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)

Sixth Sitting

Thursday 15 October 2015

(Afternoon)

CONTENTS

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Monday 19 October 2015

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

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)
† Burgon, Richard *(Leeds East)* (Lab)
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)
Kerevan, George *(East Lothian)* (SNP)
† McDonald, Andy *(Middlesbrough)* (Lab)
† McGinn, Conor *(St Helens North)* (Lab)
† Mak, Mr Alan *(Havant)* (Con)
Malhotra, Seema *(Feltham and Heston)* (Lab/Co-op)
† Marris, Rob *(Wolverhampton South West)* (Lab)
† Matheson, Christian *(City of Chester)* (Lab)
† Menzies, Mark *(Fylde)* (Con)
† Merriman, Huw *(Bexhill and Battle)* (Con)
Mullin, Roger *(Kirkcaldy and Cowdenbeath)* (SNP)
† Philp, Chris *(Croydon South)* (Con)
Sherriff, Paula *(Dewsbury)* (Lab)
† Streeting, Wes *(Ilford North)* (Lab)
† Stride, Mel *(Lord Commissioner of Her Majesty's Treasury)*
Thewliss, Alison *(Glasgow Central)* (SNP)
Thomson, Michelle *(Edinburgh West)* (Ind)
† Tolhurst, Kelly *(Rochester and Strood)* (Con)
† Warman, Matt *(Boston and Skegness)* (Con)

Matthew Hamlyn, Fergus Reid, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 15 October 2015

(Afternoon)

[Sir Roger Gale *in the Chair*]

Finance Bill

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

Clause 47

Enforcement by deduction from accounts

2 pm

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

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

Government amendments 11 and 12.

That schedule 8 be the Eighth schedule to the Bill.

The Financial Secretary to the Treasury (Mr David Gauke): I welcome you back to the Chair this afternoon, Sir Roger; I am delighted to see you.

Clause 47 and schedule 8 introduce new means for Her Majesty's Revenue and Customs to recover tax and tax credit debts from debtors who refuse to pay. The changes will allow HMRC to recover debts directly from the debtor's bank and building society accounts, subject to a number of robust safeguards. That will help to level the playing field between hard-working, honest taxpayers and those who seek to play the system and avoid paying debts that they can afford to pay. It will also help to modernise HMRC's debt collection powers, bringing them in line with those of many other advanced economies.

I would like briefly to explain the context for the changes being introduced, as it is important to understand how this new method of enforcement will complement HMRC's existing procedures. The UK is a very tax-compliant nation. Last year, £518 billion revenue was paid by 50 million taxpayers. Around 90% of that was paid on time. The remaining 10%—around £50 billion—was not paid on time and was perceived by HMRC as a debt. Most of those with a debt simply need an additional reminder before they pay. Others are businesses and individuals who may be temporarily struggling, unable to pay the full amount that they owe.

HMRC takes a sympathetic approach to those who are in genuine financial difficulty. That includes support through time to pay agreements, allowing people to pay their tax in instalments over a longer time period. There are others who find themselves in a vulnerable position—perhaps because they are going through a difficult time in their lives—and find it a struggle to keep on top of everyday matters such as tax. In those cases, HMRC will provide the additional support that is required. For example, HMRC has established its well-received needs enhanced support service, which offers the appropriate support, including home visits, for HMRC customers who are struggling with their obligations. However, a persistent minority do not respond to HMRC's repeated attempts at contact and do not require additional help. It is for that group that HMRC uses stronger powers as a last resort.

We should be clear that this measure will apply to the small population of debtors who are refusing to pay what they owe, despite having significant assets in their bank and building society accounts. Almost half of them have more than £20,000 in readily available cash, but are choosing not to pay their tax and tax credit debts. It cannot be fair that some should be able to abuse the process in that way. It is not fair on the people who pay what they owe on time and it imposes costs that are borne by every taxpayer.

The changes made by clause 47 and schedule 8 will allow HMRC to recover funds directly from the bank and building society accounts of those who refuse to pay. In explaining how those changes work, I would like to address three misconceptions about this power.

First, I will address the perception that there is no independent oversight of this power, that HMRC will act as "judge and jury", and that it cannot be trusted to use these powers responsibly. Independent oversight is embedded in the legislation and debtors will have the opportunity to appeal against the use of the power. Before the stage of direct recovery is reached, taxpayers have the right to challenge and appeal against their liabilities before they go overdue and become debts. These existing rights are unaffected by the changes, and this power will only ever apply to established debts once the appeal process has concluded.

Furthermore, if a "hold notice" is sent to the debtor's bank or building society to hold moneys up to the value of the debt owed, there is a 30-day window before any funds can be transferred to HMRC. During this time, the debtor can object to HMRC on specified grounds. If they do not agree with HMRC's decision, they can appeal to a county court.

I understand that some people would argue that a court judgment should always be obtained before that power is used. However, the purpose of this measure is to focus on those who seek to frustrate HMRC's attempts to recover money owed, including debtors who rely on HMRC taking up costly and lengthy interventions before they agree to settle. These debtors owe, on average, around £7,000 in tax or tax credit debts, and almost half of them have more than £20,000 in their bank and building society accounts.

The power will also be used transparently. HMRC will publish regular statistics on its use, including the number of objections and appeals that are filed and upheld. The Government have also committed HMRC to lay a report before Parliament once the power has been in use for two years.

Secondly, I will address the concern that HMRC will make mistakes and use this power against innocent parties. This is not a measure that will be used lightly, and every case will be assessed by a dedicated team before any action is authorised. However, the Government have listened carefully to the concerns that have been raised, including by those representing vulnerable members

of the public and by respected members of the tax agent community. In response to their feedback, the Government have committed that every person whose debts are considered for direct recovery will receive a guaranteed visit from an HMRC officer. This will be an opportunity for debtors to have a face-to-face conversation about their debt, confirm beyond any reasonable doubt their identity and give them another opportunity to pay.

If a payment in instalments is appropriate, that route will be offered, and if the debtor is identified as vulnerable, or needs additional support, they will be referred to a specialist unit and explicitly ruled out of debt recovery through this power.

Finally, I will address the misconception that the moment a tax bill is owed, HMRC will be able to "dip its hands" into someone's bank account. That could not be further from the truth. As I have explained, this power is a "bolt-on" at the end of a very long process during which HMRC will take every opportunity to recover the established debt that is owed. The power will target those who are making an active decision to delay paying what they owe. Out of the 50 million taxpayers that it serves, HMRC expects to use this power in around 11,000 cases per year. It will only apply to those who have debts of more than £1,000, and a minimum level of £5,000 in funds will be safeguarded in the debtor's accounts to cover essential living expenses.

I turn to the Government amendments. We have always been clear that vulnerable customers should not be affected by the powers. Our amendments are a result of continued collaboration with the tax agent community and the voluntary and community sector, and I put on the record my gratitude for the advice and expert insight that those groups have given to us. Through this process of open and transparent consultation, we are now able to demonstrate in legislation the strength of the Government's commitment to protecting vulnerable customers.

Amendment 12 puts a duty on HMRC officers to consider whether debtors may be put at a particular disadvantage if this power is applied to them, and it imposes a positive obligation on officers to ensure that the power is not used inappropriately in those circumstances. Further, amendment 11 requires that HMRC affirms in writing that officers have complied with those requirements.

The amendments make clear our commitment to protecting vulnerable members of society, and we will continue to work with experts to identify best vulnerable taxpayers and provide the most appropriate support.

I hope that clause 47, schedule 8 and amendments 11 and 12 stand part of the Bill.

Rob Marris (Wolverhampton South West) (Lab): I thank the Minister for that helpful explanation. I place on record also my thanks to the ever helpful Chartered Institute of Taxation for its briefing, with which no doubt the Minister is familiar.

I understand the safeguards, which will, through the amendments, be increased: the debt must be more than £1,000; there will be a face-to-face visit from HMRC; there will be particular reference to and recording of a decision on whether HMRC thinks that the allegedly recalcitrant taxpayer is vulnerable; they must have sufficient money in their account; and there are 30 days in which to object before any money is transferred from the account to HMRC. During the 30-day period, the individual can apply for a court order to prevent HMRC from transferring money without itself seeking a court order, and HMRC must leave £5,000 in the account of the allegedly recalcitrant taxpayer.

There are still problems—for example, with those who hold joint accounts. The innocent or uninvestigated party to a joint account will have to make their objections known to HMRC. The Chartered Institute of Taxation says that

"we do question whether it is right for a totally innocent joint account holder to have to make such representations to stop HMRC accessing their money in the mistaken belief that it belongs to someone else."

There are safeguards and reassurances, and my critique is not that HMRC would be acting as judge and jury, which the Minister, helpfully, was at pains to say would not be the case. That is not the substance of my critique; it is not why I will ask my hon. Friends to vote against the clause and the consequent schedule in a Division. I oppose clause 47 because in effect it makes one rule for the Government and one rule for everyone else.

I am aware that under what used to be called distraint, HMRC has since, I think, 1970 had powers to seize goods and chattels, not money from bank accounts. The Chancellor of the Exchequer, when mentioning the prospective clause in the Budget on 19 March 2014, said:

"I am increasing the budget of Her Majesty's Revenue and Customs to tackle non-compliance."—[*Official Report*, 19 March 2014; Vol. 577, c. 785.]

I am not entirely sure, despite the Minister's reassurances this morning, that that has been the case. It certainly needs to be the case.

I did take the opportunity to look at the helpful consultation document on this prospective power; I congratulate the Government on having a long and thorough consultation on the power, and so they should have done because it is quite draconian and quite new. The introduction to the consultation document was written by the then Exchequer Secretary to the Treasury, the hon. Member for South West Hertfordshire, who has deservedly had a promotion. On page 2 of the document, it gives this as one reason for wishing HMRC to have the power to take money out of people's bank accounts without a court order:

"The current processes for recovering debts…can be costly".

In paragraph 2.31 on page 9 of the document, it repeats that rationale, saying that

"a county court judgment…can be a slow and expensive process."

I am aware of that. I and at least two of my hon. Friends knocked around the county courts for a number of years as solicitors. The process can indeed be slow and costly, but the speed and cost of county court processes in England and Wales are in part down to the Government. The Government decide on the resources available to the court system for the administration of civil justice; we are talking about civil matters, not criminal matters. The Government of the day provide or do not provide the money and make or do not make the rules, in liaison with the judges, who write what used to be called the white book and the green book before the Woolf proposals of 1999. The Government have a

[Rob Marris]

big hand not only in funding the courts, but in setting the framework within which the courts and their very able staff, judges and advocates operate.

2.15 pm

What we have here is: HMRC saying—this is my gloss as it has not used these words—that the Government have made a bit of a mess of the court system so that it is, "slow and expensive". We are not going to sort that out for HMRC. Oh no—we are going to give HMRC special powers to bypass the county court system, which our constituents who allege they are owed a debt cannot do. Our constituents who believe that they are owed a debt by another party in society have to use a court system that the Government say, as refracted in this Treasury consultation document, is "slow and expensive".

It seems a fundamental principle that the Government should not be messing up one aspect of their endeavours—the court system—and then giving HMRC, which is another aspect of their endeavours, special powers to bypass the mess for which the Government are in part responsible. That seems wrong. This is not a principle for me, but I am not comfortable with the Government, refracted through HMRC here, having extra powers to grab money out of people's bank accounts, even with all the safeguards and reassurances that the Minister has helpfully given us. I do not think that that is a good idea when there is a procedure already available to HMRC, which it has been using, I would guess, for centuries—certainly for decades—whereby it says that a taxpayer owes money, there is an adjudication process and there may be an appeal process within HMRC in which the taxpayer, rightly, is entitled to take part.

At the end of that process, to recover that cash, HMRC—believing it is still owed money by a taxpayer—can seek a court order, in the same way as anybody else who says they are owed money, using the court system; it might be the High Court or the county court. Why should HMRC be any different? I do not think it should be. Giving the rationale that—again to put a bit of a gloss on it—"The courts don't work very well, so we'll just bypass them", is not acceptable.

Christian Matheson (City of Chester) (Lab): My hon. Friend the Member for Wolverhampton South West has given his usual detailed and forensic objections to the clause. Mine are a little bit more about the Minister's tone and presentation. First, I associate myself with his comments about those who seek to evade their taxes. I have no time for such people. If people are able to pay their taxes, they should do so. That is the price that we pay for a having a stable society that is paid for by taxation. I have no time for people who are, frankly, freeloading on the hard work of others. The hon. Gentleman was correct on that.

My concern with the Minister's presentation is the tone compared with the tone of the previous discussion about compliance for those who seek to hold their assets offshore. In the discussion on that clause, the hon. Gentleman seemed to suggest that enforcement action would be very much a last resort—a route that HMRC would not necessarily want to go down. With this measure, the enforcement action seems to be a whole lot tougher. If I am doing the hon. Gentleman a disservice, I apologise; this is a genuine point. The impression I get is that once again it seems easier, and the Government seem more ready, to go after, shall we say, the little man, rather than those who have substantial assets elsewhere. However unacceptable individual tax evasion is, I cannot help but wonder whether the real issue we face is large-scale corporate avoidance of tax. I realise that is not part of the clause, Sir Roger, but I hope you will allow me a little latitude. The Government are focusing on small individuals rather than tackling the big issues of corporate taxation. If I am doing the Minister a disservice, I apologise, but I felt that the tone of his presentation focused too much on smaller-scale enforcement.

Mark Garnier (Wyre Forest) (Con): I sympathise with some of what the hon. Gentleman says, but his party surely cannot be advocating that just because someone is a small person, they can avoid paying taxes. The Government are bringing in measures to tackle every level of tax avoidance. Clearly, some cases will be more obvious than others, but where someone has blindingly obviously not paid tax and has a cash asset, rather than go to the huge trouble and cost of taking them to court, seizing their assets and selling those assets, why is this the wrong thing to do? Surely we must collect tax from everybody who owes it.

Christian Matheson: I certainly do not think we should not take enforcement action against people who can but do not pay their taxes. That is not the issue. I agree with much of what the hon. Member for Wyre Forest said about enforcement for non-payers. I was slightly concerned that in the tone of what the Minister said, there was much more zeal for enforcement action at the lower end of the market than at the higher end. If that is a mistaken impression, I apologise, but there has to be more focus on large-scale corporate taxation, which may of course be covered in other parts of the Bill.

Mr Gauke: Let me say first that I am disappointed the Labour party will not be supporting the measure. I reiterate: these powers will be used at the end of an exhaustive process, whereby there will have been many opportunities for a debtor to have paid the debt and to have challenged the application of the debt to them. It is a measure targeted at individuals and businesses that are making an active decision not to pay or to delay paying the money they owe, despite having sufficient funds in their accounts and despite attempts by HMRC to contact them and encourage them to put their affairs in order. We must remember that we are talking about allowing £5,000 or so to remain in an account, so that people have the sums to make ends meet in the short term. I accept that court action is appropriate in some circumstances, but it imposes significant costs on both the debtor and HMRC.

Rob Marris: Will the Minister give way?

Mr Gauke: Let me make this point first, which is not an immaterial one: whatever reforms the hon. Member for Wolverhampton South West proposes for the courts system, there are risks of people gaming the system. For example, they might believe that HMRC will not want to go to court to recover a certain level of debt. It is widely acknowledged that there has been robust engagement

with interested parties, and as a Government we have listened constructively to those interested parties to make reforms. In circumstances where substantial safeguards are put in place, this is a proportionate measure.

Rob Marris: I appreciate that there can be unrecovered costs, but if HMRC takes on a court case and wins, it is not the case, as the Minister said in his opening remarks, that the costs are borne by every taxpayer, unless the paying party—the losing taxpayer—does not in fact meet that judgment debt. The costs will be paid by the debtor.

Mr Gauke: I come back to the practical operation of this power. Let us remember that the existence of this power will encourage some debtors to pay tax at an earlier stage in the process, knowing that HMRC is able to pursue them more effectively. In Committee, and on the Floor of the House, we often debate the need to reduce the tax gap. The shadow Chancellor made that point on the Floor of the House yesterday. Of course, the tax gap consists of many things, including corporate tax avoidance, which I did not specifically address in my remarks because this clause does not specifically relate to corporate tax avoidance, but these powers could apply to any debt owed to HMRC, including debt involving corporate tax avoidance. If it is determined that a debt is owed, HMRC may pursue it in that way.

Christian Matheson: Will the Minister confirm that this clause will not simply apply to personal accounts but will also apply to corporate and business accounts of corporations that owe tax?

Mr Gauke: The clause will apply to both individual and business accounts, so it could be used in such circumstances. I will not detain the Committee for long on this subject but, on corporate tax avoidance, we have strengthened the capabilities of HMRC's large business teams, introduced a diverted profits tax and led the way on the OECD's work on base erosion and profit shifting. The Government have a proud record in that area.

However one looks at the tax gap, and there are different views on the size of the tax gap, corporate tax avoidance is a relatively small proportion. Whether one looks at the authoritative and well-respected HMRC numbers or at Richard Murphy's numbers, no one claims that corporate tax avoidance is a large part of the tax gap. That is not to say that corporate tax avoidance is not important. It is important, but we also need measures that address all types of people who fail to pay the taxes that are due.

Richard Burgon (Leeds East) (Lab): I thank the Minister for confirming that the clause will apply to business, as well as to individuals. Will he also clarify whether leaving £5,000 in a debtor's account will also apply to small businesses that owe tax? I am concerned that small businesses may need much more than £5,000 to pay the wages of their staff.

Mr Gauke: The £5,000 limit applies across the board, including for businesses. This measure is used only at the end of a process and, particularly for businesses, HMRC operates a time to pay process. I dare say that members of the Committee have experience of businesses in their constituencies that have had difficulty in paying tax when it is due and that have engaged with HMRC. Very large numbers of businesses have been able to defer such tax payments because of short-term cash-flow issues and have subsequently repaid them. HMRC does a lot of that, and it works successfully.

Joint accounts have been raised with us, and they have been raised in the Chartered Institute of Taxation briefing. If joint accounts were automatically excluded from the scope of this provision, it would provide an obvious opportunity for debtors to avoid paying what they owe. If we had gone down that route, it would be perfectly reasonable for the Opposition to say that it would be easy to walk around the provisions. However, we have made it clear that we want to strike a balance between recovering money from debtors who are refusing to pay and protecting the rights of other account holders. There are safeguards for joint account holders, including third parties who have a beneficial interest in money in a debtor's accounts. Direct recovery will only be applied to a pro rata proportion of an account's balance. All account holders will be notified that action has been taken, and all account holders will have equal rights to object or appeal. Joint account holders will also have clear appeal routes if they feel that their funds have been wrongly targeted.

Rob Marris: I am grateful to the Minister for that explanation and apologise for not being clearer. I was not suggesting that joint accounts should be exempt from the procedure; I was using joint accounts as one more example of why the procedure should not pass into law at all.

2.30 pm

Mr Gauke: I disagree with the hon. Gentleman, although I appreciate his point. If we are being serious about reducing the tax gap, this is an important additional measure. According to Treasury figures, which have been verified by the Office for Budget Responsibility, it will bring in something in the region of £100 million a year. It will ensure fairness between those taxpayers—the vast majority—who pay the tax that is due on time and in full, and indeed those who pay shortly after being reminded; and the small minority who persistently fail to pay the tax that is due, which they can indeed pay, and fail to engage with HMRC. The power will ensure that taxpayers are more likely to engage with HMRC and more likely to pay the tax that is due, which will fund the public services that we need and help to reduce the deficit. I will be disappointed if the Opposition, who talk a great deal about wanting to reduce the number of people who fail to pay proper taxes, oppose the measure.

Rob Marris: The Minister suggests that £100 million may be recoverable under the procedure and earlier he estimated that the measure will cover 11,000 people, so that is an average of £9,000 per person. I would suggest that such an amount makes going to court well worth while. Of course Labour wants to close the tax gap and get in revenues. Will he address my point that it is a matter of principle that the Government should not—in my words—make a mess of the courts system and then give HMRC an end run around that?

Mr Gauke: I again make the point that HMRC has a set of processes and procedures, and a number of safeguards, that are not comparable with anything that a private individual or company would have. It is important that we ensure that we have a properly functioning tax system and HMRC must collect substantial sums—I outlined the numbers—so that we have a properly functioning state. It is therefore right, given the safeguards that are in place, that HMRC has an additional tool at the end of a pretty exhaustive process through which there could be six to nine communications with a taxpayer, although I am not saying that that is a minimum in every case because sometimes the process moves more quickly for a repeat debtor. That taxpayer is not likely to be one of the most impoverished people, because the most impoverished, by and large, do not have more than £5,000 in their bank account. It is legitimate that HMRC has these powers. The Government are determined to bring down the tax gap and ensure that people pay the tax due, whether they be big businesses or private individuals. The power is welcome and I hope the Committee will support it.

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

The Committee divided: Ayes 14, Noes 8.

Division No. 2]

AYES

Baldwin, Harriett	Mak, Mr Alan
Berry, Jake	Menzies, Mark
Caulfield, Maria	Merriman, Huw
Frazer, Lucy	Philp, Chris
Garnier, Mark	Stride, Mel
Gauke, Mr David	Tolhurst, Kelly
Hoare, Simon	Warman, Matt

NOES

Burgon, Richard	Matheson, Christian
Cummins, Judith	McDonald, Andy
Dakin, Nic	McGinn, Conor
Marris, Rob	Streeting, Wes

Question accordingly agreed to.

Clause 47 ordered to stand part of the Bill.

Schedule 8

ENFORCEMENT BY DEDUCTION FROM ACCOUNTS

Amendments made: 11, in schedule 8, page 186, line 41, at end insert

", and

( ) contain a statement about HMRC's compliance with paragraph 4A in relation to the notice."

Amendment 12, in schedule 8, page 188, line 2, at end insert—

"Persons at a particular disadvantage in dealing with Revenue and Customs affairs

4A (1) Before deciding whether or not to exercise the power under paragraph 3(2) or 4(1) in relation to a person, HMRC must consider whether or not, to the best of HMRC's knowledge, there are any matters as a result of which the person is, or may be, at a particular disadvantage in dealing with the person's Revenue and Customs affairs.

(2) If HMRC determines that there are any such matters, HMRC must take those matters into account in deciding whether or not to exercise the power concerned in relation to the person.

(3) The Commissioners must publish guidance as to the factors which are relevant to determining whether or not a person is at a particular disadvantage in dealing with the person's Revenue and Customs affairs for the purposes of this Schedule.

(4) In this paragraph "Revenue and Customs affairs", in relation to a person by whom a relevant sum is payable, means any affairs of the person which relate to the relevant sum."*—(Mr Gauke.)*

Schedule 8, as amended, agreed to.

Clause 48

RATE OF INTEREST APPLICABLE TO JUDGMENT DEBTS ETC IN TAXATION MATTERS

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

Mr Gauke: The clause will ensure that when HMRC is party to a tax-related debt, the rates of interest payable by or to HMRC are those contained in tax legislation, whether the debt follows from a court order or not. The measure amends the rate of interest on tax-related debts owed by or to HMRC under a court order or judgment to an appropriate level given prevailing interest rates.

When HMRC is party to a tax-related debt, different interest rates currently apply depending on whether the debt follows from a court order. If the debt results from a court order, an interest rate of 8% applies. In England and Wales, that rate is set out in legislation under the Judgments Act 1838 and County Courts Act 1984, which is the responsibility of the Ministry of Justice. Scotland and Northern Ireland set their own rates of judicial interest, which are also 8%.

If the debt does not result from a court order, the relevant interest rates are set out in the Taxes Acts. Different interest rates apply if tax or other duties payable to HMRC are paid late, and if tax or other duties have been overpaid, resulting in repayment by HMRC. Those rates are linked to the Bank of England base rate. They are currently 0.5% if HMRC is paying interest and 3% if interest is being paid to HMRC.

The changes made by clause 48 will ensure that the rates of interest for all tax-related debts are contained in tax legislation, whether the debt follows from a court order or not. It will affect taxpayers in litigation cases where there is a tax-related judgment debt with interest due and HMRC is either the debtor or creditor. The clause will simplify the HMRC debtor and creditor interest rates. The Government will reduce the rate of interest that applies to tax-related debts payable by HMRC under a court order or judgment to a rate equal to the Bank of England base rate plus 2%, and apply the late payment interest rate of 3% as specified in the Taxes Acts to tax-related debts owed to HMRC under a court order or judgment. The changes will apply to new and pre-existing judgments and orders in respect of interest accruing on and after 8 July 2015. The new rates of judgment debt interest in tax-related cases will compensate the receiving party for any delay in receiving the money that a court has ruled is owed to them at an appropriate level considering prevailing interest rates.

The clause ensures that the rates of interest payable on tax-related debts to which HMRC is a party are all contained within tax legislation. It also reduces the

rates of interest on tax-related judgment debts owed by or to HMRC to an appropriate level given prevailing interest rates.

Rob Marris: Having so narrowly lost the vote on clause 47, I am tempted to press this clause to a Division, but I can assure the Minister I will not. However, there are similarities between the measures. My objection to clause 47 and HMRC taking money out of people's bank accounts without a court order was that it was one rule for HMRC and one rule for everybody else. In the clause immediately following—clause 48—the Government cannot wait to do that again, and I am worried about that trend. I understand that if one wishes for consistency, one cannot always achieve it because the situation depends on the corresponding factor with which another factor is compared. In this case, the Government are saying, "We don't like comparing the interest payable on moneys owed to HMRC pursuant to a court order," as per the Judgments Act 1838 or the County Courts Act 1984, which I have written endlessly in pleadings—as they used to be called—over the years. They are saying "We want to compare it with an internal rate that HMRC has for debts owed to HMRC," which are adjudicated on, but not via the court system.

There is an inconsistency if you have what I would call, for shorthand, an internal, non-court HMRC rate and an external, court HMRC rate. The bigger issue for me, however—this is where I come down decidedly for the opposite comparison for consistency to the Government's—is that there should be consistency for the individual when faced with the court system of England and Wales, and there should be consistency in the interest rate payable on a county court or High Court judgment, regardless of who the applicant, claimant or, to use the old term, plaintiff is. Even if the plaintiff is HMRC in a tax-related case and the claimant or plaintiff wins that case—HMRC wins—the interest payable upon that judgment debt should be the same as if the winning party who successfully claimed at court that they were owed money was a private individual or a company.

As I said, I appreciate that there is a certain dilemma for HMRC, but it has put up with that dilemma since about 1838, as far as I can tell. I therefore think that it should carry on putting up with that in the interests of having one court rule for everyone, rather than one that relies on the identity of the claimant.

Mr Gauke: I note the hon. Gentleman's remarks. I am pleased that he is not seeking to divide the Committee on this particular clause, as he did on clause 47. I argue that the measure is appropriate and proportionate. I understand that the Ministry of Justice is reviewing why there is not one court rule regarding when the Judgments Act rate of interest is reduced. I do not know whether the hon. Gentleman takes any comfort from that, but I am pleased to inform the Committee of the fact.

The clause is reasonable in respect of tax-related debts which, of course, flow both ways—there is money owed to HMRC and money owed by HMRC. There should be consistency, and provisions on the rates of interest payable to debts to which HMRC is party should be in tax legislation. Although the hon. Gentleman and I disagree about the operation of the process, I am pleased that we do not have a disagreement on the clause, which I hope will stand part of the Bill.

Question put and agreed to.

Clause 48 accordingly ordered to stand part of the Bill.

Clauses 49 and 50 ordered to stand part of the Bill.

The Chair: We now come to our consideration of the new clauses. All but one of them have already been debated, so with those measures we will move immediately to a decision. Mr Mullin has indicated that he does not intend to seek a vote on any of his new clauses 1 to 3, so the first new clause that we will consider is new clause 4, which has not been debated before.

New Clause 4

CONSULTATION ON REFORMS TO THE SYSTEM OF TAX RELIEFS FOR BUSINESSES

'(1) The Chancellor of the Exchequer shall, within three months of the passing of this Act, initiate a public consultation on potential reforms of the system of tax reliefs for businesses which would encourage long term investment and growth in the UK; and the Chancellor shall lay a report of the consultation before both Houses of Parliament by the end of September 2016.

(2) The consultation under subsection (1) must address (though need not be limited to) the following issues:

(a) how reforms to the system of tax reliefs could benefit small businesses in particular;

(b) how such reforms could provide greater long-term certainty about business taxation;

(c) the impact of such reforms on Exchequer revenue; and

(d) the wider societal impacts of such reforms."—*(Rob Marris.)*

Brought up, and read the First time.

2.45 pm

Rob Marris: I beg to move, That the clause be read a Second time.

Hon. Members will be pleased to hear that I will not detain the Committee for long. I have to say that in recent years HMRC and the Treasury have done a pretty decent job of carrying out consultation. They have got a lot better regarding the number of issues on which they consult, and especially the timeframe allowed. Rushed consultations were carried out under the previous Labour Government and in the early years of the coalition Government, and they sometimes still happen. Sadly, all of us have probably come across such consultations in local government around the country. It is a question of not only a consultation's terms of reference or whether something is put out for consultation at all—I do not agree with consulting on everything—but the timeframe. HMRC and the Treasury have got better at that, for which I thank the Minister.

For a number of years—this is not exclusive to the coalition Government and the new Government—there has been a lack of monitoring of tax reliefs, which are the substance of new clause 4. I understand that the National Audit Office has criticised the Government for not properly monitoring their tax reliefs. The NAO has found more than 1,300 tax reliefs, which seems an awful lot for a Government of any political colour when we want a simpler system. The NAO found that only 200 of those reliefs are properly monitored by HMRC, meaning that the vast majority—1,100—are not. We could have a long debate—we will not—about what proper monitoring means, but if I understand the NAO report properly, there are difficulties in a major area of our tax regime.

[Rob Marris]

I would venture that Governments around the world have any number of tax reliefs. Other countries may have more or fewer, but we have an awful lot and they are not being properly monitored. They are integral to our tax regime in terms of not only revenue and foregone revenue, but the Government using taxation as a lever to encourage and discourage certain behaviours. We sometimes overlook that, although we debated it earlier in the context of the effect of vehicle excise duty on people's behaviour when buying light passenger vehicles. Some reliefs are intended to encourage behaviour, such as tax relief on pension contributions, which is quite properly being lessened by this Bill, but an awful lot of relief still remains. We are talking about billions of pounds, so there should be proper monitoring.

It might be that the Minister, who is very assiduous, can reassure the Committee that there is an overarching, ongoing consultation, or even a new consultation, on our tax relief system and, as is proposed in new clause 4, on reforms, specifically in relation to tax reliefs for businesses. I referred to Governments using tax reliefs to encourage and discourage certain behaviours, and there is agreement across the House that tax reliefs have a part to play in fostering the business growth that we all want.

Mr Gauke: The hon. Gentleman will be aware that his party's leadership is looking to eliminate what I recently heard the hon. Member for Leeds East refer to as £93 billion of "corporate welfare" to reduce the deficit and fund public services. Some of that constitutes tax reliefs or exemptions—however one wants to describe them—including £20 billion of capital allowances. Does the hon. Gentleman consider the £93 billion of "corporate welfare" to be a potential source of revenue for a future Labour Government?

Rob Marris: I thank the Minister for that question. The £93 billion figure has been much misunderstood.

The new clause is part of the probing that we want the Government to carry out on behalf of the country. My hon. Friends the shadow Chancellor and the Leader of the Opposition want to examine what tax reliefs exist—what we are spending the money on, in lay terms, although I appreciate that the process often involves leaving it in the taxpayer's pocket. As the shadow Chancellor made abundantly clear to the House last night, he is quite rightly in the business of evidence-based policy—*[Interruption.]* Someone says that he is in the business of "changing his mind". Yes, my hon. Friend is, as he made clear last night. He interprets the evidence, and evidence changes as more comes out. Like him and, I presume, other colleagues, I want evidence-based policy making.

Whether the figure is £93 billion, £193 billion or £3 billion, the fact is that the Government are foregoing billions of pounds of tax revenues. I think it would be agreed across the House that some of that will be a jolly good thing. There might be differences of opinion among hon. Members about whether a given tax relief is socially desirable, in the sense that its intention is to achieve a socially desirable outcome, and about the evidence of whether a socially desirable outcome is in fact being achieved through the tax measure. There therefore could be disagreement in two ways: first, about the outcome; and, secondly, about whether the tax relief is getting us anywhere nearer to that outcome, or near enough to it—about if we are getting bang for the buck, to use the vernacular.

New clause 4 would require a wider review of tax reliefs for businesses to encourage long-term investment. Were the review carried out and the evidence collected, it might be that my party would call for changes, and I do not rule out the possibility of increases in tax reliefs for businesses. I am not making a pledge on behalf of the Labour party, but it might be that we would think, on the basis of the evidence, that there should be greater relief for businesses regarding research and development—innovation.

On Tuesday, we discussed tax matters for small, growing, knowledge-based companies. We had that debate because the previous Labour Government set up a tax relief regime to encourage research and development. Again, I think there is generally agreement across the House—perhaps not among every right hon. and hon. Member—that encouraging research and development is a desirable goal for any Government. I think that there is also general agreement across the House—again, perhaps not from every Member—that the tax regime has a role to play in encouraging the research and development that almost all of us, if not all of us, want.

Mr Gauke: On a point of clarity, and to reassure businesses throughout the country—including, I suspect, in Wolverhampton—while the shadow Chancellor and the Leader of the Opposition talk about eliminating £93 billion of "corporate welfare", to use their phrase, is the hon. Gentleman saying that there is no plan to remove capital allowances or R and D tax credits, which constitute sizeable elements of that £93 billion? When he says that the £93 billion "corporate welfare" estimate has been much misunderstood, does he mean by his own leadership?

Rob Marris: I said to the Committee earlier that I was not about to start freelancing on tax policy for the Labour party. That will not surprise the Minister, or other hon. Members. It might disappoint him, but it will not surprise him. He tempted me on two major areas of tax relief for business; I will repeat what I said earlier. We are in the business of trying to develop evidence-based policy, so if the review were, as we hope, to be accepted by the Government and to take place, we might say that business tax relief should be increased in certain areas. I do not rule out that possibility. We might say that it should be reduced in other spheres of activity. I do not know yet.

I cannot help the Minister any more than that, because that is the whole point—or perhaps not the whole point: the major point of having the review is to get the evidence so that all parties can review their policy. After the review, perhaps the Government would review their policy and increase or decrease tax relief for businesses in certain areas.

As to the £93 billion, it has, as I said, been much misunderstood. It may be a coincidence, or perhaps it is a borrowing—many politicians are prone to borrow—but until very recently the most successful federal election in Canada for my party's sister party, the New Democratic

party, of which I used to be a member, was in 1972 under the then leader Ed Broadbent, the honourable member for Oshawa. He was a great leader of the New Democratic party. The campaign slogan referred to "corporate welfare bums", and it was about large corporations—often multinational—having unfair tax breaks. It was very successful.

There is a tradition in capitalist democracies of corporate welfare. *[Interruption.]* Yes, there is, and I think we should be honest about that. Sometimes we socialists would support that, to encourage certain activities. I gave the example of research and development; but, yes, there is corporate welfare. Some of it, I suspect—but do not know—is unjustified. I will not know unless we can gather the evidence, and the Labour party will endeavour to gather the evidence as best we can, but it would help if the Government would put resources into doing so by accepting new clause 4, as I hope they will.

Mr Gauke: I thank the hon. Member for Wolverhampton South West for the thoughtful way in which he put his case, injecting, to some extent, scepticism into claims of £93 billion of corporate welfare that might be easily available to reduce the deficit and fund public services, as some of his colleagues have perhaps been inclined to suggest in recent weeks.

Having welcomed some of his remarks I will, I am afraid, disappoint the hon. Gentleman by urging my hon. Friends to oppose new clause 4. The Government are committed to supporting investment and growth through the tax system, which is why we provide businesses with a range of tax reliefs and allowances. The Treasury and HMRC keep all tax policies under review and routinely consult on changes as part of the policy-making process. However, a general consultation on the system of tax reliefs would not be appropriate, since each relief has been designed in a particular way to address a specific issue.

The new clause raises questions about the impact of tax reliefs on investment and growth. The Government recognise the importance of supporting growth and investment through the tax system. In fact, we have designed tax reliefs to do exactly that. For example, through the annual investment allowance, businesses can offset the first-year costs of plant and machinery against their corporation tax liabilities. That supports investment by reducing its cost to businesses. Small businesses in particular benefit from that; 85% of the total value of the annual investment allowance goes to small and medium-sized enterprises.

To support further investment, the Government are raising the permanent level of the AIA to £200,000—its highest permanent level ever. Similarly, R and D tax credits, which the hon. Gentleman referred to, are an incentive to invest in research and development. A recent HMRC study found that each £1 of tax forgone through tax credits stimulates between £1.53 and £2.35 of additional R and D investment, which fosters innovation and helps the economy to grow.

Looking forward, the Government remain committed to supporting investment and growth. We will publish a business tax road map by April 2016, setting out our plans for business taxes over this Parliament. That will provide businesses with the certainty they need to plan for long-term investment.

3 pm

Of course, there is always scope for further reform and the Government keep all tax policies under review. As I have said, we invite written representations from business and industry ahead of each Budget and autumn statement. In addition, we routinely consult on individual tax changes before they come into force. The Government aim to have a tax system with a global reputation for predictability, stability and simplicity, and consulting on policy proposals is essential to achieving that aim.

The Government set out their approach to tax policy making by publishing a framework document in 2010. We remain committed to that approach. Only last month, HMRC published a guide of best practice principles for monitoring and evaluating tax reliefs, which will promote effective governance across all taxes. That document was recommended by the Public Accounts Committee, to promote more uniform and effective monitoring of reliefs across all taxes. It was shared across HMRC and the Treasury on 30 September, and it was also shared with the NAO and the PAC. The principles set out in the document will be used to inform policy development and to alert Ministers to significant monitoring and evaluation findings.

Consultation is already central to the Government's approach to tax, and so it is not clear that a further consultation on the entire "system" of tax reliefs would be helpful. On the contrary, the hon. Gentleman's proposal would cover a huge and diverse range of policies, many of which are working effectively. The "system" includes tax relief to support investment in start-ups, so that more high-risk businesses can get off the ground, and differentiated tax rates, such as the zero rate of VAT and VAT exemptions. It also includes policies with indirect benefits for businesses, such as the employment allowance, which encourages employers to hire new staff. Reviewing such a wide range of policies would create uncertainty for businesses, making it harder for them to plan for the long term. As a result, the UK would be a less attractive place to start a business or to invest. For that reason, we oppose the new clause.

The Government are already taking action on many of the issues raised by this new clause, so a separate consultation would not add value to the tax policy making process. There is also a risk that the new clause would create uncertainty for businesses, which would be harmful to economic growth. I hope, therefore, that the hon. Gentleman will withdraw it.

Rob Marris: I am somewhat reassured by the Minister's remarks about the framework document in 2010, for which I thank him; I hope that we will see another framework document soon. I am also somewhat reassured about the "road map", as he calls it, that will be published next year, and the consultations that he referred to. For example, he referred to the annual investment allowance increase in the Budget this year. From memory, when I spoke in the House on the Budget on 8 July I praised that increase in the allowance.

However, the Minister went on to say that he was concerned that if he accepted the new clause it would call into question and create uncertainty about many tax reliefs that are working effectively. With due respect to him, to some extent that assumes what he is trying to prove, by saying that things are working effectively when Opposition Members are asking for an investigation

[Rob Marris]

to be carried out holistically—to use the everyday term that is used these days—into the business relief part of the tax regime. The risk is that the Government's consultations, which I have previously spoken positively about, will become somewhat piecemeal in their approach.

We would like an overarching investigation, because tax reliefs—whether the 1,300 overall, or the smaller number within that 1,300 that apply to businesses—may produce what in chemical terms would be called the cocktail effect. In fact, some such effects have been addressed by provisions in the Bill. That is where a tax measure is put into place and then it is found that it contradicts an existing tax measure. Not surprisingly, those contradictions are often resolved in favour of taxpayers, which is understandable, but correspondingly that is at the expense of revenue for the Exchequer.

A piecemeal approach is not what we need. The new clause is part of our desire to have evidence-based decision making, a holistic approach and zero-based budgeting, to which we are committed. I will not press the new clause to a Division, but I urge the Government to avoid being piecemeal. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

Mr Gauke: On a point of order, Sir Roger, before we conclude I would like to take a moment to make one or two remarks and thank a number of people. I am pleased that the first Finance Bill of this Parliament has received excellent scrutiny from members of the Committee. Inevitably, more focus has been placed on certain clauses than on others, but debate has been insightful and wide-ranging throughout. I am pleased that the Committee has reached consensus over much of the content of the Bill, including measures that will support businesses and tackle avoidance and aggressive tax planning.

Most impressively, the Committee has displayed unparalleled efficiency, with debate on all clauses concluded in just six sittings. Having done every Finance Bill since 2006, Tuesday afternoon's session was perhaps my favourite, on the basis that it lasted only 17 minutes.

I thank you, Sir Roger—through you, I also thank Mr Howarth—for your guidance and your wisdom in steering both new and experienced Committee members through what can be a complex process. The hon. Member for Wolverhampton South West is of course both new and experienced. I also thank my hon. Friend the Member for Wyre Forest for his brief unexpected spell as Chairman during the debate on corporation tax, and his guidance at that time was invaluable.

I thank all members of the Committee for their contributions and non-contributions. I thank Members on the Government side for their patience, forbearance and, above all, attendance. I also thank the Members from the SNP and from the Labour party where, for understandable reasons, there has been something of a changing of the guard over the course of the Bill. For me, it is surprising that Front Benchers change from decade to decade, but they perhaps change more frequently when a party is in opposition.

I put on record my thanks to the hon. Member for Worsley and Eccles South (Barbara Keeley) for the work that she undertook from the Labour Front Bench at the beginning of the process. I was delighted to see the hon. Member for Wolverhampton South West in his place. I say delighted, but I was slightly apprehensive, knowing that he is an extremely assiduous Member. It is very difficult to get much past him, and I welcome him to the Front Benches, as I do the hon. Member for Leeds East.

Earlier this week, the hon. Member for Wolverhampton South West compared our encounter to the South by Southwest festival—SXSW—given that we both represent seats that are in the south-west of their particular areas. He is clearly more familiar with trendy festivals than I am. Though I admit that the Finance Bill Committee can occasionally resemble Glastonbury in a wet year—a confused crowd struggling through a vast expanse of mud while someone at the front is shouting loudly—I am pleased that on this occasion, proceedings have been far more harmonious. For that, we have to thank the usual channels: my hon. Friend the Member for Central Devon, who has worked with quiet efficiency with both the hon. Member for Scunthorpe and now the hon. Member for St Helens North. I am particularly grateful for the assistance I have received from my hon. Friend the Economic Secretary, who led on the banking measures.

Finally, I thank the representative bodies and interested parties that have submitted to the evidence to the Committee. I thank our Clerk, Mr Hamlyn, the *Hansard* Reporters and the doorkeepers, who have ensured the smooth running of the Committee, the HMRC and Treasury officials, and the Office of the Parliamentary Counsel, without whom none of this would be possible. I am sure all hon. Members will join me in looking forward to Report and other stages of the Finance Bill in due course.

Rob Marris: Further to that point of order, Sir Roger. I will briefly add my thanks to many. First, I thank my colleagues who were previously members of the Committee, most notably but not only my hon. Friend the Member for Worsley and Eccles South. I thank the staff both within and outside the House, most explicitly the Treasury staff, who were very astute in assisting the Minister to remember the details of certain matters.

I thank all members of the Committee on both the Government and Opposition sides for their assiduous attention to our proceedings. I thank the Economic Secretary, who was the first Minister I went up against, as it were. I also thank the Financial Secretary, who I went up against a lot more. As Members will know, he has done this a lot more than I have. This is my seventh Finance Bill Committee, but he is probably up to 11 or 12 now, because in years—such as this—there is more than one Finance Bill. I salute his tenacity.

In terms of the speed of proceedings, this is not like Glastonbury; it is more like the South by Southwest festival, which takes place in Texas, where mud is much less frequent and one just makes breezy progress in the sunshine, in a collective and collegial manner. Finally, I thank the two Chairs, Sir Roger and Mr Howarth. I will always remember the Committee, because if I have the honour to lead or contribute for the Opposition officially in future Committees, this will always be the first one in which I was able to do so. Thank you for your chairmanship.

The Chair: All of that is absolutely fascinating and, of course, completely out of order, because none of it is a matter of order for the Chair. As we are rambling on

out of order, I thank Members on both Front Benches for their appreciation, which I extend to our Clerk, Matthew Hamlyn, to the officers and staff of the House, without whom none of us could do the job we are required to do. It is much appreciated.

I thank the Committee very sincerely indeed for the courtesy and conduct of the proceedings. Not all Committees are like this, but it has been amicable and sensible. The fact that it has been considered so well and so expeditiously is a credit to all Members present. I hope that those of you who were doing this for the first time have found the process exhilarating and that you will enjoy many more Committees under my chairmanship.

Bill, as amended, to be reported.

3.14 pm

Committee rose.

Written evidence reported to the House

FB 82 Low Incomes Tax Reform Group - further submission

FB 83 Association of Taxation Technicians - further submission

FB 84 Chartered Institute of Taxation - further submission

FB 85 Dr. C.G. Blanshard