr Gauke: I thank hon. Members for their questions. First, let me make it clear that £200,000 is the highest permanent level there has been for the allowance. If I recall correctly, it was £100,000 during the Labour party's last year in office. We made some temporary increases in the AIA to support the recovery, and those increases were warmly welcomed by businesses, which believed that they allowed them to bring forward and realise their investment plans. We recognise the importance of providing certainty to businesses in the current economic climate, and we are committing to keeping the level of £200,000 for the entire Parliament. We believe that that will help to provide an environment of long-term support for businesses to invest.

The level of the allowance must be viewed in the context of cuts to corporation tax. We must remember that although the previous Government had an annual investment allowance of £100,000, the rate of corporation tax was 28%. The allowance of £200,000 when we have a corporation tax rate of 20%, falling to 18%, is significantly more generous.

On business reaction, let me read two quotations following the Budget announcement on 8 July. John Allan, the chairman of the Federation of Small Businesses, said:

"The Annual Investment Allowance has been an important incentive for people investing in the future growth and productivity of our small businesses. We have long called for the Allowance to be set permanently and at a reasonable level. Small firms will therefore welcome the move by the Chancellor to do just that by setting the Allowance permanently at £200,000."

John Longworth, the director general of the British Chambers of Commerce, said on the same day:

"The Chancellor has confirmed that Britain is open for business. Firms across the UK will cheer not just the new permanent Annual Investment Allowance, further Corporation Tax reductions, and lower National Insurance for small businesses, but also commitments to childcare and higher education that help them employ Britain's best."

We must bear that in mind.

Barbara Keeley: The quotes give part of the message, and it is not surprising that those whom the Minister has quoted from business support permanence. As two Opposition Members have said, however, businesses have called for the allowance to be retained at £500,000. It is not surprising that they wanted permanence, but they also wanted a higher level.

Mr Gauke: The reaction to the announcement was that businesses were pleased. That is what we got from the Federation of Small Businesses and the director general of the British Chambers of Commerce. Would they have liked it to be higher? Of course they would, but the claim that the measure has disappointed business is certainly not supported by those two quotations.

Michelle Thomson: In that case, I would be interested to understand why it is not set at £500,000. Surely, if it was, businesses would be doubly delighted. What is the economic thinking behind not making it permanent at that level?

Mr Gauke: There is a question of cost. It is necessary to evaluate where the impact would lie and the benefit of going above £200,000. Yes, the allowance was once at a very high level, but that was because of particular temporary circumstances, given the uncertainty that existed towards the end of the previous Parliament.

Let us not forget that 99% of companies will receive 100% relief on their investment with an annual investment allowance of £200,000. It is a question of balancing the benefit to investment with the cost in tax that we will forgo if we go above £200,000. The judgment that we made was that, given that 99% of companies will get 100% relief, a level of £200,000 was a reasonable approach to take in the context of a set of policies that are undoubtedly pro-business and designed to attract investment in the UK.

Daniel Zeichner *rose—*

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP) *rose—*

Mr Gauke: I was about to conclude, but I will quickly take the two inventions.

Daniel Zeichner: On a point of clarity, given that we are discussing permanence, I think I heard the Minister say that this would be the level for the remainder of the Parliament. Is that what he is saying?

Mr Gauke: That is our intention, yes; £200,000 will be the level for this Parliament.

Roger Mullin: I would be interested to hear the Financial Secretary's reflections on the Chancellor's speech, which my hon. Friend the Member for Edinburgh West has cited. Does the Minister accept that there is a fundamental problem of investment in the UK economy and that we need to do more to try to stimulate investment? One way of doing that would have been to retain the investment allowance at a higher level.

3.30 pm

Mr Gauke: Our view is that the most effective way is the balance of policies we have set out in the Budget, preceding Budgets and autumn statements. It has reduced corporation tax from 28% in 2010 to 18% by 2020, the end of this Parliament. That is important too, so we have a proud record.

I am glad that there is agreement that we need to attract business investment in the UK. I have already quoted the numbers and increases we have seen in recent years. It is important that we provide that pro-business environment, and that is precisely what the Government continue to do.

Question put and agreed to.

Clause 8 accordingly ordered to stand part of the Bill.

Clause 9

INCREASED NIL-RATE BAND WHERE HOME INHERITED BY DESCENDANTS

Mr Gauke: I beg to move amendment 1, in clause 9, page 9, line 11, leave out from “if” to “to” in line 14 and insert “—

- (a) the property becomes comprised in a settlement on D’s death, or
- (b) immediately before D’s death, the property was settled property in which D was beneficially entitled to an interest in possession.

“(3A) Where the property becomes comprised in a settlement on D’s death, B inherits the property if—

- (a) B becomes beneficially entitled on D’s death”

The Chair: With this it will be convenient to discuss the following:

Government amendments 2 to 6.

Amendment 7, in clause 9, page 13, line 26, at end add—

“(5) The Chancellor of the Exchequer shall, within three months of the passing of this Act, undertake a review of the impact of the introduction of the new nil-rate band for inheritance tax and lay a report of the review before both Houses of Parliament.

(6) The review must pay particular attention to the impact of the introduction of the new nil-rate band on:

- (a) different regions of the UK; and
- (b) house prices.”

Mr Gauke: Clause 9 will reduce the burden of inheritance tax for most families by making it easier to pass on the family home to their children and grandchildren. That means there will be an effective inheritance tax threshold of up to £1 million for married couples and civil partners by the end of this Parliament.

Nick Thomas-Symonds: Can the Minister tell me what percentage of properties in the UK will benefit from these inheritance tax changes? What percentage of those properties are outside London and the south-east?

Mr Gauke: This is an area where I hope we can reach a consensus, although I may well be confounded. There is a place within our tax system for an inheritance tax regime that applies to the wealthiest estates. We believe that a proportion of estates should continue to pay inheritance tax. One challenge we face is that over the next few years, unless we take some form of action, it is likely that the proportion of estates that will pay inheritance tax will increase significantly. If we simply allow the system to roll on as it is, inheritance tax will become much more widely applicable. That may well be the position that some Members hold, but we are talking about an application far wider than was the case under the previous Labour Government.

Let us not forget that it was the previous Labour Government who made a substantial change to inheritance tax when they brought in the transferable nil-rate band. I am sure that Members will remember the autumn of 2007 as clearly as I do, and the announcement by the then Chancellor, Alistair Darling, of the introduction of that nil-rate band. At that point, the proportion of

estates affected by inheritance taxes was somewhat lower than is forecast to be the case by the end of this Parliament. I hope that context is helpful to the hon. Gentleman.

The changes we are introducing were a commitment in our manifesto, and it is a commitment that I am pleased to deliver. Inheritance tax was introduced in 1986. It may be helpful if I explain briefly how it works. The rate of inheritance tax is 40% on anything above the inheritance tax nil-rate band of £325,000. There is also a full exemption for anything left or gifted to a spouse or civil partner. As a result, the estate of the first spouse or civil partner will often not use the full allowance of £325,000, so any unused amount can be transferred to a surviving spouse or civil partner. That means the surviving individual can have an allowance of up to £650,000 before inheritance tax needs to be paid.

However, we now have the problem that more hard-working families are facing an inheritance tax bill than at any time since the introduction of the system nearly 30 years ago. Last year, 35,000 estates had an inheritance tax liability and that has been forecast to rise by nearly double to 63,000 in 2020-21. And thousands more worry about leaving their families with a large inheritance tax bill when they die. A YouGov poll in March 2015 showed that 59% think that the tax is unfair—more than any other tax—and it is easy to understand why. If people have saved, paid their taxes and worked hard to own their home, it can only be right that it will go to their family and not to the tax man. That is why we promise to make it easier for hard-working families to pass on their home to their children and grandchildren, and that is what the clauses deliver.

From 6 April 2017, a new additional transferrable nil-rate band will be phased in for all individuals who leave their home on death to direct descendants. That includes children, stepchildren, adopted children, foster children and grandchildren. The new allowance will be up to £100,000 in 2017-18, up to £125,000 in 2018-19, up to £150,000 in 2019-20 and up to £175,000 in 2020-21. That will be separate from the existing inheritance tax nil-rate band, which will remain at £325,000 until April 2021.

Nick Thomas-Symonds: Prior to coming to the House, I practised law in this area of law. It seems to me that clause 9 essentially seeks to increase the nil-rate band up to £1 million to include family homes. That is the stated aim. I know that the Minister is a fan of simplicity in the tax system, so I am puzzled as to why it takes an additional 400 lines in the Bill to do that, which in turn creates even greater complication in what is an already complicated area of law.

Mr Gauke: I understand the hon. Gentleman’s point, but if he will bear with me, I will set out the rationale for the measure. We think there is a particular issue about family homes and the fact that more and more homes are caught by inheritance tax. That is why we have introduced these measures. When it comes to complexity, if one looks at the inheritance tax regimes of Germany, Italy or France, they all consist of a number of different bands or rates, depending upon the relationship between individuals. Germany also allows for an exemption in certain circumstances when the family home is left to children or stepchildren. Several countries, such as Australia,

Sweden and Canada, do not have inheritance tax, but still charge capital gains tax on death, and those regimes have their own complexities. Complexity is inevitable because of the complexity of relationships and so on.

What we are considering today is in addition to the existing inheritance tax nil-rate band, which will remain at £325,000 until April 2021. That means that individuals will have an effective inheritance tax threshold of up to £500,000 by the end of this Parliament. In addition, a surviving spouse or civil partner will be able to claim up to £1 million.

From 6 April 2017, a surviving spouse or civil partner who dies will be able to benefit from the transferrable element of the new allowance even if their spouse or civil partner died several years ago. To ensure that the wealthiest make a fair contribution to the public finances through inheritance tax, the largest estates will not be able to benefit from this new allowance. They will have it gradually withdrawn by £1 for every £2 that the estate is worth over £2 million. We do not want to discourage downsizing, and I can confirm that legislation will be introduced in the Finance Bill of 2016 to ensure that those who downsized or ceased to own a home on or after 8 July 2015 are not penalised.

The Government have tabled six amendments to clause 9. Amendments 1 to 3 clarify that homes placed in some types of trust for the benefit of a surviving spouse during their lifetime, and where the home passes to a direct descendant on the spouse's death, will benefit from the new main residence nil-rate band. Amendments 4 and 5 will ensure that the main residence nil-rate band will apply when an individual leaves their home to the current or surviving spouse or civil partner of anyone already defined as a direct descendant. Finally, amendment 6 is a minor change to the definition of a foster parent to include other similar terms, such as kinship carers in Scotland.

The Opposition's amendment 7 would require the Chancellor of the Exchequer, three months after the passing of the Bill, to publish a report reviewing the impact of clause 9 on different regions of the UK and house prices. I recognise the importance of evaluating the impact of policy changes, but a formal report is not necessary in this case. HMRC already publishes annual statistics on the number of tax-paying estates and the amount of tax due in each region. I have also explained the steps taken to reduce any potential impact on house prices. The OBR has confirmed that it expects this measure to have only a small impact on the housing market. The Government will keep the impact of the policy under review in the normal way and at the appropriate time, but a report more than a year before it takes effect is not a sensible way forward.

The changes made by clause 9 will mean that around 93% of estates will be able to pass on all their assets without paying any inheritance tax. The number of estates facing an inheritance tax charge in 2020-21 will be almost halved in comparison with previous forecasts, and thousands more will pay less tax. This measure will also provide peace of mind to thousands of families who worry about the prospect of paying inheritance tax. Inheritance tax will, however, continue to make an important contribution to the public finances. The number of tax-paying estates will continue to be higher at the end of the decade than at any time between the introduction of inheritance tax in 1986 and 2014-15. Indeed, more

estates will continue to make a contribution than at any time between 1979-80, when capital transfer tax was in operation, and the end of the last Parliament.

There are those who disagree with making it easier for hard-working individuals to pass on their family home to their children and grandchildren. They say that rewarding hard work and aspiration is not a priority, but they are out of touch with the British people. The Government listen to the British people and deliver on their promises.

Barbara Keeley: I am afraid I am not at all convinced, but perhaps that is no surprise. Clauses 9 and 10 bring into force the nil-rate band for inheritance tax, allowing parents to pass on a house to direct descendants, as defined by the Government's amendments, worth up to £1 million free of inheritance tax. This legislation is extremely technical, running to more than 400 lines and representing six of the clauses we are considering today.

We have been clear that we believe that the focus of tax cuts should be on helping working people on middle and low incomes and on tackling tax avoidance. To answer the question from my hon. Friend the Member for Torfaen, the Treasury has admitted that 90% of households will not benefit from the Government's inheritance tax policy, so we should be clear about the part of society we are talking about. The priority for the Government, we believe, should be helping the majority of families and first-time buyers struggling to get a home of their own. That is why Labour voted against the Government's inheritance tax proposals in the July Budget debate.

The Treasury estimates that the changes to inheritance tax will cost the Exchequer £940 million by 2020-21—nearly £1 billion. We must think of priorities and the context of what we are talking about. This is a week when tax credits have been cut, so that two parents working full time on the minimum wage and raising two children will lose £2,200 from tax credits and be £660 worse off, even with the increase in the minimum wage that we talked about earlier.

I would like the Minister to clarify why exempting wealthy property owners from inheritance tax has been one of his Government's policy priorities. That is the question that we keep coming back to. When this was proposed in the general election campaign, the IFS commented that

"The vast majority of estates (over 90%) are not liable to IHT at the moment and therefore would not benefit...With around 50,000 estates forecast to pay IHT over the next few years this gives an average (mean) gain per IHT paying estate of around £20,000. The maximum reduction in IHT on a couple's estate is £140,000 which will go to married couples with estates worth between £1 million and £2 million. Since the children of those with very large estates are disproportionately towards the top of the income distribution the gains from this (and in fact any) IHT cut will also go disproportionately to those towards the top of the income distribution."

The IFS has said:

"Inheritance tax is not very effective at achieving wealth redistribution. Were the threshold raised to £1 million it would also be much less effective in terms of raising money."

We have to think about that.

3.45 pm

Mr Gauke: Given what the hon. Lady is saying, could she explain why Gordon Brown and Alistair Darling cut inheritance tax in 2007, when they introduced the nil-rate band?

Barbara Keeley: I was not in anything like my current role at the time; I am afraid that I cannot explain the thinking of the former Chancellor.

To bring us back to policy priorities, there is much to be said about the technical detail of this legislation. Inheritance tax is already a complex tax to navigate, and the Bill creates a new level of complexity. The tax faculty of the Institute of Chartered Accountants in England and Wales has set out 10 tenets for a better tax system, one of which states that

“the tax rules should...be simple, understandable and clear in their objectives.”

This tax has never been that. The institute says of the clause:

“The measure is excessively complex; it would be simpler to just increase the nil rate band to £500,000.”

Why has the Minister chosen to implement the policy in its current form? There seems to be a simpler way of administering the tax.

Chris Williams of the Chartered Institute of Taxation said:

“The proposals add further complexity to an already complex system. The government has recognised that the problem of downsizing”—

to which the Minister referred—

“must be addressed but proposes only to allow for downsizing that takes place on or after 8 July 2015. Other problem areas include the need to define a main residence consistently throughout the tax system, and to recognise the diverse patterns of the modern family when attempting to restrict the benefit to children and descendants.”

I will come on to that, because there is an important point about what a modern family consists of.

The Mirrlees review, led by the IFS and funded by the Nuffield Foundation and the Economic and Social Research Council, noted that inheritance tax was a

“somewhat half-hearted tax, with many loopholes and opportunities for avoidance through careful organization of affairs.”

That is well known. It went on to say:

“This leads to charges of unfairness and makes a principled defence of the current inheritance tax difficult.”

I grant it that the Minister tried. With such a generous increase in the nil-rate band and such low estimated returns to the Exchequer, the question now is whether we should start revising this to a quarter-hearted, rather than half-hearted, tax. Is this policy a priority at a time when families and first-time buyers are struggling to get a home of their own? The average house price outside London is just over £183,000. The current nil-rate band is £325,000. That would be enough to cover the average value and include a buffer. Why has the Chancellor decided to introduce that additional residence nil rate band?

Simon Hoare: Why does the hon. Lady’s narrative automatically presume that because an estate is asset-rich, descendants are cash-rich? She referred to people trying to get on the property ladder—to pay the deposit,

stamp duty, and so on. Take the widow who has stayed for years in the family home, which she bought reasonably cheaply in a part of London where property values have risen. It is the disposal of that asset on her death, and her descendants’ inheritance of it, as free of tax as possible, that allows those descendants, who may be in low or middle-paid jobs, to get on the property ladder. Why do the hon. Lady and the Labour party automatically exclude them from their thinking?

Barbara Keeley: I will come on to a very good reason why. I will answer the hon. Gentleman’s points. I ask the Minister why—I hope he does not lose this question—given the average house price outside London, the Chancellor has decided to introduce this additional band. There are wider questions, which I said I would come to, about the scope of who will benefit from the nil rate band.

The new tax exemption applies to lineal descendants. We welcome the clarification of who will benefit outlined in the Government amendment, and the apparent extension of the nil rate band to a lineal descendant’s spouse or civil partner in the event of the lineal descendant’s death. However, the Institute of Chartered Accountants has pointed out that it could be seen as discriminatory to allow the relief only to lineal descendants; many godparents, aunts and uncles are as close to, and their lives are as intertwined with those of, godchildren, nieces and nephews as are those children’s parents. That is the kind of family structure that we have these days.

Daniel Zeichner: I agree with my hon. Friend. I have had representations from constituents who feel that the lineal descendant clause is absolutely discriminatory, particularly against childless couples. There seems to be no logic to it, and I would welcome hearing the Minister’s case for it.

Barbara Keeley: My hon. Friend puts that in an excellent way. Will the Minister clarify the Government’s position on why the policy will apply only to lineal descendants? It has the potential to raise house prices by making property an even more attractive investment for the wealthiest, which would make it even more difficult for ordinary working people to get on to the property ladder.

Paul Johnson, the director of the IFS, has said that it is

“rather odd to give this special treatment to housing given that owner-occupied housing is already extremely tax privileged”.

He said:

“This will only increase the bias we have towards putting your money in a house, to inflating potentially the value of housing, without dealing with the lack of housing, which is driving up the value of private residences.”

Many of the policy’s features are similar to those analysed in a Treasury document that was leaked to, and published by, *The Guardian*. According to the estimates in the document, based on Budget 2014 forecasts, the policy would reduce the proportion of estates liable for inheritance tax from 8% in 2015-16 to just over 6% by the end of the Parliament, rather than increasing it to slightly more than 10%, as the current policy would have done. The document contains the argument that “there are not strong economic arguments for introducing an inheritance tax exemption specifically related to main residences”.

A number of problems with the policy are set out in the document, such as the fact that it would encourage investment in owner-occupied housing rather than other more productive investments and that it would discourage downsizing late in life when that might otherwise be appropriate. Although the Government have made some provisions to prevent the downsizing problem, industry experts have said that the changes could lead to more people choosing to upsize later in life, which would have consequences for the availability of housing stock for other buyers.

I want to talk about the balance of the Government's tax cuts, including changes to inheritance tax. Those changes will cost £24.6 billion over the Parliament, and they will be financed by five main sources, according to the Office for Budget Responsibility. Tax increases will raise £47.2 billion over the Parliament; we have talked about things such as insurance premium tax. Welfare cuts, including cuts to tax credit and many freezes, will raise nearly £35 billion. Other spending decisions will cut £8.1 billion. Cuts to departmental spending and to the BBC have been proposed. Various tax and spending decisions have indirect effects that will raise a further £14.2 billion.

The Budget decisions, interestingly, imply £3.5 billion of extra borrowing over the Parliament, on top of the £14.6 billion increase indicated by the OBR pre-measures forecast. Inheritance tax raised an estimated £3.8 billion in 2014-15, but house price inflation had been expected to drive the tax take up to £6.4 billion by 2019-20. Instead of the Exchequer receiving more revenue from inheritance tax, however, the policy is expected to cost it £940 million a year by 2020-21, when the additional family home allowance—like the existing allowance, it will be transferable between spouses—reaches £175,000 per person.

When they talk about borrowing, Conservative Members should bear in mind that if the Government had kept the existing allowance, they would have more than halved expected additional borrowing over the lifetime of the Parliament. In contrast, their position appears to mean more borrowing, when one of the Government's specified aims is to do the opposite. It seems strange that in the debates we have had so far the Conservative party seems to be convinced that it is okay to increase taxes such as insurance premium tax and to make increases that hit very large numbers of people the main way to raise finances, while implementing changes to inheritance tax that will cost the Exchequer considerable sums of money.

Surely, keeping inheritance tax as it was would be better than increasing the insurance premium tax and making hefty welfare cuts. Those are the decisions that are weighed against each other. The Government are cutting a tax for the wealthier families in the country, while cutting tax credits for millions of those who are in need. That is what we are going to see over the coming years. We could say that this is a rather warped interpretation of Robin Hood: taking money from the poorest to pay for a tax cut for the richest.

To answer the point made by the hon. Member for North Dorset, this tax cut comes at the same time as the Government have decided to abandon a manifesto pledge to implement a £72,000 cap on care costs. In a written statement to the House of Lords on 25 July 2015, the cap on costs was described as an expensive

new commitment. The cap—a pledge made by the Conservative party—was designed to prevent older people and younger people with disabilities from having to sell their homes when they went into care.

Here is the answer for the hon. Gentleman: why is it okay for people with care needs to have to sell their homes and have nothing to pass on, while the very wealthiest—the top 10%—are allowed to keep house values of £1 million? The Government have decided to abandon a cap, for which they had made legislation, on the grounds that it is too expensive, while they are opting to go with the introduction of the nil rate band for inheritance tax on properties, which will cost £1 billion by 2020. That £1 billion a year could have been an incredible investment in social care; instead, we are going the opposite way. We are talking about hundreds of thousands of pounds, if not millions. People who have to pay their own care costs will be under a huge burden and will have to give up their homes.

Simon Hoare: I would simply say to the hon. Lady that it is just about how an individual uses the asset. If someone needs to use their asset to pay for their care, that is what they must do. Greedy children will be hanging at the gate preventing them from putting up the “For sale” sign or whatever, but we just have to get used to using our residential assets better, as needs require.

Barbara Keeley: We were committed to a better way of funding social care, and in future we will be committed to even better ways.

I want to finish by questioning the Government's priorities. It is a question not only of priorities, but of the unintended impacts of the policy. We talked about downsizing and the effect on the housing market. The clause may have a significant impact, which is why we tabled amendment 7, which would require a report on the effect of the inheritance tax changes on different UK regions and on housing prices. The Minister seemed to signal that he will not look at or accept our amendment, but it is very reasonable, asking only for a report. If he will not accept our proposal now, we will bring it back on Report.

Roger Mullin: I do not think I need to go over the nine pages of the clause in detail, for which the Committee will be grateful. The hon. Member for Worsley and Eccles South did a good job of going through the minutiae and detail, for which she has our thanks. I will not repeat her.

I have one or two simple observations. I have paid particular attention to the Minister's words in a number of his remarks. It is an extraordinary priority that the Government are putting in place these measures when they are also making some of the most vicious cuts in welfare that people have experienced in our lifetime. It was very telling when the Minister indicated that one criterion for the decision on inheritance tax—I think that I quote him fairly—was that it will give “peace of mind” to those who are no doubt relatively wealthy, with considerable assets. I did not hear the Government say that the peace of mind of the poor was a criterion when they brought in their tax credit cuts and other welfare reforms.

[Roger Mullin]

It is also interesting to reflect that the Minister talked earlier about the need to do things because of the trying circumstances that the economy is in. If we have to take account of those circumstances, why is this measure a priority? It contributes nothing. My party is wholly opposed to the Government's proposal.

4 pm

Mr Gauke: I am disappointed that the Opposition parties will not support this measure, but let me try to respond to some of the points raised. Rising house prices mean that inheritance tax is hitting more families than previously. More estates are paying it than at any time since the system was introduced, and the numbers were forecast to double. This measure will simply return the number of estates paying IHT to the levels of 2014-15, which, at the end of the decade, will still be more than in any year between 1997 and 2010—that is any year of the last Labour Governments, including 2007, when the then Labour Chancellor stood up and announced a significant reform to take more estates out of inheritance tax. Receipts in cash terms will continue to be higher under this Government than at any time since the introduction of IHT.

It is worth pointing out that the taper for estates worth more than £2 million ensures that the largest estates do not benefit. This measure is being paid for by increasing taxes on the wealthy elsewhere in the tax system—for example, changes to the rules relating to non-doms—and by reducing the generosity of pension tax relief for those with incomes over £150,000 in particular.

The question of lineal descendants was raised. The Government have sought to focus on the passing of homes to the next generation in the immediate family, which ensures that parents know that they can pass on the family home they worked hard for without the worry of inheritance tax. The extension of that to homes left to others would carry an additional cost to the Exchequer, which would need to be financed by raising other taxes or reducing public expenditure. We sought to strike the appropriate balance, with a policy that allows the family home to pass on to the next generation, but which is also affordable. In terms of the impact on downsizing and the housing market, the OBR agreed that there will be only a small effect.

The hon. Member for Worsley and Eccles South touched on the cap delay. The Government remain fully committed to introducing a cap on social care costs and helping people to cope with the potentially high costs of social care, but a time of consolidation is not the right moment to implement such expensive new commitments. The decision to delay implementation has not been taken lightly: it follows concerns about timing expressed by stakeholders across the sector, including the Local Government Association and the National Audit Office.

We listened to those concerns and, by delaying implementation of the funding reforms until 2020-21, we will allow local authorities time to focus on delivering the important reforms to care and support introduced on 1 April, laying the groundwork to implement the funding reforms as successfully as possible in 2020. We will also use that time to work with the financial sector

to explore what more can be done to support people to plan and prepare for later life and the risk of needing social care. I regret that the measure does not have cross-party support, but I hope that the Committee as a whole will support it.

Amendment 1 agreed to.

Amendments made: 2, in clause 9, page 9, line 18, leave out

“under the disposition the property becomes”

and insert

“the property becomes, on D's death,”

Amendment 3, in clause 9, page 9, line 20, at end insert—

“(3B) Where, immediately before D's death, the property was settled property in which D was beneficially entitled to in an interest in possession, B inherits the property if B becomes beneficially entitled to it on D's death.”

Amendment 4, in clause 9, page 9, line 27, leave out “a person's death,” and insert

“the death of a person (“D”),”

Amendment 5, in clause 9, page 9, line 29, leave out

“a lineal descendant of the person”

and insert “—

(a) a lineal descendant of D,

(b) a person who, at the time of D's death, is the spouse or civil partner of a lineal descendant of D, or

(c) a person who—

(i) at the time of the death of a lineal descendant of D who died no later than D, was the spouse or civil partner of the lineal descendant, and

(ii) has not, in the period beginning with the lineal descendant's death and ending with D's death, become anyone's spouse or civil partner.”

Amendment 6, in clause 9, page 10, line 44, after first “parent” insert “(however styled)”—(*Mr Gauke.*)

Barbara Keeley: On a point of order, Mr Howarth. I need to check something with you. Sir Roger said this morning that if we are not sure of our process, we should ask. I understand that if we vote on the amendment and the clauses now we will not return to them on Report, but we want to return to them on Report.

The Chair: You can come back to issues on Report, but it depends on the number of amendments and new clauses at the time, and the judgment that is made. I cannot give the hon. Lady any absolute assurance.

Barbara Keeley: I understand that. We are choosing to return to this issue on Report, so we will not press our amendment.

The Chair: In my opinion, all the issues in the clause have been fully debated, so I do not propose to have a clause stand part debate.

Clause 9, as amended, ordered to stand part of the Bill.

Clause 10

RATE BANDS FOR TAX YEARS 2018-19, 2019-20 AND 2020-21

Question proposed, That the clause stand part of the Bill.

Mr Gauke: Clause 10 supports the changes introduced by clause 9. It ensures there will be an effective inheritance tax threshold of up to £1 million for married couples and civil partners by the end of this Parliament. The nil-rate band of £325,000 for individuals and up to £650,000 for married couples and civil partners ensures that the majority of estates do not have any inheritance tax to pay at all. The nil-rate band was frozen throughout the last Parliament. For this Parliament, the Government have said that they would introduce an effective £1 million inheritance tax threshold, as we have just debated. Keeping the existing nil-rate band at £325,000 is consistent with that objective. The existing inheritance tax nil-rate band will remain at £325,000 until April 2021. It will then increase in line with the consumer prices index.

The changes made by clause 10, along with the changes made by clause 9, will ensure that around 93% of estates will be able to pass on all their assets without paying any inheritance tax. The clause will help provide peace of mind to thousands of families who worry about the prospect of paying inheritance tax in the future. I hope the clause will stand part of the Bill.

Question put and agreed to.

Clause 10 accordingly ordered to stand part of the Bill.

Clause 11

CIRCULATION OF RATE OF INHERITANCE TAX ON SETTLED PROPERTY

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

That schedule 1 be the First schedule to the Bill.

Clause 12 stand part.

Clause 13 stand part.

Clause 14 stand part.

Mr Gauke: Clause 11 and schedule 1 make reforms to the inheritance tax treatment of relevant property trusts. With your permission, Mr Howarth, my remarks will also cover clauses 12 to 14, which rectify anomalies in some areas of the trust legislation to provide more certainty and clarity. The changes being made will tackle individuals avoiding inheritance tax through the use of multiple trusts. They will also simplify the calculation of inheritance tax on trusts by removing the need to include certain categories of assets. The Government are making the changes to ensure that there is fairness in the tax system and to reduce the administrative burden on trustees and practitioners.

Let me give some background to the changes. The current rules allow individuals to achieve a tax advantage by creating several trusts on different days. Those trusts are often set up with the intention that significant funds will be added to each at a later time, and all on the same day. Those trusts are not related for inheritance tax purposes if they are set up on different days, and where the funds are subsequently added to each trust on the same day, the additions are not related either. The result is that each trust is able to use a full nil-rate band, which creates an advantage with ongoing inheritance tax charges. For example, an individual might create three trusts on

separate days, with £100 as the fund for each of the trusts. They could then leave legacies in their wills, so that a third of their estate passed into each of the three trusts. Each trust would be able to use a full nil-rate band, which means that up to £975,000 could be held between the three trusts, minimising any future inheritance tax charges that arise. While some may consider that a legitimate use of existing rules, many respondents to the Government's consultation agreed that it is right that aggressive tax planning through the use of multiple trusts should be tackled.

We also believe that it is right to simplify the tax system where we can and reduce the burden on those tasked with administering it. The calculation of inheritance tax charges on trusts is dependent on a number of different factors and historical information, which results in complex calculations, but quite often the amount of tax due does not justify the time spent by trustees and practitioners. The changes made by the clause will remove the need for some of the historical information and reduce the complexity.

Certain anti-avoidance measures in the legislation are there to protect inheritance tax revenues, but we recognise that sometimes the provisions do not operate as they were intended. Clauses 12 to 14 correct those anomalies.

The changes made by clause 11 and schedule 1 ensure that where property is added to two or more relevant property trusts on the same day, the value of the property trust added to each trust and the initial value of relevant property settled in the trust will be aggregated and brought into account when calculating the rate of tax for the purpose of inheritance tax charges. Aggregating the value of property in trusts that are not related increases the capital value used to calculate the rate of tax. That removes the advantage that arises through the use of multiple nil-rate bands. Individuals will still be able to create as many trusts as they like, but the changes mean that there is effectively only one nil-rate band available every seven years, and we believe that this is fair.

The clause and the schedule also remove the requirement to include the historical value of excluded property in the calculation. That simplifies the trust charge calculations. The changes will apply to all charges arising on or after the date of Royal Assent. However, to prevent forestalling, they will also apply to relevant property trusts created before 10 December 2014, the date that draft legislation was published, where there are additions to more than one relevant property trust on the same day.

Clause 12 amends the inheritance tax legislation relating to claims for conditional exemption from inheritance tax for heritage properties. Currently, a claim must be made before the approaching 10-year anniversary charge. The clause amends that requirement, so that trustees can make a claim for exemption within two years of the 10-year anniversary charge arising. The change puts trustees dealing with a claim for exemption on the same footing as trustees and individuals subject to other inheritance charges. Again, that will be effective from the date of Royal Assent.

Clause 13 corrects an unintended effect of the changes made to inheritance tax legislation in 2006. For the benefit of hon. Members, the term "non-qualifying interest in possession" is used to describe a trust created after the 2006 inheritance tax changes, where a beneficiary has a present right to enjoy the income of the trust.

[Mr Gauke]

An unintended effect of the 2006 inheritance tax changes allowed those types of trust to escape all inheritance tax charges because the assets held in trust were neither part of the beneficiary's estate, nor were they comprised in a relevant property trust.

The clause, which will apply on the day after the date of Royal Assent, means that assets held in a non-qualifying interest in possession trust are treated as being comprised in a relevant property trust. As a result, those assets will be subject to inheritance tax charges. To prevent the change in the legislation from triggering an immediate creation of a relevant property trust, the commencement of the relevant property trust is aligned with the ending of the current interest in possession.

Clause 14 resolves an anomaly in the inheritance tax legislation. It ensures that in specific circumstances, the effect of a disposal of property, known as an appointment, can be read back into the will, and the spouse or civil partner exemption from inheritance tax can be given. That change will apply where a death occurs on or after 10 December 2014 and an appointment is made within three months of the date of death, from property settled by will and in favour of the deceased's surviving spouse or civil partner.

In conclusion, these provisions ensure that it will no longer be possible for individuals to create multiple trusts and use multiple nil-rate bands in order to avoid inheritance tax. They ensure fairness in the tax system and protect inheritance tax revenues from those who seek to exploit the rules in order to gain an advantage. Furthermore, the amendments simplify the trust calculations, and provide greater certainty for trustees and practitioners as a result of the removal of certain anomalies in the legislation.

4.15 pm

Barbara Keeley: As I said earlier, we will return to inheritance tax on Report if we can. Clauses 11 to 14 address tax avoidance measures that have previously been allowed in the inheritance tax system and a number of anomalies that have created unintended consequences and loopholes in the inheritance tax regime.

The clauses illustrate the complexity of inheritance tax legislation. That complexity is compounded by the need to continually update and rectify the regime with additional legislation, making the legislation even more difficult to understand and apply. Although we welcome the moves in the Bill that seek to close loopholes, this raises a bigger question about the efficacy of inheritance tax legislation. In the light of that, will the Minister say whether the Government have any further plans to adopt a programme of reform to simplify this tax and make it easier to navigate?

We welcome the fact that clauses 11 to 14 address areas of the legislation that give an unfair advantage to some beneficiaries over others, because that will help to ensure that inheritance tax is applied in a fair manner. Previously, it has been relatively easy for people to avoid paying the correct amount of inheritance tax by placing property into a number of trusts or by increasing the value of property in a trust immediately after an initial amount of property was settled. The clauses and schedule aggregate the value of property in trusts that are not

related, for the purpose of determining the rate at which inheritance tax is charged, when the value of property in those trusts is increased on the same day. The schedule also simplifies some of the rules for calculating the rate of tax for the purposes of the 10-year anniversary and exit charges.

The provisions are welcome as measures to prevent avoidance techniques through the use of multiple trusts settled on the same day. We also welcome the adoption of a system that aggregates property over multiple trusts, rather than splitting the nil rate band to take into account multiple trusts. That would have been an extremely complex system to administer, and aggregating property held in multiple trusts is a much simpler way to resolve the problem. The simplification of rules on exit charges and the 10-year anniversary charge is welcome, but I would like to know whether the Minister is considering any further changes.

We have had a good debate on inheritance tax today, but wider issues with it remain. In particular, it is still extremely complex. Although the Government have introduced many of the measures outlined in previous consultations to make inheritance tax policy more cohesive—for example, multiple trusts, the 10-year anniversary charge declarations, interest in possession and the implementation of an IT strategy to transfer inheritance tax administration online—the tax still lacks simplicity. Each of those issues has added another set of complexities to inheritance tax.

In 2010, the Office of Tax Simplification's report identified 89 inheritance tax reliefs. It noted the need for a top-down review of inheritance tax in 2011, stating:

"We consider that a more appropriate approach to the inheritance tax reliefs is to consider the scope and operation of inheritance tax with reference to the original and desired policy rationale, and thus to consider individual reliefs in context. In addition, any review of inheritance tax needs to include a review of the taxation of trusts, which are often used to pass family assets between generations."

Does the Minister have any further plans to enact new measures to simplify the rules and administration of inheritance tax?

At the heart of the clauses, an issue of tax avoidance is addressed. We should encourage planning for the future. Planning what happens to their finances after their death is something that most people should consider. For some people, that has been entwined with navigating the inheritance tax rules to minimise their contribution. People should pay no more and no less than their fair share. Will the Minister provide any details on the measures the Government are taking to ensure that everyone who is eligible pays their share of inheritance tax?

The Minister has taken us through the clauses and how they operate. The correction of the anomaly in clause 12 means that trustees will now have clear guidance about the timeline to submit an application for exemptions. That should make it easier for Her Majesty's Revenue and Customs to administer the exemption.

Clause 13 corrects an anomaly whereby types of interest in possession escaped all inheritance tax charges because the property was neither part of the beneficiary's estate nor included within a relevant property trust. That was an unintended effect of the 2006 legislation. Labour welcomes corrections of that type. We welcome

the change, which will ensure that an interest in possession in settled property is treated the same, regardless of the date at which the settlement was created.

Clause 14 provides that where property is left in trust in which no interest in possession subsists and an appointment of that property is made within three months of the date of death, the appointment can be read back into the will. I do not think any of us is an expert in this, but I understand that that corrects an anomaly known as the Frankland trap. Labour welcomes the removal of the anomaly, as the tax will now be applied fairly. It will protect families who could unfairly suffer if they were unaware of the trap.

In view of what we said earlier about our overall views on inheritance tax and clauses 9 and 10, we think that it is right that the tax is applied in the fairest way possible and that anomalies are removed.

Mr Gauke: I thank the hon. Lady for her remarks. Many people would agree that we should take action where there is aggressive tax planning. The changes will ensure that there is no longer an advantage in creating multiple trusts. It is right that we take action. At the same time, existing trusts will benefit from the simplification aspects, such as the removal of the need to include non-relevant property in the calculation.

The main point made by the hon. Lady relates to a programme of reform to simplify IHT legislation. We will of course continue to simplify the tax system wherever possible. I should use the traditional response of a Treasury Minister in these circumstances, which is to say that all taxes are kept under review, and we will continue to look at inheritance tax. More generally, it is worth pointing out that we have established the Office of Tax Simplification. We are putting it on a statutory footing and strengthening its role and capacity. It has already achieved a great deal in the period it has existed, and I hope that will continue to be the case over the next few years. I am grateful for the support for the clauses.

Question put and agreed to.

Clause 11 accordingly ordered to stand part of the Bill. Schedule 1 agreed to.

Clauses 12, 13 and 14 ordered to stand part of the Bill.

Clause 15

INHERITANCE TAX: INTEREST

Question proposed, That the clause stand part of the Bill.

Mr Gauke: Clause 15 makes minor changes to the rules for interest when inheritance tax is paid by instalments that will ensure that the interest is calculated correctly when the new inheritance tax online service becomes available.

The Government announced in the 2013 autumn statement that HMRC will provide a new online service for people to submit inheritance tax returns and settle the affairs of those who have died. The introduction of the new service requires various legislative changes to facilitate the new online processes, including aligning the treatment of interest for inheritance tax with that for other taxes. Rules that apply standard rates of interest across all taxes should also apply to inheritance tax. The new online service now provides the opportunity to make the necessary IT changes to apply the rules.

To ensure that the standardised interest rules apply correctly, some minor changes are required to make consequential amendments to related provisions and to correct an error in the rules.

It might be helpful if I explain briefly to the Committee why the changes are being made. There are specific rules for charging interest when inheritance tax is paid by instalments and the estate includes shares in certain companies or financial institutions that deal in shares and securities on the stock exchange, which are known as market makers. The current inheritance tax rules were amended in regulations in 2012 to reflect a change in the definition of a market maker, using a power in the Finance Act 1986. The equivalent standardised interest rules also need to be amended in a similar way, but the power in the 1986 Act may be used only to amend the current inheritance tax interest rules, not the standardised ones. Clause 15 amends the relevant provisions in the 1986 Act to extend the power to the standardised rules to enable the definition of a market maker to be updated. That will enable the standardised interest rules to apply correctly to payments of tax instalments on shares in such companies and financial institutions.

The interest rules also need to be amended so that the period from which interest is charged is six months from the end of the month in which the death occurs. The changes made by the clause will come into effect on a date specified in regulations, which will be at the same time as the new online service for taxpaying estates becomes available, currently expected to be in April 2016. The changes are expected to affect only a very small number of estates that include shares in companies that are market makers and where the tax due is paid by instalments. The impacts on the Exchequer and on individuals and businesses are therefore expected to be negligible.

The changes are small but necessary. Clause 15 will enable the new interest rules for instalment payments to be applied correctly and consistently when the new inheritance tax online service becomes available for taxpaying estates. I commend the clause to the Committee.

Barbara Keeley: Labour welcomes any move to make the payment of tax simpler and more efficient. Many people already benefit from paying certain taxes online—I must say I am not one of them; I find it quite difficult, despite my IT background—and clause 15 will allow inheritance tax to follow that road map. In particular, relevant provisions relating to the late payment of interest will be updated and applied consistently when the new online service becomes available.

The only question remaining is when the new online service becomes available. The Government have reported that the service will become available. I wonder whether the Minister's officials can get a note to him fast enough for him to answer. Can the Minister provide an update on the service's progress or, indeed, tell us when he expects the service to be functioning? He has not answered many of my questions today—he has brushed his way past an awful lot of the questions he has been asked—so perhaps he can answer this last one if he has the answer in his notes.

Mr Gauke: As it so happens, let me say the following. The IHT online service will be implemented in phases, with increased functionality at each stage. Selected

[Mr Gauke]

customers who have no inheritance tax to pay and are applying for probate in England and Wales will be invited to test the new online service during this month and next. It will become available to the public in November, and later phases will extend it to taxpaying customers, as well as agents and people in Scotland and Northern Ireland. Details of the timing of future releases will be given in due course.

I hope that, finally, at the end of a long day, I have been able to satisfy the hon. Member for Worsley and Eccles South with respect to one of her questions. I know that this is the end of her contribution to the

Finance Bill Committee this year, so I thank her for her questions and constructive engagement. [HON. MEMBERS: "Hear, hear."] I also commend her for managing to brush past the various quotations from her leader and shadow Chancellor that were thrown at her, which she was happily able to ignore.

Question put and agreed to.

Clause 15 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(Mel Stride.)

4.30 pm

Adjourned till Tuesday 13 October at twenty-five minutes past Nine o'clock.

Written evidence reported to the House

FB 01 Association of Taxation Technicians	FB 25 Jan Geertsema
FB 02 Mr Mark Anderson	FB 26 Maureen Treadwell
FB 03 Simon Sheppard	FB 27 Christina Windley
FB 04 John McKay	FB 28 T.P. Properties
FB 05 Kathy Miller and her tenants	FB 29 Phil Harmer
FB 06 Dr Rosalind Beck	FB 30 Melvyn Alan Lees-Smith
FB 07 Neil Allen	FB 31 Zvi Abenson
FB 08 Christian Aid	FB 32 Ray Williamson
FB 09 Gary Bartram	FB 33 Jason McClean
FB 10 Neil Patterson	FB 34 Bluewater Properties
FB 11 Jonathan Bruneau	FB 35 Joyce Griffiths
FB 12 Nicholas Rollin	FB 36 W.T. Morgan
FB 13 Scottish Land & Estates	FB 37 Peter Walsh
FB 14 Low Incomes Tax Reform Group	FB 38 Simon Shinerock
FB 15 Clive Blackman	FB 39 Association of Taxation Technicians supplementary
FB 16 Mr Alan Wong	FB 40 Chartered Institute of Taxation
FB 17 Rev. Dr. Peter Thomas Sanlon & Mrs. Susanna Sanlon	FB 41 Kelley Knox
FB 18 Chartered Institute of Taxation	FB 42 Charles Dowding
FB 19 Mrs Angela Bryant	FB 43 Dr. Simon Crutchley
FB 20 Nick Mansfield	FB 44 Malcolm Smith
FB 21 Rich Mockett	FB 45 Dr Araripe Garboggini
FB 22 Paul Frodsham	FB 46 Michael Fickling
FB 23 Paul Obernay, Xarifa Holdings Ltd	FB 47 Andy Large
FB 24 Graham Chilvers	FB 48 John McKay
	FB 49 Richard Hayward
	FB 50 Mark Brown
	FB 51 Rachel Baker

