Tuesday
28 June 2016

Volume 612
No. 16

HOUSE OF COMMONS
OFFICIAL REPORT

PARLIAMENTARY DEBATES

(HANSARD)

Tuesday 28 June 2016

House of Commons

Tuesday 28 June 2016

The House met at half-past Eleven o'clock

PRAYERS

[Mr Speaker *in the Chair*]

Oral Answers to Questions

BUSINESS, INNOVATION AND SKILLS

The Secretary of State was asked—

Industry Innovation

1. **Peter Aldous** (Waveney) (Con): What steps he is taking to support innovation in industry. [905533]

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): We want to make the UK the best place in Europe to innovate, to patent new ideas and to grow new businesses. That is why we are creating a supportive business environment—for example, with research and development tax credits and through Innovate UK.

Peter Aldous: The UK's position as the world leader in offshore renewables is underpinned by industry and academics from across the European Union working together on innovation projects, and by funding from the European Investment Bank and other European or collaborative research and development funds. Can the Secretary of State give me an assurance that our No.1 position will not be put at risk by Brexit?

Sajid Javid: The UK is the world's largest offshore wind market today, and it will still be the largest by the end of the decade, with 10 GW expected to be installed. Despite the decision to leave the European Union, I am confident that we can still co-operate on science and research, as many countries outside the European Union do with their EU counterparts. I believe that that will ensure that this sector remains very strong.

Daniel Zeichner (Cambridge) (Lab): Innovation and research are inextricably linked. Yesterday, when I asked the Prime Minister about the impact on our research institutions of the decision to leave the European Union, he assured me that existing contracts would be honoured. However, researchers are applying for funding on a daily basis. What support can be put in place to deal with the uncertainty that exists today, tomorrow and next week?

Sajid Javid: As the hon. Gentleman knows, there will be no change immediately; the current structures will stay in place for at least two years. Of course companies are concerned about what will replace them, and that is exactly what we are working on now with many researchers, businesses and others. The Minister for Universities and Science is taking this very seriously and he has already been speaking to a number of stakeholders.

Kevin Hollinrake (Thirsk and Malton) (Con): A vital component of innovation in business is a superfast broadband connection. Would the Secretary of State consider extending the excellent satellite voucher scheme to allow the pooling of vouchers to enable the establishment of community schemes such as fixed-point wireless?

Sajid Javid: I will certainly discuss that with the Secretary of State for Culture, Media and Sport. I was pleased to have introduced that scheme in my previous role as Culture Secretary, and it has been making progress. My hon. Friend would perhaps also like to know that infrastructure will be absolutely key to the new national innovation plan, which will be published shortly.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Mr Speaker, you will know well, because you were with me, that I met representatives of the textiles industry and the university in my constituency last Friday. They are absolutely appalled by the decision to leave the European Union. Surely we need more than the rather calm words we have heard this morning. There should be an emergency package to deal with the real concerns of the great exporters and innovators of this country.

Sajid Javid: Of course there will be a number of companies, whether in textiles or other sectors, that will have concerns, particularly about the short term. That is why my colleagues and I are already in touch with a number of companies and businesses around the country. This afternoon, for example, I will be holding a round table with businesses representing every sector of the economy, and we will be following up on precisely those issues.

Mr Philip Hollobone (Kettering) (Con): The innovation that British industry now needs is a range of innovative trade deals with the world's super-economies outside the European Union, and we need to act on this now rather than waiting to start until after our exit. What steps is my right hon. Friend taking to supercharge the trade unit within his Department to get crack trade officials working on these agreements straightaway?

Sajid Javid: My hon. Friend is absolutely right. With this decision, there are of course short-term challenges, but he highlights the fact that there are also medium and long-term opportunities, one of which is trade. The Department had already thought about that in case the decision went in favour of Brexit. I am pleased that we did that preparatory work and we will now be putting it to use.

Hannah Bardell (Livingston) (SNP): Scotland, which voted to remain in the European Union, has secured around £120 million from Horizon 2020, the biggest EU research and innovation programme. Participation in EU research and innovation programmes has enhanced our scientific and business reputation, so what are the

Minister and his Department going to do to ensure that similar funding and support options are available post-Brexit?

Sajid Javid: The hon. Lady may be interested to know that several countries that are not in the European Union are part of research and science collaboration programmes—Israel, for example—so if we choose to do so, it is perfectly possible to continue working with our EU partners on science and research.

Late Payment

2. **Caroline Ansell** (Eastbourne) (Con): What steps he is taking to tackle late payment of suppliers by businesses. [905534]

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): I am implementing a package of measures to support a cultural change to tackle late payment, including the small business commissioner, the duty for large businesses to report on payment practices, and support for the voluntary prompt payment code.

Caroline Ansell: I thank the Secretary of State for his answer and welcome his work in this area. In addition to late payment, there is the issue of lengthy-term payment. For example, an SME in my constituency is negotiating with a multinational company, which presents an excellent opportunity. However, the terms and conditions of the proposed payment schedule would mean a 98-day wait for payment on a £3 million project, which is something of a disincentive and, indeed, a risk. I recognise and welcome the fact that the market is opening up to SMEs, but does my right hon. Friend agree that we need to keep working to inspire a more level playing field across all aspects of business practice if SMEs are truly to compete?

Sajid Javid: I absolutely agree with my hon. Friend. The reporting requirements that I mentioned will give small businesses the information that they need to make more informed decisions, to negotiate fairer terms and to encourage other companies to improve payment practices. We take this very seriously in the Department and we are determined to change this kind of bad practice.

Andrew Gwynne (Denton and Reddish) (Lab): But one of the worst performers regarding late payments to small and medium-sized enterprises is the public sector. What is the Secretary of State doing to ensure that Government Departments, agencies and local government promptly pay the small businesses that they use?

Sajid Javid: The hon. Gentleman will be pleased to hear that while that was the case back in 2010, when payment practices throughout the public sector were appalling, there has been a significant improvement throughout central Government and beyond since then. At my Department, for example, we take great pride in paying almost all invoices within seven days.

Bill Esterson (Sefton Central) (Lab): As the Secretary of State knows, we welcome the move to set up a small business commissioner to help with late payment, but the proposals are modest. Will he assure the many small businesses that will be dramatically affected by any downturn resulting from Brexit that he will put additional support for them in the supply chain to deal with the consequences of any of their customers delaying payment to deal with the problems of Brexit?

Sajid Javid: I assure the hon. Gentleman that the proposals are not modest. The small business commissioner will have significant powers and the ability to help, including by providing general advice and direct services for the smallest of businesses. The commissioner will also be able to consider complaints and to take super-complaints from trade bodies.

Midlands Engine

3. **Chris White** (Warwick and Leamington) (Con): What recent steps he has taken to create the midlands engine. [905535]

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): I continue to promote the midlands engine, which could add an extra £34 billion to the local economy by 2030 and create 300,000 new jobs. I am pleased that Sir John Peace has been appointed chair of Midlands Connect to drive productivity and growth across the whole of the midlands region.

Chris White: Whether through energy providers, video games companies or manufacturers, Warwick and Leamington's local economy is a great contributor to the region's prosperity. What measures are being implemented to build on such successes and to transform the wider midlands engine from concept to reality?

Sajid Javid: I recall fondly visiting video games companies with my hon. Friend, who does a great deal to help local businesses, including by hosting a business forum last Friday. The midlands engine is already delivering. For example, we have a £5 million trade and investment package, £60 million for research, and a £5 million award for Midlands Connect. I am determined to do more.

Liz Kendall (Leicester West) (Lab): The result of last week's referendum shows that there is deep discontent in many of our market towns and coastal areas, where people feel left out and left behind because they have not seen the benefits of economic growth. What steps will the Secretary of State take to ensure that the devolution agenda increases jobs, skills and infrastructure investment in some of these peripheral economies, not just in our great metropolitan cities?

Sajid Javid: The hon. Lady will know that, since 2010, we have seen considerable growth in every single region of the UK, including in the midlands. With our focus on the midlands engine, we want to see even more. She is right to highlight the importance of devolution. In my Department, for example, the devolution of skills will make a big difference.

Ian Austin (Dudley North) (Lab): One of the best ways of bringing in new industries and new jobs to replace the ones that we have lost in the west midlands

over the past few decades would be to back Dudley's exciting plans for an institute of technology, building on the brilliant work that is going on at Dudley Advance. Earlier this year, we were delighted to welcome a visit by the Minister for Skills, and I think that he was very impressed with what was going on. Will the Secretary of State meet a delegation from Dudley to hear about these plans and to discuss them with us in detail?

Sajid Javid: I am a big fan of Dudley, and I would love to visit it again.

7. [905539] **Robert Jenrick** (Newark) (Con): Before the events of last week, I was delighted to hear that my constituent, Sir John Peace, was appointed head of the midlands engine project. Sir John is the founder of Experian, one of the midlands' key financial service companies, and the chairman of Burberry. Will my right hon. Friend reassure me that it is exactly people like Sir John who will be in his thoughts and working with the Department over the summer to ensure that the midlands economy is prepared for Brexit over the next few weeks and months?

Sajid Javid: My hon. Friend is absolutely right and makes a very powerful point. The midlands is doing well, but it can do better. Trade and investment will be key. I plan to lead the first midlands-only trade mission abroad—to north America in this case—in September, and I would be honoured if companies from his constituency joined me.

Insolvency Regulation (BHS)

4. **Martin Docherty-Hughes** (West Dunbartonshire) (SNP): What assessment he has made of the effect of the case of BHS on his policy on regulating insolvency. [905536]

The Minister for Small Business, Industry and Enterprise (Anna Soubry): As the hon. Gentleman knows, the Insolvency Service's investigation into BHS continues. We are always looking to ensure that Britain is an open place in which to do business, but with the proper regulation in place to protect workers and prevent abuses. We recently launched our consultation "A Review of the Corporate Insolvency Framework"—not something that trips off the tongue. Importantly, if there are any early emerging findings arising out of the BHS case, I can assure him that they will be fully taken into account.

Martin Docherty-Hughes: I am grateful to the Minister for her response. Nevertheless, I am sure that Members of the House and people across the country were dismayed yesterday when they read that the pensions black hole in this country has reached a high of £900 billion. Can she assure this House, me and my constituents who work at BHS in Clydebank that, after reflecting on last week's vote and the BHS scandal, the Government are doing everything in their power to assure their pension funds?

Anna Soubry: The hon. Gentleman makes a good point. Yesterday was a dreadful day on the markets—two of our banks actually had to stop trading. Today, according to the results, is a better day. As the Prime Minister said yesterday, nothing has changed at the moment, so it is really important that we talk up our great country and our great economy, and that we instil confidence and stability on all sides.

Stephen Kinnock (Aberavon) (Lab): The issue of pensions is very important in the context of not just BHS, but Tata Steel. The consultation finished on 23 June. Will the Minister please update the House on where we are with the pensions scheme, and also reflect on the fact that the trade unions and many others have said that putting that scheme into the Pension Protection Fund would be a complete disaster?

Anna Soubry: The consultation has, of course, now finished. There were concerns, certainly among Government Members, that Opposition Members perhaps had not been as supportive about the future plans for Tata as we would have liked, but, as the hon. Gentleman knows, our doors always remain open to him. He has done great work to ensure that we have a sustainable steel industry in south Wales.

Hannah Bardell (Livingston) (SNP): Many workers at BHS, such as those in my constituency, will no doubt have been watching in horror as events unfolded. What further support and assurance can the Minister give to the staff at BHS to support them through this difficult time? Furthermore, I have found—I am sure that other Members have, too—that BHS is not willing to engage with me as a local Member of Parliament. What can she do to ensure that it will engage with Members?

Anna Soubry: I am quite surprised that BHS will not engage, as the hon. Lady puts it; that is not at all satisfactory. We are working hand in glove with the Department for Work and Pensions to ensure that people are getting the support and opportunities that they need to get jobs. I am pleased that that work continues. In fact, government does continue, notwithstanding last week's vote.

Counterfeit Electrical Goods

5. **Mary Glindon** (North Tyneside) (Lab): What discussions he has had with online retailers on the sale of counterfeit electrical goods. [905537]

The Minister for Small Business, Industry and Enterprise (Anna Soubry): My officials and the Intellectual Property Office have met online retailers to reduce the availability of counterfeits on their platforms and to help to co-ordinate law enforcement action against sellers. The dedicated IP crime unit that was launched by the coalition Government investigates sales of counterfeit goods. In October 2014, the Government rightly introduced a criminal sanction to address intentional copying of products protected by registered design.

Mary Glindon: Research undertaken by Electrical Safety First has found that 64% of counterfeit products are now purchased online, with sales via social media increasing by 15% every year. Have the Government considered the impact of this trend on consumers and the industry itself?

Anna Soubry: I thank the hon. Lady for giving me notice of her supplementary question, because I can now give her a proper and good answer; otherwise, she would have just heard me say, "I will happily meet her." I will happily meet her, but I can also say that the Government, industry and law enforcement are working together to tackle the threat posed by online sales of counterfeit electrical goods. We have something called Operation Jasper, a partnership between trading standards and industry that has been targeting the sellers of counterfeit goods, particularly on Facebook, and has succeeded in removing thousands of listings and users' profiles.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): In my constituency in South Lanarkshire, which is home to the headquarters of the Scottish fire and rescue service, 214 house fires were caused by faulty electrical items in the past five years alone. As trading standards are largely enforced locally, online sales might be harder to tackle, so what is the Government's strategy for curbing the rising online trade in counterfeit electricals?

Anna Soubry: I think that I have answered that question, but the hon. Lady makes an important point about some of the dangers from faulty goods, especially those sold online. I was delighted that Lynn Faulds Woods, whom hon. Members will know from her various campaigns over the years to ensure that people are kept safe, has been working with the Government. She produced an excellent report and her work continues in how we are looking at policy to make things better and safer.

Traineeships Programme

6. **Jim McMahon** (Oldham West and Royton) (Lab): What assessment he has made of progress on the Government's traineeships programme. [905538]

Mr Speaker: I call Minister Nicholas Boles.

The Minister for Skills (Nick Boles): I am surprised that you have shortened my name today, Mr Speaker.

The traineeship programme grew by more than 85% in 2014-15. Our first year evaluation showed positive progression rates with 50% of trainees moving on to apprenticeships and work, and a further 17% going on to further learning.

Mr Speaker: I am sorry to disappoint the hon. Gentleman. Perhaps the world should know that his full name is Mr Nicholas Edward Coleridge Boles.

Jim McMahon: Well played, Mr Speaker.

There is still a perception, I am afraid, that traineeships and apprenticeships are somehow second class compared with other career routes. As a former apprentice, I know just how rewarding they can be. This summer, I will be running a skilled trades summer school in my constituency to help young people to realise the advantages of electrical and mechanical engineering, the motor trades and joinery, for instance. Will the Minister meet me and members of Oldham College to talk about how we can raise the profile of those very important trades?

Nick Boles: I congratulate the hon. Gentleman on his fantastic initiative, which is particularly powerful given his history as an apprentice—he can preach the reality of it. I have to confess to him that I have never been to Oldham, so I would love to come for the first time to join him.

Kate Green (Stretford and Urmston) (Lab): Traineeships ought to be a route to good-quality apprenticeships, but we know that there remains a substantial gender pay gap for apprentices of more than £1 an hour. Will the Minister suggest how traineeships can be developed to encourage girls and young women into career routes that pay good salaries and have good prospects?

Nick Boles: The hon. Lady identifies an important challenge that has been long in existence, and we have a long way to go to correct it. The key thing is to try to persuade young women to go for the kinds of jobs that are open to them and would pay them much better rates: STEM-related careers and engineering-related jobs. Traineeships are often a good way for people to get a taste for a profession but, equally, we need to attack the problem much earlier—at primary school—to shape the attitudes of young girls and make them understand that, like the shadow Minister, the hon. Member for Newcastle upon Tyne Central (Chi Onwurah), they have a career in technology open to them.

David Simpson (Upper Bann) (DUP): Peter Cheese, chief executive of CIPD, has said that if the Government are serious about improving the quality of apprenticeships and skills, as well as the quantity, they need completely to overhaul the apprenticeship levy. Is he right?

Nick Boles: He is right, to the extent that we want massively to improve the quality of apprenticeships, as well as the quantity, and they are not in conflict. But of course, if we are going to do both, we have to have more money to spend. That is why the apprenticeship levy is absolutely critical. It will enable us to take Government spending on apprenticeship training from £1.5 billion a year at the moment to £2.5 billion a year in England by the end of this Parliament, which is essential if we are to get the quality as well as the numbers up.

Mr Gordon Marsden (Blackpool South) (Lab): The Minister has tried to construct a reassurance on traineeships, but the facts that have been dragged from the Government tell a different story. Freedom of information figures published in *FE Week* show that just 9% of 19 to 24-year-olds and just one in five of all 16 to 24-year-olds went from traineeships to apprenticeships. The Labour party has consistently supported traineeships for getting many more young people into quality apprenticeships, so why have the Government wasted three years, failing properly to promote, explain or target them? Ten days ago, the Minister warned about Brexit uncertainties threatening apprenticeship growth and the levy, so will he now spell out new initiatives to tackle the necessary increase in traineeships, including support to further education colleges and providers who are desperate to press ahead with them; or else risk failing the young generation?

Nick Boles: I congratulate the hon. Gentleman on being one of the few people to resist the temptation to resign in the past 48 hours. He and the shadow Home Secretary, the right hon. Member for Leigh (Andy Burnham), will go down in the history books as brave champions of modern opposition.

I am delighted that the hon. Gentleman is an avid reader of *FE Week*; it is an interesting publication. He will know that traineeships are not only about pre-apprenticeship programmes. The whole point of traineeships is to take people into apprenticeships, jobs or further training—whatever is best for them—and he would seek to narrow this programme, the great strength of which is its versatility.

Skills Shortages

8. **Wendy Morton** (Aldridge-Brownhills) (Con): What steps he is taking to address skills shortages in the workforce. [905540]

The Minister for Skills (Nick Boles): As has been often discussed, we are introducing an apprenticeship levy, which will have two main outcomes. First, we will dramatically increase spending on apprenticeships. It will also require large employers either to invest in apprenticeships or to see their money used by someone else.

Mr Speaker: I think that the hon. Gentleman is seeking to group this with Question 12.

Nick Boles *indicated assent.*

Mr Speaker: Very good. Grouping agreed.

12. **Byron Davies** (Gower) (Con): What steps he is taking to address skills shortages in the workforce. [905544]

Wendy Morton: I am grateful to my hon. Friend for his answer. He will be very aware, as I am, that certain employers have said that they are not happy with the apprenticeship levy and have asked the Government to rethink, but does he agree that the levy is the best way to ensure that businesses invest in their employees' skills and for the Government to put apprenticeship funding on a sustainable footing?

Nick Boles: Forgive me, Mr Speaker; we are all somewhat discombobulated at the moment. I should have mentioned that I am seeking to group this question with a later one.

My hon. Friend is absolutely right. What we are trying to design with the apprenticeship levy is actually something of an innovation in government: it is a new tax, but the companies that pay the tax will be able to spend it on training that directly benefits them, so it creates a huge incentive for those employers who pay the levy to get maximum benefit from it by creating more apprenticeships, and I believe that it will have a powerful impact in her constituency.

Byron Davies: The importance of home-grown skills is clearly now even more important, given the result of the referendum last week. Considering the importance of EU funding to British universities, what steps is the Minister taking to ensure that universities and other major providers of skills in the UK are equipped and supported, following last Thursday's vote?

Nick Boles: I agree with my hon. Friend. One of the results of the decision to leave the European Union is that we as a nation will have to do what we have done for hundreds of years, which is live by our wits and our talents, and we need to develop those talents by investing in education, in science, in research and in skills training. He is absolutely right about the crucial role that universities play—obviously, my hon. Friend the Minister for Universities and Science is leading on that—but we are working closely together to get more universities involved in providing degree apprenticeships, so that people can get degrees and rise to high positions through apprenticeships.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): One of the messages that has clearly come across to me from my experience campaigning in the referendum is that the free movement of people between this country and the rest of the European Union is no longer acceptable to the people I represent. What contingency plans has the Department got for what it will mean for the British economy to end the free movement of people?

Nick Boles: The hon. Gentleman will know that no changes are going to take place any time soon in any of the arrangements with the European Union. We have made a decision that we are going to leave the European Union, but there will be a lengthy process of negotiation to establish exactly what new arrangements will be put in place. However, he is right that one of the chief sources of concern in our communities is the free movement of people, and I am sure he is also right that in his constituency, as in my own, that will have been a motive for many people to vote. That does not alter the fact that whether we are inside the single market or not, whether we have free movement of people or not, investment in the skills of our own people so that British people can get the best British jobs is what we need.

Ms Margaret Ritchie (South Down) (SDLP): The most recent employment skills survey conducted by the UK Commission for Employment and Skills found that 2 million staff had skills not currently being utilised in the workplace. Can the Minister detail the steps that he is taking to work with businesses to utilise those skills more productively?

Nick Boles: I feel as though I hardly use any of the skills that I have acquired during my long life—certainly not in this job. The hon. Lady is right that that applies to many people. It is one of the key reasons why we have resisted pressure to make apprenticeships something only for young people and only for new recruits, because for someone of 45, for example, who is returning to work after a career break or who has suddenly discovered in themselves an interest and a potential that they did not know about, it is right that there is Government support through apprenticeship training to enable them to develop those new skills and go on to a rewarding career.

19. [905551] **Mr Robin Walker** (Worcester) (Con): Local businesses in Worcester tell me that they worry about skills shortages and they want to invest in young people. In order for them to do so, it is crucial that young people coming out of school have information about apprenticeships. Does the Minister agree that we need to keep on making sure that inspiring apprentices and their employers get into our schools to talk about the opportunities that apprenticeships can offer?

Nick Boles: My hon. Friend is right. I know that he will be playing a vital role in shepherding through Parliament the Bill that will require all schools to allow other providers of opportunity post-16, whether FE colleges or apprenticeship employers, to come into the school to talk to young people during school hours, so that they are aware of the full range of opportunities out there, including apprenticeships.

Alison Thewliss (Glasgow Central) (SNP): One of the ways in which skills gaps in the economy have been filled is with EU nationals. That opportunity could now be lost to Scotland, especially in particular sectors and in rural areas. Can the Minister give an assurance to EU nationals currently filling skills gaps in the Scottish economy that their skills are valued and that they will be able to stay?

Nick Boles: I am very happy to do that and I am grateful to the hon. Lady for giving me the opportunity to do so, not just in relation to Scotland but elsewhere in our country. In my Lincolnshire constituency there are certain industries, such as food growing and processing, and the NHS, which would find it very hard to operate without the skills brought in by highly valued migrant workers, not just from the European Union, though importantly also from the European Union. The Prime Minister was very clear yesterday that those people's position in our country is secure, their working rights are secure, and we remain a member of the European Union. Not only are they secure, but they are valued. We welcome them and we want them to stay here and help us make our society great.

Higher Education

9. **Steve Brine** (Winchester) (Con): What steps he is taking to improve the quality of higher education. [905541]

The Minister for Universities and Science (Joseph Johnson): The higher education and research White Paper, and now the Bill before Parliament, set out the steps that we are taking to raise the quality of higher education and to help ensure that all students get the teaching experience that they expect and the employment outcomes that they expect from their time at university.

Steve Brine: The University of Winchester is exceptionally strong in degree apprenticeships. It performs consistently well in student satisfaction surveys and regularly tops 90% in graduate prospects figures. Does the Minister agree that these are all key drivers for young people in deciding to make what is a significant investment in higher education, and that Winchester seems well placed for that?

Joseph Johnson: The University of Winchester is leading the way in degree apprenticeships, as in so many other areas. I was delighted, on Friday, to meet its excellent vice-chancellor, Professor Joy Carter, and I will meet her again shortly. Winchester is a good example of a university whose students have excellent satisfaction ratings and excellent employment outcomes, with 95% going on to employment, graduate employment or further study in a very short time.

Peter Kyle (Hove) (Lab): The University of Sussex down in Brighton gets £9 million of funding from the European Union. The leave campaign was very clear that that funding would be replaced by British Government funding after Brexit. Will the Minister get to his feet and guarantee that that funding will continue? If not, will he bring his brother down to Brighton to explain directly to students why the door of education is going to be slammed in their faces?

Joseph Johnson: This Government, more than any other, understand the importance of science funding. That is why we have protected science spending until the end of the Parliament—a decade of real-terms protection. Our universities and institutes can continue today to apply for EU competitive funding streams under Horizon 2020, and I am sure they will continue to be successful in the future.[1]

Tom Elliott (Fermanagh and South Tyrone) (UUP): I praise the Catapult programme run by the Department, but can the Minister give us any indication of the opportunities for it to be rolled out more widely and to be available to people in areas such as Northern Ireland?

Joseph Johnson: Certainly. In our manifesto we committed to rolling out our very successful catapult network, which provides shared facilities that companies, on their own, could not afford to construct. That enables our businesses to maximise the value of research coming out of our university system. In this Parliament, we have already delivered new catapults at Alderley Park in Cheshire and in Cambridge, with the precision medicine catapult. This is an expanding and very successful network, and it will continue to be so.

Mr Gordon Marsden (Blackpool South) (Lab): The Minister's higher education White Paper rightly bangs on about how important high-level skills are, but the imminent skills White Paper is not even part of his new Higher Education and Research Bill. With those who teach, manage and work in HE fearful of the consequences of Brexit, should he not be prioritising skills strategies for both our community-based and internationally focused universities and using FE colleges as key HE providers? Why is he instead gambling the bank on allowing unknown, brand-new providers to get degree-awarding powers from day one—probationary degrees from probationary providers—risking our universities' brand reputation overseas, as well as jobs and productivity at home?

Joseph Johnson: I am working closely with my colleague the Skills Minister, whose forthcoming White Paper will have many of the answers to the questions the hon. Gentleman has posed. We are surprised by the tone of scepticism about the potential for new higher education providers to lift quality and enhance the range of high-quality higher education on offer in this country. I am afraid, though, that that is of a piece with the Labour party's previous opposition to the conversion of polytechnics and to new universities in the 1960s.

STEM Subjects

10. **Victoria Prentis** (Banbury) (Con): What steps he is taking to promote take-up of STEM subjects in higher education. [905542]

1. *[Official Report, 5 July 2016, Vol. 612, c. 4MC.]*

Mr Speaker: I call Minister Johnson—the only Johnson who matters today.

The Minister for Universities and Science (Joseph Johnson): Thank you, Mr Speaker. The Government are fully committed to making the UK the best place in the world to do science. The number of full-time students accepted to study STEM subjects in England is up 17% since 2010. Initiatives such as the STEM ambassadors programme and the new Polar Explorer programme are providing inspiration for young people to consider STEM careers.

Victoria Prentis: To what extent can studio schools, such as the excellent Space Studio in Banbury and the new Bicester Technology Studio school, be used to promote the take-up of STEM subjects later in a student's career, whether that is at university or as part of an apprenticeship?

Joseph Johnson: That is right: studio schools are pioneering a new and valuable approach to learning and are focusing on equipping students with a wide range of employability skills and academic qualifications. Schools such as the ones my hon. Friend mentioned in Banbury and the one in Bicester that will open in September give students the opportunity to work with specialist employers such as the UK and European space agencies and those in the fields of technology, sustainable construction, engineering and computing.

Sue Hayman (Workington) (Lab): As vice-chair of the all-party parliamentary group on nuclear energy, I am extremely keen to get more women into the nuclear industry and into studying STEM subjects at school and university, because we cannot meet the skills shortage without attracting more women and girls into engineering. I was therefore really pleased to hear the Minister agree with my hon. Friend the Member for Stretford and Urmston (Kate Green) about the need to get in much earlier, at primary school level, if girls are going to take that subject right the way through to higher education. What specific action are the Government taking to achieve that aim, and how will they take into account the good work that we are already carrying out in west Cumbria?

Joseph Johnson: The Government continue to work with all partners to raise awareness and interest in STEM careers. Initiatives such as the Inspiring Science Capital Fund, a £30 million programme that we launched with the Wellcome Trust, STEM Ambassadors, which is a £5 million-a-year programme, the Polar Explorer programme I have already mentioned, and the industry-led Your Life campaign are providing inspiration for young people to consider STEM careers. I am pleased to say that over 50% of STEM undergraduates are now women.

Paul Blomfield (Sheffield Central) (Lab): The Minister will know how important EU research funding is to our universities, particularly in relation to STEM subjects. He will also know that those leading the leave campaign promised that no sector would lose out as a result of Brexit. Forget about the next two years—if I could push him on his earlier answer, what will he be doing to ensure that UK Government funds replace European funding, pound for pound, in supporting research in our universities?

Joseph Johnson: We remain members of the European Union. Our institutions are fully able to apply for and win European competitive funding schemes, and they will continue to be able to do so until such time as we change the basis of our relationship with Horizon 2020.

Mr Speaker: I call another, equally important, Johnson—Diana Johnson.

Land Registry

11. **Diana Johnson** (Kingston upon Hull North) (Lab): What his plans are for the future of the Land Registry. [905543]

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): We recently consulted on options for the Land Registry. The consultation closed on 26 May and we are currently reviewing the responses. Until this is completed, no decision will be made.

Diana Johnson: Having a Land Registry office in Hull, I note that in the consultation of July 2014, when the coalition scrapped plans to sell off the Land Registry, only 5% of people consulted said that it would be more efficient and effective to do so, and the Government admitted that the case for change had not been made. So what has changed since then?

Sajid Javid: As I said, no decision has been made. It is clear, however, that the Land Registry has been moving increasingly from the use of paper to electronic means, and these modernisation and efficiency changes need to carry on. Regardless of ownership, this is just the kind of change we want to see.

Bill Esterson (Sefton Central) (Lab): One of the strengths of the Land Registry is its transparency and independence, but those proposing to buy it have links to offshore tax havens—places that do everything to avoid such transparency and independence. The sale to firms with links to tax havens will undermine the trust of homeowners and mortgage lenders. Is not the truth that this sale of family silver makes a complete mockery of Government claims to be tackling tax avoidance and tax evasion?

Sajid Javid: It would be entirely wrong to comment on any press speculation, but, as I said, no decision has been made.

Apprenticeships

13. **Rebecca Pow** (Taunton Deane) (Con): What steps the Government are taking to promote apprenticeships in the arboriculture, forestry, horticulture and landscape sector. [905545]

The Minister for Skills (Nick Boles): We are working with employer groups to develop new apprenticeship standards such as arborist and forest operative. If I am ever seeking a new career, I can hardly think of a better

one. We are also working on a pilot between the Department for Environment, Food and Rural Affairs and BIS to support a boost in the number of apprenticeships available in the national parks.

Rebecca Pow: I am delighted that the Government are addressing the skills shortage in this important area with their horticulture and landscape trailblazer apprenticeships. However, what talks has the Minister had with the Department for Education to make sure that courses offered to students provide what businesses actually need so that apprenticeships really work? I am going to welcome him to my constituency to talk about this so that perhaps he can assure me a little more.

Nick Boles: That is an excellent question. The advantage I have is that I am also a Minister in the Department for Education; I talk to myself worryingly often. My hon. Friend makes a very important point. When the skills plan is published, which will be soon, we will be guided very heavily by the review recently completed by Lord Sainsbury, who is looking at how we can ensure that the courses that people are offered in college are genuinely the courses that employers want because they provide the skills they need for modern jobs.

Mr Speaker: I am sure that the people of Taunton Deane are in a state of eager anticipation and high excitement at the prospect of a visit from the Minister.

Nia Griffith (Llanelli) (Lab): Wales also offers opportunities for apprenticeships in forestry and horticulture, but employers and colleges in Wales are very concerned about how the apprenticeship levy will work. What recent discussions has the Minister had with Julie James, the Welsh Government Minister, and when does he expect the scheme details to be finalised?

Nick Boles: The hon. Lady asks a reasonable question. I had discussions with the Welsh Minister before the elections, which suspended matters briefly. There have been intensive contacts at official level not only between Her Majesty's Revenue and Customs and the Welsh, Scottish and other Governments on how the levy arrangements will work from a tax-raising point of view, but with my officials on how the levy will operate. We will publish more details before the summer recess.

Courtaulds

14. **Pauline Latham** (Mid Derbyshire) (Con): What steps he is taking to support people made redundant from Courtaulds UK Ltd in Belper. [905546]

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): My thoughts are very much with the workers and their families at this difficult time. Jobcentre Plus has acted swiftly to offer support, including a jobs fair with other local partners for Courtaulds staff and others.

Pauline Latham: I thank the Secretary of State for that answer, and I know that he has a personal interest in Courtaulds. Will he take steps to tighten loopholes restricting companies from moving assets to third-party companies before going into administration, which puts any potential sale of the company in jeopardy?

Sajid Javid: My hon. Friend will know that my father's first job was at a Courtaulds mill. I have taken an interest in the company for a long time and what has happened is very sad. Current insolvency law already enables assets to be disposed of prior to the start of formal insolvency and before recovery. It is, therefore, possible to take action against directors for misconduct, if that is what the administrators find. We will look carefully at the report when it is published in three months' time.

British Steelmaking

15. **Scott Mann** (North Cornwall) (Con): What infrastructure projects are using British-made steel. [905547]

The Minister for Small Business, Industry and Enterprise (Anna Soubry): Crossrail, Europe's biggest construction project, uses 7,000 tonnes of almost exclusively British steel. Network Rail sources 96% of its steel rail from Britain and it is all made in Scunthorpe—that is 120,000 tonnes a year for the next six years. We have changed the procurement rules so that wider social and economic factors are taken into account in public procurement, both locally and nationally, giving UK steel every chance to win contracts. In fact, it would be almost impossible not to buy British steel.

Scott Mann: North Cornwall has two new possible proposals for branch lines, one in Wadebridge and the other on the Okehampton link. Does my right hon. Friend welcome those proposals, and does she think, in the light of the recent EU referendum result, that it would be beneficial for British steel to be used in every new railway construction across the whole country?

Anna Soubry: We have changed the procurement rules in relation to Government funding, but there is really no excuse. We know how brilliant British steel is—*[Interruption]*—especially when it comes to the construction of railway lines. It is the best steel in the world, which is why so many people buy it when they are constructing rail lines.

Nic Dakin (Scunthorpe) (Lab): I welcome the Minister's comments about UK steel, and Scunthorpe steel in particular. What is she doing to ensure that there is a clear pipeline of infrastructure projects in train so that the correct capacity is put in place for creating the steel for those projects?

Anna Soubry: I am grateful, as ever, to the hon. Gentleman for his question. One of the things that will certainly take place today is the Secretary of State leading an extremely large meeting, as the hon. Gentleman might imagine, of all the key players in British industry, following last week's vote. One of the things that we have already discussed is the need to make sure that we address—if at all possible, and if we can really get determination—huge infrastructure projects. Whether it is HS2, a third runway or whatever, it is incredibly important that we make the very best of what has been a very bad decision by the British public, if I may say so.

Topical Questions

T1. [905463] **Lucy Allan** (Telford) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Business, Innovation and Skills and President of the Board of Trade (Sajid Javid): Following last week's referendum result, my Department has been talking to businesses up and down the country, and we will work with them over the weeks and months ahead. To that end, later today I will host a round table with trade bodies and business leaders to consider our next steps. I would also like to take this opportunity to welcome Tim Peake back to earth after six months of education and inspiration aboard the international space station.

Lucy Allan: I spent last week visiting businesses right across Telford. Notwithstanding short-term market volatility, the gilt market has been strong throughout and equities are back up today. Business leaders in Telford are confident about the future. Having visited Telford on several occasions, does the Secretary of State agree that it has a great future and is a great place to do business?

Sajid Javid: I absolutely agree with my hon. Friend; I will visit Telford again and again with her. She will know that unemployment in her constituency has fallen by 60% over the past six years. That is testimony to the strength of local businesses, to her own work and to this Government's policies. I will work with her in every way to secure Telford's bright future.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): Despite the Secretary of State's complacency, this is a very difficult time for British business. Over the past 24 hours we have lost our triple A rating and £150 billion has been wiped off the value of the FTSE 350. Will he reassure the many worried workers and businesses that, unlike with Tata, when he was on the other side of the planet, he will be in the boardrooms of Nissan in Sunderland, Hitachi in Newton Aycliffe, Jaguar Land Rover in Solihull and other businesses across the country to share his plan for a secure economic exit as they make investment decisions in the weeks and months to come?

Sajid Javid: I was hoping to welcome the hon. Lady as the new shadow Business Secretary, but I understand that she is not in that position yet—if her leader is having problems filling it, I am happy to make some suggestions. I assure her that, yes, because of last week's decision, there are of course some short-term challenges for businesses, but we must also remember that there are medium and long-term opportunities as well, including for the auto industry.

Chi Onwurah: It is clear that the Secretary of State not only does not have a plan, but does not even have a plan for a plan. He cannot say whether he personally wants to retain access to the single market for goods and services. Is it not true that the only plan he has is for his joint leadership bid, and that British businesses and the British job market stand to lose from the economic uncertainty that his party's divides have unleashed?

Sajid Javid: I was hoping that the hon. Lady would not play party politics with something as straightforward as this. Many businesses up and down the country are reflecting on last week's decision, and my job is to reassure them that that decision can be made to work. As well as challenges, there are plenty of opportunities, and when I meet businesses later this afternoon that is exactly the message I will be giving to them.

T2. [905464] **Mary Robinson** (Cheadle) (Con): The Greater Manchester region is a huge supporter of apprenticeships, with 30,000 starts last year alone. I recently met the young apprentices from Thales in my constituency, who are doing excellent and innovative work on the development of underwater sonar systems. Will the Minister outline what additional support his Department is giving to the city region to increase apprenticeship uptake?

The Minister for Skills (Nick Boles): I congratulate Greater Manchester on achieving a 75% increase in apprenticeships since 2010. My hon. Friend will be aware that we have devolved the apprenticeship grant for employers—an incentive payment to encourage employers who have not previously employed apprentices to do so—to Manchester so that the authority there can target it at the particular kinds of employer that it wants apprenticeship growth to come through.

T4. [905466] **Justin Madders** (Ellesmere Port and Neston) (Lab): As we head towards Brexit, many EU-derived regulations will no doubt come under the microscope. Some of the most important are the working time regulations, which protect vital safe working limits in the workplace. Will the Government confirm that they intend to retain all elements of the working time regulations?

Sajid Javid: The first thing the hon. Gentleman should know is that nothing changes right here and now. For the next few years, there will be no changes—we are members of the European Union, and all our rights and obligations will be respected. In the longer term, this country has always been committed, quite rightly, to workers' rights. That will not change.

T5. [905467] **Andrew Stephenson** (Pendle) (Con): Pendle is home to a number of excellent aerospace companies such as Euravia, Senior Aerospace Weston and Rolls-Royce. What assurance can Ministers give the aerospace sector of the Government's ongoing commitment following the vote to leave the EU?

The Minister for Small Business, Industry and Enterprise (Anna Soubry): As my right hon. Friend the Secretary of State said, later today we will meet the trade council that represents the aerospace industry, and we are fully committed to that. We will continue to work closely with the aerospace growth partnership to tackle barriers to growth, to boost exports, and to grow high-value jobs. In particular that will include support for research and development, which now stands at £3.9 billion for aerospace research.

T9. [905472] **Carolyn Harris** (Swansea East) (Lab): Fire and rescue services attend up to three fires a day that are a result of faulty tumble driers. Which?, the Local

Government Association, Electrical Safety First and other consumer interest groups have all raised concerns about how Whirlpool has handled that problem. Is the Minister comfortable that Whirlpool has merely issued a safety statement and not a total recall?

Nick Boles: I have had a meeting with the hon. Lady, for which I am grateful, and she has really led for consumers on this issue. As I think I explained, an investigation has suggested that the approach taken by Whirlpool was reasonable, and that the nature of the risk was not such that a total recall was required. However, she is right to say that the company needs to get a move on, and it is not right or reasonable to leave people waiting for months and months to have a faulty product, for which Whirlpool should be accountable, replaced.

T6. [905468] **Marcus Fysh** (Yeovil) (Con): Does my right hon. Friend agree that it is the duty of Ministers who are loyal to the Crown to promote the British economy and not to talk it down? Will she agree to a joint meeting with me and Ministry of Defence procurement to discuss how we can more effectively promote and develop defence industries such as those in my constituency?

Anna Soubry: I agree with my hon. Friend and he is absolutely right: these are obviously difficult times, but it is important that we do not talk down our great British economy and that we instil stability and confidence. He is right to mention our defence industry. As he might imagine, we work hand in glove with the Ministry of Defence on that issue and will continue to do so. I have already spoken to the Minister responsible for procurement in the MOD.

Several hon. Members *rose—*

Mr Speaker: Ah, splendid: the robust Chair of the Business, Innovation and Skills Committee, Mr Iain Wright.

Mr Iain Wright (Hartlepool) (Lab): I think that is the kindest thing that anybody has ever said to me.

The Secretary of State fully appreciates that uncertainty lasting for months and years will drain business investment away from Britain. In our Select Committee this morning, Funding Circle told us that an £100 million investment deal with a European consortium will now not go ahead—it has been pulled, and it will not be the only one. Today's round table is a welcome gesture, but in the face of the current unprecedented uncertainty, what tangible actions is the Secretary of State putting in place to maintain and stimulate inward investment, maintain that funding gap, and steady business nerves?

Sajid Javid: It is good to see some leadership on business issues on the Labour Benches. The hon. Gentleman makes an important point. Today's round table is not a gesture; it is about genuinely listening to businesses and businessmen and women about the issues that they face, and about how to take advantage of the opportunities that will be created. He will know that nothing changes for at least a couple of years, which will give us time to plan for the future, including for inward investment opportunities and new trade opportunities. I would be happy to meet him and discuss that issue further.

T7. [905469] **Alex Chalk** (Cheltenham) (Con): A significant amount of public money has been allocated to bring superfast broadband to areas missed out by the commercial roll-out, but because of a bureaucratic logjam it remains unspent while a significant number of small businesses in Cheltenham are left frustrated and unable to grow. What more can be done to unlock that money and get the remaining premises connected?

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): May I say how pleased I am to see you in the Chair, Mr Speaker? A rock of stability as the stormy seas of change crash around us—*[Interruption.]* I was considered the thinking woman's Boris Johnson—my hon. Friend the Member for Uxbridge and South Ruislip—but I now see that I am my right hon. Friend the Member for South Holland and The Deepings (Mr Hayes).

One great benefit of Brexit is that in the past 24 hours not a single colleague has bent my ear about broadband, and it is a sign of things returning to normal that we are now discussing that important subject. I hear what my hon. Friend says. There are often problems on the ground, and I would like to go to Cheltenham and meet those businesses, plus the council, and see whether we can work together. We often find that on the ground wayleave rights are not being granted, or that something like that is holding back the investment that we need in places such as Cheltenham, which is home to so many high-tech businesses that are now free to trade around the globe.

Mr Speaker: I think the hon. Gentleman would like his own dedicated and exclusive Question Time.

Mhairi Black (Paisley and Renfrewshire South) (SNP): In 2010, the Post Office chief executive said that in Paisley the cost of the refurbishment of the post office had been £439,000. That money was spent making significant changes to "improve service to customers and enhance the profitability of the Crown network". Given that it is now planned that the post office will move from this upgraded high-quality unit to the wholly inaccessible and inadequate WH Smith, will the Minister please justify to me and my constituents why the money was spent on refurbishment in the first place?

The Parliamentary Under-Secretary of State for Life Sciences (George Freeman): I will keep it brief, Mr Speaker.

The hon. Lady tabled a named day question on this matter and I have replied to explain that this is a matter for the chief executive of the Post Office, Paula Vennells. She has written a letter to the hon. Lady, which is in the House of Commons Library. For the benefit of the House, I can confirm that through the £13 million investment in our 50 Crown post offices, £440,000 has been spent on the Paisley branch. Through the Crown transformation plan, we have a Post Office that is more stable and closer to breaking even than ever. There are 11,500 branches, 200,000 extra opening hours and 3,800 branches open on Sundays. The people of Paisley have a strong and secure post office.

Mr Stewart Jackson (Peterborough) (Con): I commend the Ministers on the Treasury Bench for their pragmatic approach to last week's result. I think that we are all committed to the UK becoming an outward-looking global trading nation. With that in mind, will Ministers redouble their efforts to support the Australian Prime

Minister, who has said that he has instructed his officials to work with New Zealand to prepare a trade deal with the United Kingdom very shortly?

Sajid Javid: My hon. Friend highlights the opportunities of Brexit and we absolutely should now start embracing those opportunities; free trade agreements with many more countries is just one of them. Australia is an excellent example, and that is exactly the sort of thing we should be working on.

Mr Virendra Sharma (Ealing, Southall) (Lab): Many of my constituents have no or very little access to computers and the internet. Will the Government continue to press banks and other key providers to retain high street services for customers who receive utility and other bills in paper form on request?

George Freeman: The Department for Business, Innovation and Skills does not intervene in the individual billing arrangements of utilities or companies, but there are arrangements in place to make sure that those who need paper bills are able to request and receive them. Those who have disabilities, such as the blind, have protections to make sure that they can receive appropriate billing. If there are particular issues for any particular constituent, I would be very happy to look into them for the hon. Gentleman.

Maggie Throup (Erewash) (Con): Small and independent retailers in my constituency have, over recent months, experienced extreme difficulty in accessing telephone and broadband services when moving into new premises. I, too, experienced this when I moved into my new community office in Ilkeston. Will the Minister agree to talk to service providers to ensure that the installation of these services, which are so vital in the 21st century, are carried out in a reasonable timeframe?

Mr Vaizey: I have made no secret of my concerns about Openreach's quality of service. We have had a very successful rural broadband programme, but there seems to be a particular unit in Openreach that targets MPs and makes them extremely angry. They take it out on me and I take it out on Openreach. It needs to improve its terms and conditions, and its new chief executive has made supplying businesses his priority.

Mr Speaker: We are blessed to have a second dose of the hon. Gentleman this morning.

Greg Mulholland (Leeds North West) (LD): Will the Minister finally give a date for the implementation of the pubs code? With licensees currently missing out due to the Department's mistake and the delay, will she now apply the Burmah Oil principle to ensure that the code is retrospective from the original date, as it clearly can be?

Anna Soubry: We have re-laid the regulations, and I am looking forward to them passing through their various stages so that we can implement the pubs code as a matter of urgency. I very much hope that it will be implemented by the time the House rises.

Rebecca Pow (Taunton Deane) (Con): Thank you for giving me two bites at the cherry, Mr Speaker.

I welcome the Government's commitment to new universities coming forward, and I am working hard to further one in my Somerset constituency. Given recent developments regarding the EU, does the Minister agree that it is now even more essential that we enable universities to provide the skills needed to upgrade the workforce and maintain our position in the world?

The Minister for Universities and Science (Joseph Johnson): Yes, indeed. The productivity challenge facing the country is grave, and our universities are a big part of the answer. New universities in higher education cold spots such as Somerset will be a big part of our solution to these challenges.

Kirsty Blackman (Aberdeen North) (SNP): I understand that the UK Government have yet to confirm whether the allocation of the apprenticeship levy in Scotland will be based on the number of employers in Scotland, or the percentage of the levy paid in Scotland. Will the Minister provide that clarification today? If not, when will he?

Nick Boles: As I indicated to the hon. Member for Llanelli (Nia Griffith), I have been in discussions with the Minister representing the Welsh Government in this conversation. These discussions are ongoing. This is a matter for Her Majesty's Revenue and Customs, not something for which I am directly responsible, but I know that there have been intensive negotiations and discussions. I do not want to pass the buck, but I fear that I will have to encourage the hon. Lady to direct her question to a Minister at Treasury questions, because the Treasury and HMRC are handling these discussions.

Mr Speaker: Finally, I do not want the voice of East Antrim to remain unheard. I call Mr Sammy Wilson.

Sammy Wilson (East Antrim) (DUP): Thank you, Mr Speaker.

This month it was announced that manufacturing exports from Northern Ireland to non-EU countries increased by 24%, while those to EU countries fell by 4%. What steps can the Minister take to help Northern Ireland firms to exploit opportunities to grow international economic links to promote growth in Northern Ireland, increase employment and help to reduce the UK balance of payments deficit?

Sajid Javid: It is great to hear—the hon. Gentleman is absolutely right—that manufacturing is on the rise in Northern Ireland and throughout the UK. Volumes are up, exports are up and employment is up. There are, of course, further steps that we can take. Someone asked earlier about free trade agreements, and that is something that we can do and exploit now that we have Brexit.

Several hon. Members *rose—*

Mr Speaker: Order. We must now move on.

Points of Order

12.37 pm

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): On a point of order, Mr Speaker. I was led to believe that the Labour Front-Bench team was requesting a statement on this morning's further chaos around HS2—both its preparedness and the resources it is sucking up from our economy. Did you receive any application for a statement on HS2? We have the Business Secretary here today. Does he not realise that British industry, which is in chaos and reeling from Brexit, wants to see HS2 stopped now before it sucks up all those resources?

Mr Speaker: I certainly would not discuss on the Floor of the House applications for urgent questions—as colleagues will understand, it is a long-standing convention that those matters are not the subject of exchanges on the Floor—but I can say to the hon. Gentleman that I have received no indication from any Minister of an intention to make a statement on HS2. He will know that I am very conscious of requests from Ministers to make statements, and never would I be more likely to be aware of such an intention than in relation to HS2, but there has been no such notification of intent to my office to date.

Sir Roger Gale (North Thanet) (Con): On a point of order, Mr Speaker. Members of Parliament are being bombarded with electronic communications from Team Trump on behalf of somebody called Donald Trump. I am all in favour of free speech, but I do not see why colleagues on either side of the House should be subjected to intemperate spam. Efforts to have them deleted have failed. Would you be kind enough to intercede with the Parliamentary Digital Service to see whether they might be blocked?

Mr Speaker: First, may I commiserate with the hon. Gentleman who, as far as I can tell, has undergone an irritating and—some might think—exceptionally tedious experience? I am grateful to him for notice of his point of order. All hon. Members receive large numbers of emails and will have devised ways of dealing with the flow. However, while this is not directly a point of order for the Chair, I do not think it acceptable that Members should be bombarded with emails the content of which is offensive. I will ensure that members of the Parliamentary Digital Service, who have the facility to block certain types of email, are made aware of this issue. Moreover, I shall ensure that they contact the hon. Gentleman. In so responding to him, I emphasise that other right hon. and hon. Members might also wish to avail themselves of this service.

Finance Bill

(Clauses 7 to 18, 41 to 44, 65 to 81, 129, 132 to 136 and 144 to 154, Schedules 2, 3, 11 to 14 and 18 to 22 and certain new Clauses and new Schedules)

[2nd Allocated Day]

Further considered in Committee

[Mrs Eleanor Laing *in the Chair*]

12.40 pm

The First Deputy Chairman of Ways and Means (Mrs Eleanor Laing): Before I call the Minister to move Government amendment 114 and for the sake of clarity, I grant the Minister the Chair's permission and the House's sympathy in respect of his requirement to stand throughout the proceedings—or, indeed, to be in whatever position suits him so that he can spend several hours at the Dispatch Box with his current disability. He has the House's sympathy, as I said, and he may do as he sees fit.

Clause 144

General anti-abuse rule: provisional counteractions

The Financial Secretary to the Treasury (Mr David Gauke): I beg to move amendment 114, page 194, leave out lines 12 to 15 and insert—

> "( ) notifies the person of the person's rights of appeal with respect to the notified adjustments (when made) and contains a statement that if an appeal is made against the making of the adjustments—
>
> (i) no steps may be taken in relation to the appeal unless and until the person is given a notice referred to in section 209F(2), and
>
> (ii) the notified adjustments will be cancelled if HMRC fails to take at least one of the actions mentioned in section 209B(4) within the period specified in section 209B(2)."

The First Deputy Chairman: With this it will be convenient to discuss the following:

Clause stand part.

Government amendments 115 to 174, 178, 175 to 177 and 179.

Clause 145 stand part.

Government amendments 82 to 86.

Amendment 4, in clause 146, page 209, line 25, leave out from "penalty" to end and insert

> "shall be 100% unless the GAAR Advisory Panel or an officer duly delegated by that panel considers that there are exceptional reasons for lessening that percentage."

Government amendments 87 to 99.

Clauses 146 and 147 stand part.

Government amendments 100 to 110.

Government amendments 112, 111 and 113.

Schedule 18 stand part.

Government amendments 69 to 81.

Clauses 148 and 149 stand part.

Amendment 1, in schedule 19, page 516, line 21, at end insert—

'(2A) A group tax strategy of a qualifying group which is a MNE group must also include a country-by-country report.

(2B) In paragraph (2A) "country-by-country report" has the meaning given by the Taxes (Base Erosion and Profit Shifting) (Country by Country Reporting) Regulations 2016."

Amendment 5, page 516, leave out line 39 and insert—

'(2) The director or directors of the head of the group are personally jointly and severally liable to a penalty of £25,000 if:".

Amendment 6, page 517, line 1, leave out

"head of the group is"

and insert

"director or directors, held jointly and severally liable, of the head of the group are".

Amendment 7, page 517, line 5, leave out

"head of the group is"

and insert

"director or directors, held jointly and severally liable, of the head of the group are".

Amendment 8, page 517, leave out lines 11 to 15 and insert—

'(5) At the end of that period, the director or directors of the head of the group—

(a) are personally jointly and severally liable to a further penalty of £25,000, and

(b) where the failure mentioned in sub-paragraph (4)(b) continues, are liable to a further penalty of £25,000 at the end of each subsequent month in which no such group tax strategy is published."

Amendment 9, page 517, line 15, at end insert—

'(6) Any director held personally liable to pay a penalty under this Part cannot be reimbursed by the head of the group or any entity within or associated with that group.

(7) If the head of the group or any entity as described in subsection (6) is found to have either fully or partially reimbursed a director or directors for the penalty for which they were personally liable, the head of the group or the entity will in turn be liable for a penalty of £100,000."

Amendment 10, page 518, leave out line 24 and insert—

'(2) The director or directors of the head of the group are personally jointly and severally liable to a penalty of £25,000 if:".

Amendment 11, page 518, line 29, leave out

"head of the group is"

and insert

"director or directors, held jointly and severally liable, of the head of the group are".

Amendment 12, page 518, line 33, leave out

"head of the group is"

and insert

"director or directors, held jointly and severally liable, of the head of the group are".

Amendment 13, page 518, leave out lines 39 to 43 and insert—

'(5) At the end of that period, the director or directors of the head of the group—

(a) are personally jointly and severally liable to a further penalty of £25,000, and

(b) where the failure mentioned in sub-paragraph (4)(b) continues, are liable to a further penalty of £25,000 at the end of each subsequent month in which no such group tax strategy is published."

Amendment 14, page 518, line 43, at end insert—

'(6) Any director held personally liable to pay a penalty under this Part cannot be reimbursed by the head of the group or any entity within or associated with that group.

(7) If the head of the group or any entity as described in subsection (6) is found to have either fully or partially reimbursed a director or directors for the penalty for which they were personally liable, the head of the group or the entity will in turn be liable for a penalty of £100,000."

Amendment 15, page 520, leave out line 12 and insert—

'(2) The director or directors of the company are personally jointly and severally liable to a penalty of £25,000 if:".

Amendment 16, page 520, line 17, leave out

"head of the group is"

and insert

"director or directors, held jointly and severally liable, of the head of the group are".

Amendment 17, page 520, leave out lines 27 to 31 and insert—

'(5) At the end of that period, the director or directors of the head of the group—

(a) are personally jointly and severally liable to a further penalty of £25,000, and

(b) where the failure mentioned in sub-paragraph (4)(b) continues, are liable to a further penalty of £25,000 at the end of each subsequent month in which no such group tax strategy is published."

Amendment 18, page 520, line 31, at end insert—

'(6) Any director held personally liable to pay a penalty under this Part cannot be reimbursed by the head of the group or any entity within or associated with that group.

(7) If the head of the group or any entity as described in subsection (6) is found to have either fully or partially reimbursed a director or directors for the penalty for which they were personally liable, the head of the group or the entity will in turn be liable for a penalty of £100,000."

Schedule 19 and clause 150 stand part.

Amendment 19, in schedule 20, page 534, line 23, at end insert

", or P has introduced Q to a person R with whom P has a business relationship, where P knows or should know that R is likely to facilitate Q to carry out offshore tax evasion or non-compliance."

Amendment 20, page 535, line 5, at end insert

"; and P will be deemed to have known if P wilfully or recklessly failed to make such enquiries that a reasonable and honest person would have made".

Schedule 20, clause 151, schedule 21, clauses 152 and 153, schedule 22 and clause 154 stand part.

New clause 4—*Report on the workings of the General Anti-Abuse Rule*—

'(1) The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report on the workings of the General Anti-Abuse Rule.

(2) The report must include but need not be limited to—

(a) the number of meetings held by the General Anti-Abuse Rule Advisory Panel;

(b) the date by which the procedures of the Advisory Panel were published;

(c) the number of cases referred to the Advisory Panel and by whom;

(d) the number of cases on which a decision has been made by the Advisory Panel;

(e) the number of outstanding cases on which a decision has not been made by the Advisory Panel, and the dates on which those cases were first referred to the Advisory Panel."

New clause 5—*Report on the number of deliberate tax defaulters*—

The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report containing the number of deliberate tax defaulters whose details have been published, and an estimate of the number of taxpayers who have been deterred from deliberately defaulting as a result of the provisions contained in section 94 of FA 2009 as amended by this Act."

New clause 6—*Report on the asset-based penalty for offshore inaccuracies and failures*—

'(1) The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report on the impact of the asset-based penalty for offshore inaccuracies and failures.

(2) The report must include but need not be limited to—

(a) how much tax revenue has been recouped due to this measure;

(b) the amount of monies paid in asset-based penalties; and

(c) the number of persons upon whom asset-based penalties have been levied."

New clause 7—*Report on the impact of the criminal offences relating to offshore income, assets and activities*—

'(1) The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report on the impact of the criminal offences relating to offshore income, assets and activities.

(2) The report must include but need not be limited to—

(a) the number of persons who have been charged with offences under each of sections 106B, 106C and 106D of TMA 1970;

(b) the number of persons who have been convicted of any such offence;

(c) the average fine imposed; and

(d) the number of people upon whom a custodial sentence has been imposed for any such offence."

New clause 8—*Whistleblowing in relation to tax evasion*—

The Chancellor of the Exchequer shall conduct a review of arrangements to facilitate whistleblowing in the banking and financial services sector in relation to the disclosure of suspected tax evasion, and report to Parliament within six months of the passing of this Act."

New clause 9—*Estimated impact of extending the scope of the Register of People with Significant Control Regulations 2016*—

The Chancellor of the Exchequer must, within 12 months of this Act coming into force, publish an estimate of the impact on levels of tax avoidance and tax evasion of extending the requirement placed on UK-incorporated companies by the Register of People with Significant Control Regulations 2016 to publish a register of people with significant control to companies incorporated in the Crown Dependencies and the Overseas Territories which have significant levels of trading activity within the UK."

This new clause would require the Chancellor to publish an estimate of the impact on levels of tax avoidance and tax evasion of extending the current requirement on UK-based companies to publish information about people who have significant control over them to companies incorporated in the Crown Dependencies and the Overseas Territories which have significant levels of trading activity within the UK.

Mr Gauke: I begin by expressing my gratitude for your dispensation, Mrs Laing. I will, of course, take interventions, and I hope it will not disconcert Members if I remain standing at the Dispatch Box while doing so. There is a great deal to cover and a large number of amendments have been tabled by Opposition Members, many of which I shall have to cover briefly. I shall try to provide as much information as I can as quickly as I can and respond to points raised in the course of the debate.

Clauses 144 to 146 make administrative changes to the general anti-abuse rule—the GAAR procedure—and introduce a new penalty for those who enter into abusive tax arrangements. Clause 144 allows Her Majesty's Revenue and Customs to make a provisional GAAR counteraction where it believes additional tax is due but the assessment time limits are due to expire. Clause 145 is an administrative change to strengthen the GAAR's procedural efficiency. The GAAR procedure currently requires each user of the same type of marketed tax avoidance arrangements to be referred separately to the GAAR advisory panel. This is an inefficient use of HMRC's and the advisory panel's resources, so clause 145 corrects this. Clause 146 introduces a new penalty of 60% for taxpayers who enter into abusive tax arrangements that are counteracted under the GAAR.

The Government have tabled 84 amendments to clauses 144 to 146, making minor changes to ensure that the legislation works as intended, but let me respond now to new clause 4 and amendment 4, which relate to the GAAR clauses I have just outlined. New clause 4 asks the Government to conduct a review of the GAAR in a year's time. The GAAR advisory panel is already required to publish anonymised reports of the cases it considers. It is difficult to see how this new clause could provide a better insight into GAAR cases than this.

Amendment 4 proposes that a penalty of 100% is introduced for the GAAR. While under HMRC's existing penalty rules a penalty of 70% to 100% will usually be charged in cases of fraud, it is right for the GAAR penalty to sit just below this. Under the new measure, tax avoiders can be charged penalties under the existing penalty rules and the GAAR penalty up to a maximum of 100%. As such, the amendment does little more than what we are already suggesting, and I therefore urge the House to reject it.

Clause 147 and schedule 18 introduce the new serial avoidance regime and a new threshold condition for the existing POTAS—promoters of tax avoidance schemes—regime introduced by clause 148. The new serial avoidance regime will tackle those tax avoiders who use multiple tax avoidance schemes. It will work by putting avoiders on notice when HMRC defeats a scheme they have used. If they use further schemes and HMRC defeats them, they will face serious and escalating sanctions, including a penalty starting at 20% of tax understated and reaching 60% for a third scheme defeat while under notice. Clause 148 introduces a new threshold condition for the promoters of tax avoidance schemes regime so that promoters who have promoted three schemes that have been defeated by HMRC over an eight-year period risk entering the POTAS regime.

The Government have tabled 27 amendments to clause 148 and schedule 18. The amendments to schedule 18 provide for those who try to avoid tax through companies they own or partnerships to be brought within the scope of the new regime. Amendments to clause 148 provide for POTAS to cover circumstances where tax avoidance is promoted through associated persons. The remaining amendments make minor changes to ensure the schemes work as intended.

Clause 149 introduces a new requirement for large businesses to publish their tax strategies, ensuring greater transparency about their tax approach to HMRC, shareholders and the public. Transparency promotes good tax compliance while providing a fairer, more stable and competitive environment in which to do business. The strategy published by businesses must cover the areas specified in legislation, be updated annually and remain accessible. A penalty may be chargeable if a strategy is not published or if the information contained does not meet the requirements of the legislation.

The Government are also committed to tackling cases of aggressive tax planning. Schedule 19 introduces a new special measures process which will apply sanctions to large businesses that persistently undertake aggressive tax planning or refuse to work with HMRC in a collaborative and transparent way. Taken together, clause 149 and schedule 19 will help to reduce the appetite for aggressive tax planning and improve large business tax compliance.

On the amendments tabled by the Opposition, amendments 5 to 18 would collectively introduce a requirement for directors of a business to be personally, jointly and severally liable for a penalty of £25,000 should the business fail to comply with the legislation, rising to a monthly charge of £25,000 after the initial 12 months have passed. Amendments 9, 14 and 18 also propose that the said named directors should not be reimbursed in any way and would impose further penalties.

These amendments are disproportionate and go against the principle of encouraging behavioural change across businesses. Boards take a collective responsibility for any decisions made on behalf of their businesses and their tax strategy is no exception. Ultimately, this Government believe any penalty is a business responsibility, not one to be pursued across a group of directors. In summary, these amendments would result in less clarity around any sanctions, not more, and I urge the House to reject them.

The amendment to clause 149, tabled by the right hon. Member for Don Valley (Caroline Flint), seeks to require large multinational enterprises to publish a country-by-country report on their activities within their published tax strategy. As I have set out, this Government fully share her aims of increasing transparency and clamping down on avoidance and evasion wherever it occurs. Indeed, this Government have led the way in calling at an international level for public country-by-country reports. However, I do not believe that her amendment would help to achieve the objectives that we all share. It is technically flawed, and hence would not achieve the stated transparency or pro-business objectives that we all espouse.

The right hon. Lady has said that multinational businesses such as Google would be forced to publish headline information about where they do business, the money that they make and the tax that they pay, but that is not the case. According to Government legal advice, the amendment would, in practice, place such a requirement only on UK-headquartered multinationals. Foreign-headquartered multinationals such as Google would not be caught at all, and that undermines the transparency objective of the amendment.

The amendment also risks putting UK multinationals at a competitive disadvantage by imposing a reporting requirement that does not apply to foreign competitors operating in the same market. For example, a company headquartered in the UK, whether on the mainland or in Northern Ireland, would have to file public reports, but a company headquartered in the Republic of Ireland—or, indeed, pretty well anywhere else—would not. That, I think, contradicts the level playing field objective whose importance the right hon. Lady has emphasised. At a time of increased uncertainty, we should be particularly cautious about disadvantaging UK-based businesses and imposing on them a further commitment that does not apply to their foreign competitors.

Dame Margaret Hodge (Barking) (Lab): I am grateful to the Minister for giving way, especially as he is in pain. He said earlier that the amendment was "technically flawed", but that is not the advice that my right hon. Friend has received. It seems to me that, in reality, the Government are more driven by their ideas about tax competition. Will the Minister confirm that that is the case? If it is, I suggest to him that transparency is more important for the British people in particular, and that if any global company chooses to leave the UK simply because of demands for transparency and demands that it pay fair tax, which will be a rare occurrence, it may well be that it is not the sort of company that we want to be headquartered here.

Mr Gauke: There are some issues of timing, but I must emphasise that the only companies that would fall within the scope of the amendment would be UK-headquartered companies. The Googles of this world would be unaffected. We believe that all this should be done on a multilateral basis, and—although my timing may be slightly unfortunate—I should point out that considerable progress has been made at European Union level. Indeed, the relevant commissioner has said that we are on the cusp of a deal and that he hopes that it will be concluded during the course of the Slovakian presidency, in the second half of this year. The UK has been leading the way in that debate, and, indeed, we have been calling for the Commission to toughen up its rules.

Several hon. Members *rose—*

Mr Gauke: I will just finish what I am saying before I give way. I am being bombarded by distinguished right hon. Members.

We know that the debate on corporation tax tends to focus on companies' sales, but corporation tax is not based on sales; it is based on activity. If a company takes part in a lot of activity in the UK but makes a lot of sales in another jurisdiction, it is likely to pay a lot of tax in the UK, but not a lot of tax in other jurisdictions where there is little or no activity but a great many sales. If the UK is the only jurisdiction that is putting out this information, or requiring its companies to put it out, there will be many examples of UK companies that are acting completely properly in foreign jurisdictions and not paying a lot of tax in those jurisdictions, but are vulnerable to criticism. It would be very much easier for all businesses to be able to point to an Italian, German, French or Swedish company that is in the same position, with a lot of activity in its own jurisdiction and a lot of sales in another jurisdiction, and is paying its tax where the activity is, not where the sales are. If the UK is acting unilaterally, I worry about unfair reputational

[Mr Gauke]

criticism of our companies. As the right hon. Member for Barking (Dame Margaret Hodge) knows very well, reputational damage to a business can damage its commercial interests,.

Caroline Flint (Don Valley) (Lab): Surely the problem is that so much of what we are finding out about companies—about where they do their business, where their profits are, and where they pay their taxes—is emerging through leaks. Massive reputational damage is being done to those companies. The amendment gives us a chance to put things on a much better footing by providing not all the information about companies, but the baseline headlines about where they do business, where they trade and where their profits are. Surely that is something on which we can lead.

Mr Gauke: I think that the principle and the destination are pretty clear. We are moving in the direction of companies' publishing this information, and I believe that the UK should be leading the way in working out a multilateral deal in which a number of countries impose essentially the same requirements. That, I think, would help to improve transparency and would provide a level playing field.

I do not think that the UK should be the last mover in this respect by any means. The United States seems to be some way away from moving in this direction, and I do not think that we should wait for the United States; I think we should be there before it. We should be able to deliver, especially given that such good progress is being made at European Union level. We remain members of the European Union, and there is appetite for this in other EU states. I have no doubt that, if no progress has been made in a year or two, the right hon. Member for Don Valley will come back and ask, "Why has this not happened?", and in that event her case would be strengthened. However, I think that until we have given the deal a fair wind, it would be premature to act unilaterally.

Mr Andrew Mitchell (Sutton Coldfield) (Con): The Minister has a perfectly justified and extremely good reputation for being sympathetic in driving this agenda forward. He will recall our discussions, both in opposition and back in 2010, about precisely the point that is addressed in the amendment. We all agree that companies should pay tax where their profits are earned.

The Minister knows as well as I do that some of the poorest people in the world live on top of some of the richest real estate, and that extraction taxes should be paid where those profits are earned. May I ask him to respond fully to the point that is being made by the right hon. Member for Don Valley (Caroline Flint)? If he thinks that her amendment is defective in some way, will he commit the Government to looking at those defects and considering whether they can frame a clause that would address the first part of what she said, with which I understood him to say he agreed?

Mr Gauke: The Finance Bill is not the ideal way in which to address this issue fully. I make no criticism whatsoever of the right hon. Member for Don Valley, who has shown much ingenuity in managing to ensure that her amendment is in order, but this is essentially an issue for company law.

We are keen to implement public country-by-country reporting, and we want to do it on a multilateral basis. As I have said, if there was a lack of progress the Government would obviously want to return to the issue, given the concerns that I think are felt by Members in all parts of the House. However, I think that we are in a position to aim for what I am sure we all agree would be the best result: achieving our aims on a multilateral basis.

Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): Will the Minister give way?

Mr Gauke: I will certainly give way to the Chairman of the Public Accounts Committee.

Meg Hillier: It is clear that the Minister has some sympathy with the amendment tabled by my right hon. Friend the Member for Don Valley (Caroline Flint) and most of the Public Accounts Committee, along with many other Members in many parties. Rather than requiring my right hon. Friend to come back to the House, will he therefore commit the Government to looking at this matter unilaterally if multilateral agreement is not achieved? Or will he go even further today and agree to a sunrise clause to add to the proposals that my right hon. Friend and I, and others, have put forward, so that this can come into action if the multilateral agreement that he is hoping for does not come to fruition?

1 pm

Mr Gauke: We are in quite a fast-moving area, and the progress that has been made in recent months has been considerable. Just at the beginning of this year, it looked unlikely that a deal would be possible, but now it looks as though the EU is heading in that direction. As I have said, the EU Commissioner has said that something is likely to happen by the end of this year. I must add the slight caveat that we will have a new Prime Minister by then, but it is certainly my view that if we have not made progress by this time next year on reaching a multilateral agreement, we will need to look carefully at the issue once again. I do not want to make a full commitment on this because—I am standing here desperately with the Dispatch Box as a source of support—I might no longer be in this position by then. I make that caveat, but I believe that there is every chance of an agreement. I would be disappointed if we did not make progress, but in the event of that happening—I hope it is unlikely—we would need to look at this again. I suspect that there is agreement between us here that it would be better for us to get a multilateral agreement than for us to go off alone.

David Mowat (Warrington South) (Con): I think I have heard the Minister say that there will not be a multilateral agreement that includes the United States. So is it the Government's position that we do not want to act unilaterally for the UK, but we will act unilaterally within the EU—even if we are not in it—even though the EU itself contains only 20% of the world's multi-nationals? Is he saying that this does not need to be multilateral, and that it just needs to be EU-lateral?

Mr Gauke: I do not think that this has to be universal, but there would be disadvantages for the UK if we were the only country to do it. There is a sense that UK companies would be criticised for failing to pay very much tax in jurisdictions where they did not have a lot of activities but had a lot of sales. This comes back to the point about educating the public about how corporation tax works. I think it would be an awful lot easier if there were just a few examples of other countries doing this. I do not think it needs to involve every other country, but if, for example, Germany, France and Italy had the same type of system, every time a UK company was criticised we could say, "What about that French company? What about that Italian company? The same principles apply to them."

We do not have to move at the pace of the slowest, but if we adopt an isolated position on this, there would be a reputational risk for UK businesses. We do not need to run that risk, particularly as good progress is being made, and I urge the House not to accept this amendment. Instead, I hope that we will be able to implement a measure over the next few months.

David Mowat: I suppose it depends which multinationals are in which segment of competition, but is the Minister saying that as long as, say, two or three other countries were to do this, the UK would join in?

Mr Gauke: I do not want to put a precise number on this. There is a threshold, and it depends on which countries those might be, but if I thought that three or four significant economies were going in the same direction, the case for doing this would be much stronger. Or, to put the reverse argument, if I were standing here next year and two or three other countries had gone down this route, the concerns that I am expressing from the Dispatch Box today would clearly carry less weight than I think they do today.

Meg Hillier: Perhaps I can help the Minister. On behalf of the Public Accounts Committee, I sent an open letter to the chairs of European finance and public accounts committees or their equivalents. The Minister might have picked up the fact that, to date, the letter has been signed by the chairs of parliamentary finance committees in Germany, Hungary, Finland, Norway and Slovakia, as well as by senior MPs in the Netherlands, the Czech Republic and Bulgaria. We also know that the French Finance Minister, Michel Sapin, is doing some interesting work in this area, as are many others. Does that help to push the Minister in the right direction and enable him to make us more of an offer today?

Mr Gauke: Well, it supports my optimism that we are on the cusp of a multilateral deal, and that will enable us to work out the legislation in the most comprehensive and effective way. As I have said, our preference would be to do this through company law rather than through a Finance Bill, but the hon. Lady's intervention supports what I was saying earlier about the comments of the relevant EU Commissioner at the last ECOFIN meeting in Luxembourg, which I attended 11 days ago. He was optimistic that we would reach agreement by the end of this calendar year. If that is the case, it is hugely encouraging, and the point that the hon. Lady has just made supports that proposition.

Nigel Mills (Amber Valley) (Con): I hope that the Minister will be willing to channel the leadership and enthusiasm that the UK showed in relation to the diverted profits tax, when we chose to go out alone and not wait for international agreements on base erosion and profit shifting. We introduced a whole new tax, with compliance burdens and penalties, and I suspect that that was a far bigger deal than requiring companies simply to disclose what they are already disclosing but in a slightly different format. I think that that was the right way to go.

Mr Gauke: My hon. Friend is right to mention the fact that we went ahead with the diverted profits tax, although doing so was clearly consistent with the direction of the base erosion and profit shifting process. That tax also brought in significant revenue to the UK, which has been very helpful.

If we want to achieve greater transparency, as I believe we all do, it is right that we focus on driving forward international efforts on public country-by-country reporting. In order to get full information on foreign multinational entities' global activities, multilateral agreement will be required to enable countries to introduce comprehensive rules with the widest possible scope. This will allow for a comprehensive multilateral approach that applies consistently across UK and foreign multinational entities. We must get this right so that, when it is introduced into UK law, it is effective and enforceable. We will continue to support and drive this multilateral change forward following the result of the referendum, and I share the determination of the Members supporting this amendment not to move at the pace of the slowest.

Mr Mitchell *rose—*

Mr Gauke: I will give way one more time, but I am conscious that I am taking up a lot of time in what is quite a short debate.

Mr Mitchell: The Minister is being extremely generous in giving way. I am sure we all agree with him that this should be done multilaterally—there is nothing between us on that—and I am sure that it will be helpful to his aim of being able to demonstrate strong support for this across the House of Commons when he is dealing with his international partners. I should like to make a suggestion, and I hope that it will be helpful. Would he consider asking his officials to draft a clause for public discussion that is not defective and that he could put to his colleagues multilaterally as a measure that they might wish to include in their parliamentary legislation?

Mr Gauke: I am grateful to my right hon. Friend for that suggestion. Let me take it away, because there are a number of ways in which this could be done, and we would want to consider it. I believe that this debate will be helpful to our parliamentary and governmental colleagues in other jurisdictions in that it demonstrates our cross-party determination to make progress on this matter. We are committed to acting swiftly to implement international agreements, as we have done with the OECD BEPS recommendations on country-by-country reporting. We are committed to improving the transparency of multinational tax affairs, but we support an effective multilateral approach. At this time of increased uncertainty,

[Mr Gauke]

a domestic measure of the sort being discussed today would, I fear, disadvantage UK business for the reason that I outlined. I look forward to hearing the contribution of the right hon. Member for Don Valley, but I hope she is satisfied with the assurances that I have provided today.

Clause 150 and schedule 20 create new civil penalties for those who have deliberately assisted taxpayers to evade UK inheritance tax, capital gains tax or income tax via offshore means. The bill introduces a financial penalty of up to 100% of the tax evaded and public naming in the most serious cases.

I want briefly to respond to Opposition amendments 19 and 20. The intentions of amendment 19 seem twofold. The first would ensure that it is considered enabling to act as an introducer. Schedule 20 already covers acting as an introducer, so that part of the amendment is unnecessary. The second aim is to set a test to check whether it objectively appears that the adviser should have known that the advice was likely to enable offshore tax evasion and is therefore an enabler. The test would introduce a great deal of uncertainty, meaning that it would be unclear how much due diligence should be completed.

Similarly, amendment 20 proposes a test that would ask whether the adviser wilfully or recklessly failed to make inquiries that a reasonable and honest person would have made. The courts generally recognise that knowledge includes so-called "blind-eye" knowledge—where a person has a firm suspicion about specific facts and deliberately decides not to find out more about them—meaning that an enabler cannot bury their head in the sand. If they have good reason to think that they are assisting evasion, failing to make proper inquiries will not help them and they will be penalised under the schedule as it currently stands. Given the restrictions and uncertainty that amendments 19 and 20 would introduce, I urge hon. Members to reject them.

Clauses 151 to 153 and schedules 21 and 22 strengthen the civil sanctions levied on offshore tax evaders. Clause 151 will increase the minimum penalties for deliberate offshore tax evasion to 30% of the tax due. The current minimum penalty is 20% and the maximum penalty will remain up to 300% of the tax due. The clause will require offshore evaders who are seeking to minimise or reduce their penalty to provide more information about their evasion and enabling activities in co-operation with HMRC.

Clause 152 removes the protection from being publicly named for deliberate offshore tax evasion unless an offshore evader comes forward to HMRC voluntarily and makes a full disclosure. In addition, clause 152 allows HMRC to name the individual who controls a company or entity that has participated in offshore tax evasion.

Clause 153 introduces a new asset-based penalty that will apply to the most serious cases of deliberate offshore tax evasion, where the tax loss exceeds £25,000, and will levy a penalty of up to 10% of the value of the asset connected to the evasion. Such assets could include physical property, intellectual property, shares and bank accounts. The asset-based penalty will be levied in addition to any other tax-geared penalties and interest due. Taken together, the measures will provide HMRC with a greater understanding of tax evasion while significantly increasing the penalties on tax evaders and those who help them.

New clauses 5 and 6 concern the reporting of a number of offshore tax evaders who have been named by HMRC and the number of asset-based penalties levied within a year of the passing of this Bill. The asset-based penalties are expected to apply from the 2016-17 tax year and the strengthened naming provisions are expected to apply from the 2017-18 tax year, with the first details published under this clause expected to be in 2019-20. As such, there would be no time for the activities covered by the amendments to have happened by the deadlines set for the Government to report on them.

1.15 pm

The Government are taking action to increase penalties on offshore tax evaders and those who enable them. However, there remains a persistent minority of taxpayers who continue to evade UK tax in that way. To tackle the minority, clause 154 introduces a new criminal offence for those persistent offshore tax evaders. Crucially, the offence does not require the prosecutor to prove that the taxpayer intended to evade their UK tax responsibilities offshore, increasing our ability to prosecute offshore tax evaders. A successful conviction under the offence can result in a fine or a prison sentence of up to six months. Those who continue to break the rules should face tougher sanctions and the new offence will help to ensure that they do.

New clause 7 makes a requirement to publish a report on the impact of the new criminal offence within a year of the Bill being passed. The new criminal offence is expected to come into effect from the 2017-18 tax year at the earliest, which is beyond the one-year deadline set out in the new clause, making it redundant. In addition, HMRC already publishes information on tax crime.

New clause 8, tabled by the SNP, proposes a review of arrangements to facilitate whistleblowing about suspected tax evasion in the banking and financial services industry. HMRC values the extensive information provided each year by the public. During the 2015-16 financial year, HMRC received over 125,000 pieces of information from the public. HMRC's actions are subject to independent scrutiny and regular inspection from the Office of Surveillance Commissioners. I am satisfied that that gives me good assurance that its work in this area is well managed and highly effective. We therefore do not believe a review is necessary and urge Members to reject the new clause.

Dame Margaret Hodge: Will the Minister give way?

Mr Gauke: I will certainly give way. I was about to turn to new clause 9.

Dame Margaret Hodge: I want to make two points about the response to whistleblowing. First, as I read the clause, it would lead to a review of whistleblowing in the banking and financial services sector. During my period as the Chair of the Public Accounts Committee, we did a lot of work on the whistleblowing from Falciani on the Swiss bank accounts and on the PwC leaks in Luxembourg. What was so interesting was that the only action that the two financial institutions took was to try to pursue the whistleblowers through the courts—trying to get them indicted and jailed. That is unacceptable.

Secondly, the internal HMRC lawyer who gave us the evidence that demonstrated that a sweetheart deal had been entered into with Goldman Sachs could not, in the end, return to his job. Everything of his was rifled through from his wife's computer to his telephone and everything else. That is not good enough. I urge the Minister to think again and to instigate a review.

Mr Gauke: I note what the right hon. Lady says, but I will not let her comments about sweetheart deals pass. We have discussed the matter before, and I point her in the direction of Sir Andrew Park's review of those settlements and his conclusion that there were no sweetheart deals. This is an issue that she and I have discussed before and no doubt will discuss again, and I fear that we will not reach agreement. I note her points, but I am not persuaded by the case for new clause 8.

Dr Philippa Whitford (Central Ayrshire) (SNP): Will the Minister give way?

Mr Gauke: I am conscious that this is a relatively short debate and that I have already taken up a large proportion of it. I am not quite done, but I will take a short intervention.

Dr Whitford: My point is about the NHS, where whistleblowers have suffered exactly the same kind of detriment, but the Government are now trying to change their attitude. I do not understand why we would not want to support whistleblowers within the industry when we have had one scandal after another for the past decade.

Mr Gauke: My point would be about the sheer scale of the information provided to HMRC. I quoted the 125,000 pieces of information from the public, but by no means are all of those whistleblowers. HMRC certainly does receive a substantial amount of information from whistleblowers, which is helpful. As for how that works and its contribution to HMRC's activities, I am not aware of worries that that is not working or that the existing provisions with regards to whistleblowers are ineffective. Of course these matters are always kept under review. If I thought that there was a strong case for returning to this issue, I would certainly be interested in doing so, but I am not hearing that at present.

The right hon. Member for Barking (Dame Margaret Hodge) has been waiting very patiently for me to turn to new clause 9, which would require the Government to estimate the impact on the tax gap of expanding our forthcoming register of persons with significant control to companies in the Crown dependencies and overseas territories. I do not believe that the clause would be effective in achieving its aims. It would cast the net too narrowly by focusing on companies with significant levels of trading activity in the UK. As the Prime Minister announced at the recent anti-corruption summit last month, the Crown dependencies and overseas territories have agreed to hold beneficial ownership information on all companies incorporated in their jurisdictions. Importantly, they will share that information with Her Majesty's Revenue and Customs and UK law enforcement agencies, which means that our authorities will be able to see exactly who owns and controls companies incorporated there.

Although I understand the aims of the new clause, it would be less effective than the steps that we have already taken to improve transparency and tackle tax evasion. I do have some sympathy with the argument that, no doubt, we will hear from the right hon. Lady, but I am not persuaded by it, and I hope that she will not press her new clause to a vote.

I will not take up any more time of the Committee. I have tried to cover as much ground as I can and to anticipate the arguments that we will hear for the rest of this debate. I hope that the Government clauses, schedules and amendments can stand part of the Bill.

Rob Marris (Wolverhampton South West) (Lab): I will try to be relatively brief, but, as the Minister has said, there is an awful lot to get through. I know that many Members wish to speak—indeed, today we have a profligacy of right hon. Members with us, particularly on the Opposition Benches, which is very good—so, perforce, I will have to be brief on various issues.

Labour does not oppose clause 144. On clause 145, which is to do with the general anti-abuse rule, I would like some assurance from the Minister that there are enough staff to deal with this work. I realise that the Government have gone into reverse gear on this, which I welcome, and the number of full-time equivalents has gone up from 57,000 to 60,000 this calendar year. That is a good step, but HMRC was significantly underperforming because it was very understaffed, and clause 145 proposes an additional amount of work for staff to do, so I should like some reassurance on that.

Clause 146 proposes penalties for the general anti-abuse rule. The Chartered Institute of Taxation, which has been extremely helpful to all Members, especially those on the Opposition Front Bench, is concerned that someone might be punished in a rather draconian manner for an innocent error of judgment. However, when my excellent researcher, Imogen Watson, looked at the case to which CIOT referred, she found that it was one to do with customs and excise rather than corporation tax and income tax. Perhaps the Minister can provide some clarification on that.

Amendment 4 on clause 146, which is tabled by me and my hon. and right hon. Friends, deals with raising the penalty from 60% to 100%. I heard what the Minister said about that, but I am concerned that the penalties would not be sufficient to change behaviour and encourage socially acceptable law compliant behaviour, which is what we all want to see.

Clause 147 deals with serial tax avoidance. The Chartered Institute of Taxation has expressed concern, and I understand its point, that this clause might introduce what would be a double penalty for an individual. Generally, we try to avoid double penalties for wrongdoing. Perhaps the Minister could have another think about the clause, or clarify for the Committee today that the CIOT has misunderstood things and there is no such double penalty being introduced. Could the Minister give us an indication—I know that these things are difficult—of how many non-taxpayers will mend their ways as a result of this measure and become taxpayers? Again, there is an issue of funding for HMRC.

Clause 148, which relates to the promoters of tax avoidance schemes, is supported by the Labour Front-Bench team. Although we support clause 149, which deals

[Rob Marris]

with special measures and so on, we have put forward amendments 5 to 18 on it—the Minister referred to them earlier. Those amendments deal with increasing the penalty to £25,000 from £7,500 and for holding a director or directors "jointly and severally liable". Rather strangely, the Minister said that the Government were in the business of "encouraging behavioural change". Well, so are we. Having higher penalties could encourage behavioural change, by which I mean somebody not indulging in bad behaviour, and filing their reports and so on. That is why we came up with the idea of joint and several liability rather than leaving it to one person. That means that all directors would be aware of what was going on. Furthermore, if the penalties were levied, they would not be reimbursable, as is too often the case. Too often, companies simply reimburse their staff when the staff have engaged in non-criminal wrongdoing. That is not an incentive for them to avoid wrongdoing in future—quite the reverse if anything.

With clause 149 comes amendment 1. I will be brief on that amendment, because my right hon. Friend the Member for Don Valley (Caroline Flint) will no doubt be speaking to it. It is an excellent amendment, which is fully supported by the Labour Front-Bench team. I will say a couple of things very briefly in response to what the Minister said on it. He said that the amendment is technically flawed. That may be the case, but this is the first of almost 200 amendments. If the Government supported it, they could have corrected any technical flaws they saw in it. I also think that they are being a bit timid here, because I do not see how the provisions under amendment 1 will lead to disadvantage to UK headquartered companies or to reputational damage—quite the reverse. Whether the Minister likes it or not, the reputation of Google was adversely affected in the United Kingdom because its tax deal with the UK authorities was not transparent and because people thought that Google was getting away with it. If there had been more transparency, Google's reputation might not have been adversely affected.

Similarly, provisions in amendment 1 could lead not to reputational damage for UK headquartered companies, but reputational enhancement. I have to say to the Minister—I cannot resist it because he is such a good Minister—that, in our society, talking the talk is seen as hot air, but Gauking the Gauke is seen as being polite and helpful. May I urge him to walk the walk and support amendment 1? If it needs tidying up, he should do it and sort out the technicalities.

Let me talk now about clause 150 and schedule 20—I know that I am going at a bit of a gallop, but there are others who wish to speak. I heard what the Minister said about amendments 19 and 20, which are putative amendments to schedule 20. I defer to his superior knowledge, as this is a very technical area, and I am not an accountant. I think that I understood him to say that what was proposed in amendment 19 was already covered in schedule 20. In relation to amendment 20, he referred to "blind-eye knowledge", which is a new one on me. I, like him, am a lawyer, and it seems that schedule 20 is introducing civil penalties and not criminal ones, so I accept what he says and will not be pursuing amendments 19 and 20.

Labour supports clause 151, which is to do with penalties in connection with offshore matters and offshore transfers. Clause 152 relates to offshore tax errors and publishing details of deliberate tax defaulters. Helpfully, the explanatory notes say that the clause will amend the Finance Act 2009 to allow HMRC

"the power to publish the details of an individual who controls a body corporate or a partnership"—

when it has been—

"charged a penalty for a deliberate failure to notify HMRC of a tax charge or deliberate inaccuracy in a return, and"—

when that individual—

"would have obtained a tax advantage"—

from it—

"had it not been corrected."

This must involve an offshore matter or transfer.

1.30 pm

That would mean HMRC publishing details of naughty taxpayers or naughty non-taxpayers. In that connection, may I urge the Government again to think about when HMRC, which is under the supervision if not the direct control of the Government and where the Government have a great say on overarching policy matters, to reconsider the question of taxpayer confidentiality? When deals are being done with large companies, as opposed to individuals, those deals could, as part of HMRC's bargaining, include a waiver of confidentiality on the deal. So, for example, in the notorious Google tax deal, the Chancellor of the Exchequer—understandably—repeatedly said, "I can't tell you how we got to the deal. That is confidential." Yes, that was true, but unfortunately that was because HMRC, with the Chancellor of the Exchequer, failed to insert in that agreement with Google a waiver of confidentiality from the taxpayer. If the taxpayer waives their confidentiality, the Government can publish it all. That should be in such settlements, and should have been in the appalling settlement with Vodafone that was done for billions of pounds—I think under a Labour Government, shamefully.

New clause 4, tabled by me and my hon. Friends, relates to clause 152 and requires a report on the workings of the general anti-abuse rule. I am sorry that the Government are apparently not going to accept it. In connection with that, I understand what the Government have said about new clauses 5, 6 and 7 and about the timeframes in them being meaningless because the reports would have to be done before the measures on which they were reporting had been implemented. I quite understand that. I did not understand the Minister to say that about new clause 4, but, if he did, he could perhaps clarify when summing up that it is a deadline issue. If it is not a deadline issue, as it was with new clauses 5, 6 and 7, perhaps he could confirm that the Government will support new clause 4, as they should.

Clause 153 is quite interesting for those of us on the Opposition Benches who like to try to think widely on tax measures, because it is a small step towards a wealth tax. That might not be the Government's intention, and I am not saying that it is Labour's proposal on taxes. We are looking at things very broadly, but asset-based penalties for offshore inaccuracies and failures are introduced by clause 153 and schedule 22. In that connection, I want to raise an issue that was raised with me by the Law Society of England and Wales. I declare

an interest in that I am a member in good standing of that organisation—as is the Minister, I suspect. The Minister might have a ready reply for the issue the society raised: as we are talking about asset-based penalties, how does one value the asset? What is the mechanism for its valuation and what happens for those assets that fluctuate in value?

Labour supports clause 154, on offences relating to offshore income, assets and activities. I think that the Minister has already responded on the question of new clause 7, which, in a sense, would be coupled with the clause. He pointed out that the deadlines would not marry up, with the report being done before measures came into effect, and I quite understand that. I apologise to the Committee for not spotting it.

That brings me on to new clause 9, tabled by my right hon. Friend the Member for Barking (Dame Margaret Hodge), which is supported by those on the Labour Front Bench. I will let my right hon. Friend explain its necessity and desirability to the House if she catches the eye of the Chair.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): In the light of our debate this morning, an appropriate opening remark would be to point out that I believe that in the next hour we are debating the most important part of this year's Finance Bill. Many amendments have been spoken about already this morning, and I am sure that Members will forgive me if I try to make my remarks brief and to focus only on three matters: the appropriate changes discussed in amendment 1, tabled by the right hon. Member for Don Valley (Caroline Flint) and others; new clause 8, tabled by me; and new clause 9, tabled by the right hon. Member for Barking (Dame Margaret Hodge). Let me say at the outset that the Scottish National party supports both that amendment and that new clause.

I will be brief, because I want to allow more time for the right hon. Ladies to present their case as fully as they can. Let me say something in general about why we are concerned. We all know that there is huge concern among the public about the extent of tax evasion and hidden wealth. It was a growing concern before the release of the Panama papers, and I remember discussing it in this House in the first week in February. It has been fuelled by concerns as people become more aware of the hiding of money in tax havens by individuals, corporations and trusts.

Let us put this debate into a broader context. According to Jason Hickel of the London School of Economics, tax havens hide one sixth of the world's total private wealth. He has estimated that at about $20 trillion. Whether that is very accurate or not, all observers would agree that the total amount of money involved is absolutely staggering in scale. Indeed, the Panama papers from Mossack Fonseca are just the tip of the iceberg as regards what we face in the world today.

Many issues need addressing. Neither this debate nor the proposed amendment and new clauses address them all, but they are a start. I have been very disappointed by some of the Minister's reasoning, particularly that on amendment 1. It struck me that he started to redefine on at least three occasions what he meant by multinational. First, he seemed, in my view, to be speaking as though it was almost global in nature, then it became EU-specific, then it became about just a few countries. It struck me that it is not amendment 1 that has not been thought through thoroughly, but the Government's response to it. If the right hon. Member for Don Valley proposes to press it to a vote, the SNP will certainly follow her into the Lobby.

We know that many different groups are involved. The amendments specifically refer to corporations, but more than corporations are involved. If we had tabled our own amendment, we might have chosen slightly broader amendments to encompass trusts, for example. Being reasonable, we must put ourselves in a position where we make the first step. Sometimes somebody needs to make the first step.

When the Minister was talking, he reminded me of the days when I used to trod through the library at Stirling University, taking students and showing them back copies of *Hansard*. We could look at back copies of *Hansard* from the 18th and 19th centuries, and the subject that arose more than any other in debates in the House was slavery. One of the arguments continually used against doing something to make slavery illegal was that it would not create a level playing field.

Somebody has to be first. This is not just about finance and technical considerations, but about fundamental ethical considerations. Those ethical considerations are why we hope that these matters will be pressed to a vote and we will support the right hon. Ladies in that.

David Mowat: The hon. Gentleman is right that somebody has to go first. I have one thought for him, and I would be interested in his view. His country relies quite heavily on the oil industry. Is he absolutely certain that it is right to impose something on Shell or BP that the Italian Government will not impose on Eni and the French Government will not impose on Total?

Roger Mullin: I thank the hon. Gentleman for being interested in my view. Although I understand the point that is being made as well as that being made by the Minister, I think that in these matters, for all large corporations that operate nationally, taking the first step puts them at a reputational advantage because they are seen to lead the way even though there might be occasions on which doing that appears to put them at some short-term commercial disadvantage. So this is not as simple as saying that anyone is necessarily incurring a commercial disadvantage. For those reasons, we would welcome these new clauses, and we are aware that they would also apply to important sectors of the Scottish economy.

I shall briefly say something about the Scottish National party's new clause on whistleblowing. I am particularly grateful to the right hon. Member for Barking for asking the Minister why he would not support that new clause. Indeed, as she spoke, I thought that, rather than our pressing the new clause to a vote here, it might be best to engage in cross-party discussions on how best to construct a thorough way forward. I agree wholeheartedly with the right hon. Lady, because when we look at the number of cases that have involved taking whistleblowers to court, one wonders where the balance of the scales of justice lie.

I recognise that changes have been made to the requirements on whistleblowing, some of which come into effect this September in the banking sector, but the requirements oblige companies to do things such as

[Roger Mullin]

appoint their own whistleblowers champions and report the amount of whistleblowing to their boards. Those things require a culture of willingness in companies. If the will is not there, the current processes will have next to no effect. We are not saying that we know precisely how to secure effective whistleblowing. That is why it would be useful to have some cross-party discussions, in which I am sure the right hon. Lady would be happy to engage. In that spirit, although we believe in the new clause, we will not press it to a vote and look forward to supporting the votes led by the right hon. Ladies.

Caroline Flint: I rise to support amendment 1, in my name and those of my hon. Friends the Members for Hackney South and Shoreditch (Meg Hillier) and for Houghton and Sunderland South (Bridget Phillipson) and the hon. Members for Amber Valley (Nigel Mills), for Southport (John Pugh) and for Edinburgh North and Leith (Deidre Brock). I am grateful for the support of six other members of the Public Accounts Committee who signed this amendment: my hon. Friends the Members for Islwyn (Chris Evans) and for Bristol South (Karin Smyth) and the hon. Members for Berwick-upon-Tweed (Mrs Trevelyan), for South Norfolk (Mr Bacon), for Peterborough (Mr Jackson) and for Warrington South (David Mowat). In total, 77 right hon. and hon. Members have signed the amendment, and it is a pleasure to follow the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin).

Apart from the Labour party's support, for which I am extremely grateful—particularly that of my hon. Friend the Member for Wolverhampton South West (Rob Marris), who has been fantastic in his liaison and advice—Scottish National party, Liberal Democrat, Ulster Unionist party, Social Democratic and Labour party, Plaid Cymru, Green party and UK Independence party Members, alongside a number of Conservative Members, and the independent hon. Member for North Down (Lady Hermon) support amendment 1. There is truly cross-party support, and I am therefore grateful to all those right hon. and hon. Members.

Amendment 1 also has the welcome support of the business-led Fair Tax Mark and the Tax Justice Network and that of development charities such as Christian Aid, the Catholic Agency for Overseas Development, Oxfam, Action Aid, the One Campaign and Save the Children.

It is understandable, given the momentous events of recent days that are creating ripples that reach all corners of our nations and across parties, if Members are a little distracted from the business that we are debating today, so let me be clear about what is at stake. If amendment 1 is agreed to, the Government's requirement that companies publish their group tax strategy on their websites will include, for large multinational enterprises with bases in the UK, the headline details required on their revenues and taxes paid, in accordance with the OECD requirements for country-by-country reporting. In lay terms, this is Parliament's Google moment.

I should like to clarify something: the amendment would require companies to publish everything that the Government already require them to report to HMRC. Yes, I agree with the Minister that it would not achieve worldwide reporting for any multinational enterprise, but it would catch not only those parts of a multinational enterprise that are in the UK but those that are over a certain size and have a turnover of more than £600 million.

1.45 pm

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): I hope to be helpful, but the right hon. Lady said that companies would have to publish their tax information on their websites. What if a company does not have a website? Could that give the company a loophole, or would there be a way around that if a company did not have a website?

Caroline Flint: I hope that the companies that we are talking about would be big enough to have a website; if not, we might get an opportunity to discuss that later. My goodness, in terms of their reputation, if they do not have a website, they are on a hiding to nothing.

The Minister tried to suggest that the amendment would relate only to UK companies, but it is in line with HMRC guidance that already affects the reporting strategies that the whole House has supported and includes multinational enterprises over a certain turnover. In that sense, we are working with the grain of how the Government have proceeded in these important areas.

There is widespread concern in the House, across all parties, that multinationals operate by different rules from the majority of hard-working, tax-paying businesses, large and small, in the UK. The greatest weapon of multinational enterprises is that their tax arrangements are shrouded in secrecy. The problem is that, in today's world, as leaks emerge and information comes out, it is death by 1,000 cuts, whereas the amendment is about getting businesses and their reputations back on track. Not only would this be good for business, but it would ensure that those businesses that are playing fair have a chance to set out their claim and what they are doing in a very public way.

Governments across the world face a particular problem with multinationals. The common factor is that revenues are shifted to countries with poor governance, poor monitoring and low or no corporate tax rates. Why in 2010 did Bermuda have total reported corporate profits that were the equivalent of 1,643% of its actual GDP? Could that be because that country has a zero rate of corporation tax? Is there not something odd about a company—let us say, Google—that has huge numbers of sale staff in one country, but all the revenues reportedly received in another? It would surprise no one to find that the revenues are recorded in a country that has a corporate tax rate of 12.5%, as opposed to the UK's 20%.

The House can take a stand against this entirely lawful but—I think we would all agree—unethical manipulation of different countries' tax rules. As the OECD has rightly pointed out in its work on base erosion and profit shifting, the impact is to create unfair competition. Multinational enterprises that transfer profits to low-tax dominions gain a competitive advantage over, say, a UK rival, which pays 20% tax on its profits. We can seek to level that playing field today.

The whole House supported the Chancellor's legislation to require financial reporting to HMRC from UK-based multinationals with revenues in excess of approximately

£600 million and UK units of such companies where the parent company is based in a country that does not yet agree to country-by-country reporting. That reporting, in accordance with the guidelines that I have mentioned, would include showing for each tax jurisdiction in which they do business the amount of revenue, profit before income tax and income tax paid and accrued, and their total employment, capital, retained earnings and tangible assets. They would be required to identify each entity within the group doing business in a tax jurisdiction and to provide an indication of business activities within a selection of broad areas in which each entity engages. That information must already be provided to HMRC. We are saying, "Let's go public." I want the HMRC to be armed with all the necessary information to secure fair tax contributions from these companies, based on their UK activity, but we need more than the HMRC to have a confidential look; we all deserve to see the bigger picture, and by publishing, we will see that.

Publishing is one way to persuade some of these companies to restore their corporate reputations. Was it because of the extraordinary focus on Google that Facebook announced a welcome change to the recording of its profits in the UK? I believe so. If a company is reporting profits in tax havens where they have only a PO box and a name plate but no apparent staff or activity, do we not want to know that? Let us follow our convictions; let us do what we know to be right. Let us shine a light on the activities of these large multinationals which—let us be honest—run rings around revenue and customs authorities around the world. Let us not flinch, play for time, and hope that some international agreement will eventually be reached by the EU or the OECD.

I remind Members that so often during the referendum on the UK's EU membership, we heard a lot from both sides about our Parliament's sovereignty and our power to make laws and to tackle issues big and small. Well, this is the test. Is Britain still a leader or are we followers? This amendment is a pro-business measure. If we adopted it, Parliament would be saying that every business big and small must play by the same set of rules. The tide of opinion is changing in the business world. I am delighted that this week I have received support from SSE for the principle of public country-by-country reporting. I am delighted when major firms such as the cosmetics company Lush, which operates in 49 countries, sign up to the Fair Tax Mark and pledge never to use tax havens. I welcome the fact that since 2014, a quarter of the FTSE 100 companies have published information about their tax arrangements, with long-standing British firms such as Barclays foremost among them.

I commend the Minister for the steps that have been taken in the past six years to improve the level of transparency and for the clampdown on the secretive tax deals that have thwarted fair taxation for so long. In our hearts, do we not all know what the Googles of this world will be hoping? They will hope that we sidestep this issue and duck the opportunity for Britain to set a standard, to lead and to demand more openness. This House knows what those who want fair taxes from large and small businesses alike will want. Every right hon. and hon. Member knows what their constituents would say about these firms shifting their profits to low-tax and no-tax dominions. Let us spare a thought, importantly, for the developing countries, which reportedly lose as much in lost tax revenues as they receive in aid each year. That cannot be right.

Finally, in February, the Chancellor told an international meeting of Finance Ministers:

> "I think we should be moving to more public country-by-country reporting. This is something which the UK will seek to promote internationally."

I hear what the Minister says, but there comes a point when we have to show leadership. Much of our tax rules and other rules affecting companies are not applied worldwide. They are British home-grown rules that seek to provide fairness as well as competition.

I welcome the EU's activities in this area, although I am not sure where we will fit in. We might have to accept whatever the EU says if we are part of the single market. That is a debate for another day. Unfortunately, the present state of the EU's negotiations does not tackle the problems of those developing countries that lose out. As I understand it, some of the European discussions have not included the publishing of information on the activities of EU-based companies in developing countries. That does not go as far as what we require from companies reporting to our own tax authority, which we are asking to be put in the public domain.

The change that I am calling for would be part of the Minister's and the Chancellor's legacy—a chance to lead where other countries are sure to follow. Let us ensure that the age of secrecy is gone. Let us force the multinationals into the light. I humbly request a Division on this amendment, and I urge the Minister and Conservative Members to join right hon. and hon. Members from nine parties in the Lobby with me today to make a historic change. In years to come, we will ask ourselves why we did not do this earlier. Today is the day. Let us stand up for fairness. Today is a day for lions, not lambs. Let us see the British Parliament roar. I urge the Committee to support this amendment.

Nigel Mills: It is a pleasure to follow the right hon. Member for Don Valley (Caroline Flint) and to support her amendment. I shall not repeat the arguments that she made so eloquently, but I shall make a few separate points.

Those of us who regard the UK as a great place to do business, and who want to attract international investment here and encourage our businesses to expand overseas and to export, recognise that we need a business climate that inspires confidence, where firms feel that they can compete fairly and that we have a respected financial system, tax system and market in which those operating here are seen to be behaving properly. Over the past few years we have found out from a series of leaks that large multinational companies have been misbehaving. Those companies are hauled through the press and parliamentary Committees, such as the Public Accounts Committee, on which I serve. That is not the right way to boost our business climate.

We need to move on from that and show the people of the UK and people around the world that companies that are based here and operate here follow the rules, and those that do not follow the rules will be caught and dealt with, and will be strongly encouraged, if not forced, to change their behaviour. That is the way to move the debate forward. Running and hiding and waiting for others to do that will not help. It is we who have taken the lead, taken action publicly against those

[Nigel Mills]

companies and made them change their behaviour. For us to resile from that and say, "We've done our bit. Let someone else go first" will not work.

We are one of the main global financial centres. Companies come here to list on our stock market that were not founded here and are not headquartered or based here. We need to set an example and say, "If you want to come and be based here, you need to follow the highest standards. We want you to behave ethically." I have no problem with UK-based companies trading in low-tax jurisdictions. If they are trading there commercially, if they have assets there, if they have employees there, that is their right, but they should publish a report so we can see that what they are reporting is commensurate with their activities there, and that they are not simply hiding profit there that was not earned there. I welcome the increased transparency that the amendment would provide.

I do not believe the bleak competition warnings. It is not as though every small company would be required to provide such a report. The requirement would apply only to companies with turnover of more than €750 million. I would not like to guess what that is in sterling. I am sure it will gradually go up as the economy strengthens, now that we have left the EU. I would be surprised if many companies of that size have major trading activities in developed countries without having a subsidiary there that is making the sales. If those companies do have such a subsidiary, they will have to file statutory accounts in those territories. I suspect that in most regimes those will be public, so people will know the turnover of those big corporations in those regimes, and they will know what tax is due. Companies filing for UK tax have to provide a segmental analysis that shows where they are operating in the world and breaks down turnover and profit. We are not creating a new set of disclosures that do not already exist; we are trying to enhance the ones that we have and make them work.

I checked some major multinational accounts this morning and found one segment that said, "UK, US and international". That is of no use to us. The idea of segmental reporting in financial accounts was to provide some disclosure so that we knew who was operating where, how much they were making and what they were doing. I do not believe that for the vast majority of very large companies that are trading ethically and not trying to avoid tax the requirement will be a great hardship. Yes, it may put a little more in the public domain, but it will put that into one document where people can read and understand it, see it transparently and clearly, and get a full picture of what the company is doing.

Everyone will understand that there is no reason why a company based in the UK that happens to make a few sales in France but has no people or assets there should pay French corporation tax. Similarly, there is no reason why a French company selling into the UK would pay UK corporation tax. We can make that clear. What we want to know about is those companies that have a large turnover and very few assets and employees in a very low-tax jurisdiction, so that we can work out whether they are acting legally.

Perhaps they are—perhaps some guy sitting in Guernsey on his own happened to invent a great product and has been receiving royalties. That is fair enough. He is entitled to do that. If he is based in Guernsey, that is rightly his income. I suspect that there are not many such cases, compared with the scale of business activity in those overseas jurisdictions. At least when such activity is transparent the businesses concerned will be able to explain it and defend themselves, or we will all know that those companies are misbehaving and we will be able to choose whether to buy from them or not. The amendment would help us to achieve that. As with all Back-Bench amendments, it is not perfect. The report should be provided in a company's financial statement so that there is some assurance from the audit process that the data provided are accurate. I urge the Government to bring forward a Bill which would do that, so that the information would be provided in the right place.

It is not perfect for the reporting requirement to be in a tax policy statement that applies only to the UK and without any audit requirement. It may not provide assurance that all the disclosures are absolutely right and that no territories have been omitted or data combined in a way that we cannot understand. I suspect that there will be penalties for failing to publish the whole statement, but no scrutiny of what is published. Perhaps if the same information is provided to HMRC, there will be greater transparency. HMRC may notice that what is in the public domain is not quite the same as the information submitted to it. We could therefore make the proposal better.

It would probably be better if we tackled this issue EU-wide. I am perhaps the only person in the Chamber who welcomes the fact that we shall be making these laws ourselves, rather than having the EU make them for us—tax was always meant to be a member state competency—but if we want to wait a short period to have these things done in a consistent format across the whole of Europe, I would not mind if publication were in 2018 rather than 2017. However, we could at least have a clause that says that we will do these things from 2018 unless the EU has done something that applies here before then, in which case we could repeal that clause.

2 pm

However, that is not where we are. We have a choice between passing amendment 1 today or waiting and hoping that somewhere else will take the lead on something that we have been leading on. Our Government have rightly introduced a whole new tax to try to stop corporates abusing the global tax regime. I am not sure that a few disclosures are quite as displacing as a whole new tax was, so I am not sure why we are being a little more cautious in this situation.

However, the right way forward is for us to be united on this issue and for the Government to say, "On reflection, we will bring forward a clause on Report," so that we can tackle this issue in the right way and not in a slightly forced way. That would be the best way forward, and I hope the Minister will agree when he responds to the debate. We could then show that we are all behind the policy I think the Government have. If we cannot do that, I will support amendment 1.

Dame Margaret Hodge: I am grateful for the support that amendment 1, tabled by my right hon. Friend the Member for Don Valley (Caroline Flint), has received from MPs on both sides of the Chamber and a range of charities and voluntary organisations. The way in which

she prepared for the debate was excellent, and I wish I had done as well, but I was a little distracted by other issues.

New clause 9, tabled by me and other hon. Members, would require the Chancellor to publish an estimate of the impact on levels of tax avoidance and tax evasion of extending the current requirement on UK-based companies to publish information to companies incorporated in the Crown dependencies and overseas territories that have significant levels of trading activity in the UK. The purpose of the new clause is to take forward the Prime Minister's commitment to have publicly available registers of beneficial ownership for all the Crown dependencies and overseas territories.

As others have said, it is difficult to estimate the amount held in tax havens. Some estimates have put the private financial wealth held in them at between £21 billion and £32 billion, and that money is untaxed or very lightly taxed. The French economist Zucman estimated that $7.6 trillion was held offshore last year, which is the equivalent of the US budget for two years. The OECD has estimated that tax havens may cost developing countries the equivalent of three times the global aid budget. We are talking big, big, big sums.

We saw from the Panama papers how much of the money that is held offshore is held in UK tax havens. Of the 214,000 corporate entities that were exposed in the Panama papers, more than half were registered in the British Virgin Islands. I draw Members' attention to another interesting bit of data, which shows the role of tax havens and overseas territories. A World Bank review that looked at 213 corruption cases over 30 years, from 1980 to 2010, found that 70% of those cases involved anonymous shell entities. The UK Crown dependencies and overseas territories were second behind the US on the list of those providing the shell entities that enabled that corruption and money laundering to take place.

I welcome the action the Government have taken and the leadership they have shown on the international stage, and we could just stay where we are, but the purpose of the new clause is to urge them to go further. All these issues are being revealed, and will continue to be revealed, through leaks—we have had the Falciani leaks and the Luxembourg leaks, and we have now had the Panama leaks. I am waiting for the next set of leaks; I bet they are out there—I bet a whole bunch of journalists are working on them now—but is that the way we want to learn about how corrupt individuals and greedy corporations are hiding their money, aggressively avoiding and evading tax? Would it not be better if we did everything within our power and within our authority to open up these issues so that we could see whether people were paying their fair share of tax, based on their profits, wealth or earnings, depending on whether they were an individual or a corporation?

The Minister knows that people are really angry about this issue. It is not something that has been invented by Opposition Members. I receive huge swathes of emails and letters every time I raise the issue of tax evasion and tax avoidance. If he takes the action we are suggesting and closes down the tax havens, that will be not just popular but right. That may damage the interests of a few wealthy individuals or corporations, which I think the Minister holds in awe, but it will be in the interests of the many, many people and small companies here in the UK who loyally pay their tax without any question.

I want to take the Minister through the pledges the Prime Minister has made. I was delighted in 2013 when he pledged at Loch Erne:

> "Every one of the Crown Dependencies and Overseas Territories are going to have an action plan on beneficial ownership."

In 2013 he also told them that it was time to rip aside the "cloak of secrecy" by creating a public register of beneficial ownership. In 2014 he wrote to the overseas territories urging them to consider having public registers of beneficial ownership, saying that

> "beneficial ownership and public access to a central register is key to improving the transparency of company ownership and vital to meeting the urgent challenges of illicit finance and tax evasion."

In 2015—this is the fourth example—he went to the Caribbean and again made clear his determination that overseas territories should open up. He said:

> "I say to them all today, including those in this region, if we want to break the business model of stealing money and hiding it in places where it can't be seen: transparency is the answer."

We all agree with that, and we urge the Government to take action. They should stop talking and start acting. They should not always hide behind international co-operation. There is stuff that we can do now and that we should proceed with urgently.

If we are to know how much tax we lose from individuals hiding their money in anonymous accounts in the overseas territories and Crown dependencies—it could well be laundered money—and how much money global companies are hiding in tax havens as part of their aggressive tax avoidance strategies, we need every country to have a register of beneficial ownership, as set out in my right hon. Friend's amendment, and those registers have to be public. That is especially important for developing countries.

As the Minister knows, we have the power to act. I fear that the reason the Government are not using their power is that they are happy to allow this massive tax avoidance and evasion to continue. I hope the Minister will reassure me in his reply that that is not the case, but that is what it feels like.

The Government have used the powers they currently have in other areas. We could therefore use an Order in Council to instruct all the overseas territories and Crown dependencies that are under our control to issue public registers of beneficial ownership. It is easy. The Conservative Government did it in the past when they used such Orders to ensure that capital punishment was abolished in overseas territories and Crown dependencies. A previous Labour Government used absolutely the same powers to ensure that discrimination against gay men was made illegal in overseas territories and Crown dependencies. If both the main political parties have used those powers in the past, why are the Government so reluctant to use them for something that is so popularly demanded and would be so important, and where they themselves agree that transparency has to be the way forward?

Some of the overseas territories are co-operating with the Government's endeavours. However, newspaper reports tell us that the Cayman Islands and the British Virgin Islands are ignoring requests to meet officials to discuss evasion and avoidance. I understand that the Prime Minister has not met a single overseas territory

[Dame Margaret Hodge]

since he first made the commitment to take action on opening up these tax havens in August 2013. I also understand that the Minister asked the overseas territories with financial centres to have plans for registers of beneficial ownership by 2014, but he was ignored, and he is still doing nothing.

I have here a table prepared by Transparency International that shows the current commitments on beneficial ownership by overseas territories and Crown dependencies. As the Minister knows, it shows that Turks and Caicos has done nothing, the BVI has done nothing, and the Cayman Islands is half co-operating, while Bermuda and others are refusing to have a public central register. The only country in our control that is having a public central register is ourselves. I congratulate the Minister on that—we are setting an example—but let us use our powers to go further.

What we hear and read from the two most important overseas territories—the British Virgin Islands and the Cayman Islands—is a matter of great concern. The British Virgin Islands did not come to the anti-corruption summit; it is against the proposal. Its Premier and Minister of Finance, Orlando Smith, has said:

"The moment we begin housing vast amounts of highly sensitive, private business information and then providing access to that information to a wide array of actors, the risk of a breach goes up immeasurably.

If legitimate businesses fear that their international transactions will be exposed to the world, or, worse yet, accessed by criminals or terrorists"—

I am not sure how that will happen—

"and used as a weapon of extortion or intimidation—then the gears of international finance will start to grind."

Talking about terrorists and criminals is purely an excuse. The British Virgin Islands simply does not want to open up the books. It does not want us to know what are the beneficial ownerships of companies that have registered there or individuals who hold their money there.

After the Prime Minister said that he had made such wonderful progress in ensuring registers of beneficial ownership that would help us to find out who owned what, where, Premier McLaughlin of the Cayman Islands said:

"This is what we wanted, this is what we have been pushing for three years, for a disaggregated system which leaves the beneficial ownership information intact with the service providers."

He got away with what he wanted. He was not forced by us to reveal the data that we so desperately need to find out what is hidden there. He went on to say:

"People don't do business with us because we are nice".

That is simply not good enough.

I urge the Minister to take this little new clause really seriously. I will request a Division on it. I urge him to do what he says he wants to do and open up to public account the tax havens that we, the United Kingdom, control.

2.15 pm

Meg Hillier: I rise to speak briefly to amendment 1. I congratulate my right hon. Friend the Member for Don Valley (Caroline Flint), many members of the Public Accounts Committee, and Members across the House who have signed this simple but important amendment, which, as others have highlighted, would require a clear public register of company activity. I pay particular tribute to the hon. Member for Amber Valley (Nigel Mills), whose expertise on this issue in the Public Accounts Committee has been particularly useful. As he rightly said, this information is mostly public, but one would need to have his qualifications, and there are not many with those, in order to track it down internationally. We on the Public Accounts Committee want a register where it is readily available to the "citizen auditor". We want to put powers in the hands of the citizen to enable them easily to see where the taxes paid by companies are put.

The Minister spoke of the amendment being defective, but I do not believe that it is. It covers the same large-turnover companies that are covered by other Government reporting requirements. If it is defective, however, I again challenge him to bring back an improved version on Report. He has access to Government lawyers to do this. My right hon. Friend, though a very able woman, perhaps does not have at her fingertips the same expertise in legislative drafting. The power is in the hands of the Government on this issue.

I want to highlight another aspect of our work that I mentioned to the Minister. It is not UK parliamentarians alone who support this measure. In May, I went out to the OECD on behalf of the Public Accounts Committee to lobby and speak to parliamentarians of other nations around the world. We had a very useful and important discussion about the need for greater disclosure for the public benefit, with our citizens pushing our Governments to act decisively. As I said, I subsequently wrote an open letter that I sent to European partners, urging Governments to support the measure that is summarised in the amendment. The letter was signed by the chairs of parliamentary finance committees in Germany, Hungary, Finland, Norway and Slovakia, as well as senior MPs in the Netherlands, the Czech Republic and Bulgaria. Rather than detain the Committee, I draw Members' attention to the Public Accounts Committee website, which has full details of the letter and information about how we went about it.

My right hon. Friend's amendment is a really important first step. I appreciate that the Minister is willing to look at a multinational agreement. Unfortunately, however, much to my disappointment and the huge disappointment of my constituency and borough, which had the second-largest vote in the country to remain, we voted to leave the EU last Thursday, and Britain is going it alone, so why not do this now?

New clause 9, tabled by my right hon. Friend the Member for Barking (Dame Margaret Hodge), follows the same principle. It also follows a theme pursued by the Public Accounts Committee, when she chaired it and currently, on registering the extent of beneficial ownership in tax havens. I do not need to add a great deal to what she amply amplified. She and I, other hon. Members, and, I think, the Minister agree that transparency—sunlight—on activities affects behaviour. Public trust on tax is at an all-time low. We do not have a level playing field. As she says, the Government have the power to act on this very swiftly. The Prime Minister has supported it and the Minister has supported it, so why not act now?

Mr Gauke: I thank all right hon. and hon. Members for their contributions in this very good debate. Most of them focused on amendment 1 and new clause 9, as I will, but the hon. Member for Wolverhampton South West (Rob Marris) raised a number of points that I will quickly run through before turning to the main issues.

On new clause 4, which relates to the review of the GAAR, this is not a deadline issue. I was not making that point, as the hon. Gentleman rightly observed. I would argue that a review of the GAAR is unnecessary. The principal purpose of the GAAR is to deter taxpayers from entering into abusive tax avoidance in the first place. As I have made clear throughout this process, measuring the number of times that the GAAR has been invoked is not a reliable indicator of its success. I made that point when I brought in the legislation relating to the GAAR, and that remains the case.

On clause 153 and schedule 22 and asset-based penalties, the hon. Gentleman asked how we value the asset. The Valuation Office Agency, which is obviously experienced in that area, will value the asset for HMRC. The date of valuation will be the date of sale. For assets not disposed of, the value will be the market value on the last day of the tax year. That is the standard approach.

On the number of people affected by clause 147, the measures are aimed at a small but persistent minority of taxpayers who remain undeterred by the Government's continued strategy to bear down on tax evasion and tax avoidance. We expect that the total number of taxpayers affected by the measures will be a small proportion of the total avoidance population; I do not wish to indicate anything other than that. This is a principled approach and it is right that that shrinking minority is properly dealt with.

The hon. Gentleman also raised a concern about a double penalty. I hope I can reassure him that the offset provision will apply to ensure that there will be no double penalty apart from the new GAAR penalty, whereby the combined total is capped, in most cases, at 100%.

We could have a longer debate, as we have done in the past, on the wider, familiar issue of HMRC resources. At the summer Budget, the Government provided HMRC with an extra £800 million to fund additional work to tackle evasion and non-compliance by 2020-21. That will enable HMRC to recover a cumulative £7.2 billion in tax over the next five years by tackling evasion and non-compliance. I also point out, as I tend to do in these circumstances, that HMRC's yield is at record levels and that the tax gap is at record low levels. Although I do not think that the best measure is the number of staff working in a particular area, it is the case that the number in enforcement and compliance has consistently gone up. I accept that that is not the case across HMRC as a whole, although, as the hon. Gentleman has pointed out, the number is increasing at the moment, including in enforcement and compliance.

To return to the issue of penalties and whether they are sufficient, the GAAR penalty has been set at a rate high enough to act as a clear deterrent while being proportionate to the behaviour concerned. As I have said, under the existing penalty rules a penalty of 70% to 100% will usually be charged in cases of fraud, and it is appropriate for the GAAR penalty to be below that range.

Let me respond to the intervention by the right hon. Member for Barking (Dame Margaret Hodge) about whistleblowing. In October 2015 the Financial Conduct Authority published a package of rules designed to encourage a culture in banks whereby individuals feel able to raise concerns. Those rules require a senior manager to be appointed a whistleblowing champion, internal arrangements to handle all types of disclosure, and a requirement to inform the FCA if an employment tribunal with a whistleblower is lost.

Given that I have responded to one point raised by the right hon. Lady, I will now address some of her other points about new clause 9, which seeks to provide more information about the tax gap numbers. My argument is the practical point of whether it is likely that HMRC could estimate or measure the impact of such a specific measure on the tax gap, particularly given that the basis is hypothetical, since the register of persons with significant control is not yet operational. That is, therefore, a challenge, but I accept that the new clause also enables us to have a wider debate about the Crown dependencies and overseas territories. That is an important issue and I want to focus more on it.

We have made extraordinary progress in the past six years with regard to Crown dependencies and overseas territories and, indeed, more widely. When I first took over this role some six years ago, the big campaigning issue for many outside organisations was automatic exchange of information. My predecessor, the right hon. Member for East Ham (Stephen Timms), is held in very high regard by Members on both sides of the House. He was a dedicated Financial Secretary and tax Minister who energetically pursued that agenda, but I can remember him saying in 2010, "That's very much what we want to do, but we think it's a long way away."

The progress that has been made over the past six years, for various reasons, is considerable. The automatic exchange of information, which was once seen as a laudable objective but not something we were going to reach any time soon, has now been reached. It applies to Crown dependencies and overseas territories, which were all early signatories to the common reporting standard, and that is now coming into force. It is fair to say that the UK Government encouraged them to do that, and that is an example of how working in partnership with the Crown dependencies and overseas territories can result in quicker and more effective implementation, whereas imposing legislation reduces that co-operation and can ultimately harm our ability to tackle and deter corruption, tax avoidance and tax evasion. The approach we have taken over the past six years has been successful in making substantial progress, which people of good will on all sides did not think would be possible. The common reporting standard is a good example of that.

Although I accept that Crown dependencies and overseas territories have not signed up to public registers of beneficial ownership, we have to put the issue in context. The UK is pretty much the only jurisdiction that has done that. Of course we should expect Crown dependencies and overseas territories to meet international standards. As a Government, we continue to press the case for ever higher international standards, but failing to have a public register of beneficial ownership is not a breach of international standards. We would like the international standards to be such, but they are not at present. We have to consider the issue in that context.

[Mr Gauke]

I do not want to rerun everything I said earlier about amendment 1. I believe that we all share the same objectives and that the question is about how we get to where we want to be. I want to make it absolutely clear that, although there are some technical concerns and flaws in the legislation, the fundamental point is that there is a limit to the extent that we can require a foreign multinational entity to disclose information on its global activities under UK law. That is why we believe that the best way forward is through international efforts on public country-by-country reporting. Even if those flaws can be addressed, we still face that problem.

Caroline Flint: In his earlier contribution, the Financial Secretary suggested that UK-headquartered companies would be disadvantaged, but my amendment is completely based on the information already required by HMRC, as laid down by this House with cross-party support. That includes multinational enterprises that are not necessarily UK headquartered but have a turnover of more than £600 million a year. Of course, the amendment does not catch everybody, but it is within the existing remit and range in the statute book. That is why I find it difficult to understand why there is a technical problem with my amendment. All we are saying is, "Make it public."

Mr Gauke: The issue is that foreign multinational entities would not be caught by the amendment. That is the advice I have received. It means that the public will get information only on the taxes paid and profits made by a multinational entity headquartered in the United Kingdom and not on those paid and made by foreign multinational entities such as Google. That is the clear advice I have received on the right hon. Lady's amendment.

2.30 pm

Caroline Flint: I feel I have to pursue this point. Amendment 1 would insert two new subparagraphs in schedule 19. The first would mean that a

"group tax strategy of a qualifying group which is a MNE group must also include a country-by-country report."

The qualifying group referred to is based on what the Government have already legislated for. The second subparagraph is very clear:

"In paragraph (2A) "country-by-country report" has the meaning given by the Taxes (Base Erosion and Profit Shifting) (Country by Country Reporting) Regulations 2016."

That qualifying group, then, includes UK-headquartered companies but also companies from elsewhere whose turnover is more than £600 million a year, as I have said. It would affect not just UK companies but those companies with activity here that are headquartered elsewhere. I urge the Minister to ask civil servants whether they have got that advice right.

Mr Gauke: I assure the right hon. Lady that I have asked civil servants about this particular issue—she will not be entirely surprised to learn that there have been fairly extensive conversations with civil servants about it. We believe that the amendment as drafted would not apply to foreign multinational entities. The challenge is that the information is, essentially, held in the UK and relating to UK-headquartered companies, so only UK-headquartered companies are well placed to provide it. She has highlighted one of the problems with a unilateral approach.

I have a huge amount of sympathy with the right hon. Lady's argument, as she knows. We have discussed this before. I am pleased that the United Kingdom is leading the way in making progress on this at a number of international forums. I urge the House to consider that we do not need to go it alone at this point. We can work with other countries, given the progress that is being made, quite often at the UK's instigation.

Another important point was touched on by my right hon. Friend the Member for Sutton Coldfield (Mr Mitchell) as well as the right hon. Lady, namely developing countries. I have a lot of sympathy with that point. It is worth noting that 39 countries, including the United Kingdom and developing countries such as Nigeria and Senegal, have signed the OECD mechanism for country-by-country reporting. That means that the information produced by companies and provided to tax authorities—not published, but already produced and provided to authorities—is shared with every one of the 39 signatories. I want to encourage other developing countries to sign that agreement, so that they have access to the information. The right hon. Lady made the point earlier that the EU proposals could go further on ensuring more information. I agree. That is the UK position and we have been arguing that case at EU level.

I never want to miss the opportunity to highlight what we do as a country to help developing countries' tax authorities build up their tax capacity. That work does not get the coverage it deserves. The previous Labour Government also did such work, but we have built on that. The Department for International Development and HMRC do considerable work on helping developing countries ensure that they have the information they need and the capacity to do something with it.

Rob Marris: May I make this offer on amendment 1? My right hon. Friend the Member for Don Valley (Caroline Flint) and I are quite happy to meet the Minister and Treasury officials to iron out any technical deficiencies there may be. I make that offer today so that we can do so before Report. Secondly, I urge the Minister to think a little more broadly, in terms of the world that we live in now after the Brexit vote. If the United Kingdom, having left the European Union, chose to make it a condition of trading in the UK for multinational enterprises not headquartered here that they disclose that information, we could do so.

Mr Gauke: I am not sure about the practicality of that. I will also make the point that we remain members of the European Union. There does not seem to be any likelihood of our leaving the EU within two years. Given the progress currently being made on public country-by-country reporting, I hope that the process will conclude while our membership continues.

As I have said, there are some technical issues that could be ironed out in amendment 1, but the fundamental issue of not being able to access information from foreign multinational entities that are not headquartered in the UK would remain a problem. Even with the best will in the world—and the best lawyers and parliamentary counsel—we will not be able to solve that problem.

Rob Marris: Will the Minister meet us?

Mr Gauke: I am always happy to discuss this issue with the hon. Gentleman, but that underlying problem still exists.

In the light of all that, I will say that, yes, we want to make progress on public country-by-country reporting, but that needs to be on a multilateral basis. Amendment 1, despite some considerable ingenuity to get it in order to be debated today, does not do what is needed. I therefore urge hon. Members not to support it, in the knowledge that this Government want to make progress on this matter and expect to make considerable progress over the next few months.

Amendment 114 agreed to.

Clause 144, as amended, ordered to stand part of the Bill.

Clause 145

GENERAL ANTI-ABUSE RULE: BINDING OF TAX ARRANGEMENTS TO LEAD ARRANGEMENTS

Amendments made: 115, page 198, line 8, leave out "Condition 1 or 2" and insert—

"the condition in sub-paragraph (2)".

Amendment 116, page 198, line 9, leave out "Condition 1" and insert "The condition".

Amendment 117, page 198, line 10, at end insert—

"but no notice under paragraph 12 of Schedule 43 or paragraph 9 of Schedule 43B has yet been given in respect of the matter."

Amendment 118, page 198, leave out lines 11 and 12.

Amendment 119, page 198, line 20, leave out from first "notice" to end of line 21 and insert—

"(a "pooling notice") which places R's arrangements in a pool with the lead arrangements."

Amendment 120, page 198, line 21, at end insert—

"( ) There is one pool for any lead arrangements, so all tax arrangements placed in a pool with the lead arrangements (as well as the lead arrangements themselves) are in one and the same pool.

( )Tax arrangements which have been placed in a pool do not cease to be in the pool except where that is expressly provided for by this Schedule (regardless of whether or not the lead arrangements or any other tax arrangements remain in the pool)."

Amendment 121, page 198, line 22, leave out "notice of binding" and insert "pooling notice".

Amendment 122, page 198, line 23, leave out

"(which has not been withdrawn)".

Amendment 123, page 198, line 25, leave out from "43" to end of line 26.

Amendment 124, page 198, line 26, at end insert—

"Notice of proposal to bind arrangements to counteracted arrangements

1A (1) This paragraph applies where a counteraction notice has been given to a person in relation to any tax arrangements (the "counteracted arrangements") which are in a pool created under paragraph 1.

(2) If a designated HMRC officer considers—

(a) that a tax advantage has arisen to another person ("R") from tax arrangements that are abusive,

(b) that those tax arrangements ("R's arrangements") are equivalent to the counteracted arrangements, and

(c) that the advantage ought to be counteracted under section 209,

the officer may give R a notice (a "notice of binding") in relation to R's arrangements.

(3) The officer may not give R a notice of binding if R has been given in respect of R's arrangements a notice under—

(a) paragraph 1, or

(b) paragraph 3 of Schedule 43.

(4) In this paragraph "counteraction notice" means a notice such as is mentioned in sub-paragraph (2) of paragraph 12 of Schedule 43 or sub-paragraph (3) of paragraph 9 of Schedule 43B (notice of final decision to counteract).

1B".

Amendment 125, page 198, line 27, after "a" insert "pooling notice or".

Amendment 126, page 198, line 30, after "A" insert "pooling notice or".

Amendment 127, page 198, line 34, after "arrangements" insert

"or the counteracted arrangements (as the case may be)".

Amendment 128, page 199, line 1, after "A" insert "pooling notice or".

Amendment 129, page 199, leave out lines 4 to 10.

Amendment 130, page 199, line 12, after "a" insert "pooling notice or".

Amendment 131, page 199, line 16, after "6" insert

"and Schedule 43B (generic referral of tax arrangements)".

Amendment 132, page 199, line 17, leave out "of binding" and insert

"in question (and accordingly the tax arrangements in question are no longer in the pool)".

Amendment 133, page 199, line 23, leave out "notice under paragraph 1" and insert "pooling notice or notice of binding".

Amendment 134, page 199, line 26, leave out

"notice under paragraph 1"

and insert—

"pooling notice or notice of binding".

Amendment 135, page 199, line 34, at end insert—

"( ) Where a person takes the first step described in sub-paragraph (3)(b), HMRC may proceed as if the person had not taken the relevant corrective action if the person fails to enter into the written agreement."

Amendment 136, page 200, line 6, at end insert—

"Corrective action by lead taxpayer

2A If the person mentioned in paragraph 1(1) takes the relevant corrective action (as defined in paragraph 4A of Schedule 43) before the end of the period of 75 days beginning with the day on which the notice mentioned in paragraph 1(1) was given to that person, the lead arrangements are treated as ceasing to be in the pool."

Amendment 137, page 200, line 9, leave out "notice of binding" and insert "pooling notice".

Amendment 138, page 200, line 10, leave out from first "arrangements" to "and" in line 11.

Amendment 139, page 200, line 13, leave out from "about" to "is" in line 14 and insert

"another set of tax arrangements in the pool ("the referred arrangements")".

Amendment 140, page 200, line 16, leave out "bound" and insert "pooled".

Amendment 141, page 200, line 17, at end insert—

"( ) No more than one pooled arrangements opinion notice may be given to a person in respect of the same tax arrangements."

Amendment 142, page 200, line 19, leave out

"by virtue of Condition 2 in paragraph 1".

Amendment 143, page 200, line 21, leave out "notice of binding" and insert "pooling notice".

Amendment 144, page 200, line 22, leave out "bound" and insert "pooled".

Amendment 145, page 200, line 25, leave out "lead" and insert "referred".

Amendment 146, page 200, line 29, at end insert—

"( ) In relation to a person who is given a notice of binding "bound arrangements opinion notice" means a written notice which—

(a) sets out a report prepared by HMRC of any opinion of the GAAR Advisory Panel about the counteracted arrangements (see paragraph 1A(1)),

(b) explains the person's right to make representations falling within sub-paragraph (2), and

(c) sets out the period in which those representations may be made."

Amendment 147, page 200, line 30, after "given" and insert

"a pooled arrangements opinion notice or".

Amendment 148, page 200, leave out lines 35 to 38.

Amendment 149, page 200, line 40, leave out "the lead arrangements" and insert

"(i) the referred arrangements (in the case of a pooled arrangements opinion notice), or

(ii) the counteracted arrangements (in the case of a bound arrangements opinion notice)."

Amendment 150, page 201, line 3, leave out from beginning to "paragraph" in line 4 and insert

"any tax arrangements have been placed in a pool by a notice given to a person under".

Amendment 151, page 201, line 7, leave out "the lead arrangements" and insert

"any other arrangements in the pool (the "referred arrangements")".

Amendment 152, page 201, line 10, leave out "lead" and insert "referred".

Amendment 153, page 201, line 17, leave out

"by virtue of Condition 2 in paragraph 1"

and insert "under paragraph 1A".

Amendment 154, page 201, line 22, leave out "lead" and insert "counteracted".

Amendment 155, page 202, line 25, leave out from "applies" to end of line 38 and insert

"if—

(a) pooling notices given under paragraph 1 of Schedule 43A have placed one or more sets of tax arrangements in a pool with the lead arrangements,

(b) the lead arrangements (see paragraph 1(1) of Schedule 43A) have ceased to be in the pool, and

(c) no referral under paragraph 5 or 6 of Schedule 43 has been made in respect of any arrangements in the pool.

(2) A designated HMRC officer may determine that, in respect of each of the tax arrangements that are in the pool, there is to be given (to the person to whom the pooling notice in question was given) a written notice of a proposal to make a generic referral to the GAAR Advisory Panel in respect of the arrangements in the pool.

(3) Only one determination under sub-paragraph (2) may be made in relation to any one pool.

(3A) The persons to whom those notices are given are "the notified taxpayers"."

Amendment 156, page 203, leave out lines 1 to 4.

Amendment 157, page 203, line 6, leave out "representations, and" and insert "a proposal.".

Amendment 158, page 203, leave out lines 7 to 16.

Amendment 159, page 203, line 18, leave out from "given" to end of line 20 and insert

"to propose to HMRC that it—

(a) should give T a notice under paragraph 3 of Schedule 43 in respect of the arrangements to which the notice under paragraph 1 relates, and

(b) should not proceed with the proposal to make a generic referral to the GAAR Advisory Panel in respect of those arrangements."

Amendment 160, page 203, leave out lines 21 to 25.

Amendment 161, page 203, line 26, leave out

"representations are made in accordance with sub-paragraph (2)"

and insert

"a proposal is made in accordance with sub-paragraph (1)".

Amendment 162, page 203, line 27, leave out "them" and insert "it".

Amendment 163, page 203, line 28, leave out from beginning to end of line 22 on page 204.

Amendment 164, page 204, line 26, leave out "given a notice" and insert "made a proposal",

Amendment 165, page 204, line 31, leave out "gives a notice" and insert "makes a proposal".

Amendment 166, page 204, line 32, after "must" insert

", after the end of that 30 day period,".

Amendment 167, page 204, leave out lines 34 and 35 and insert

"( ) give a notice under paragraph 3 of Schedule 43 in respect of one set of tax arrangements in the relevant pool, or".

Amendment 168, page 204, leave out lines 37 and 38 and insert

"tax arrangements in the relevant pool".

Amendment 169, page 205, line 18, after "which" insert "the designated officer considers".

Amendment 170, page 207, line 35, at end insert—

"( ) In section 210 (consequential relieving adjustments), in subsection (1)(b), after "Schedule 43," insert "paragraph 5 or 6 of Schedule 43A or paragraph 9 of Schedule 43B,"."

Amendment 171, page 207, line 40, after "1" insert "or 1A".

Amendment 172, page 207, line 41, leave out "lead" and insert

"referred or (as the case may be) counteracted".

Amendment 173, page 208, line 7, leave out "1(4)" and insert "1A(2)".

Amendment 174, page 208, line 8, at end insert—

""pooling notice" has the meaning given by paragraph 1(4) of Schedule 43A;".

Amendment 178, page 208, line 24, at end insert—

"(10A) Section 10 of the National Insurance Contributions Act 2014 (GAAR to apply to national insurance contributions) is amended in accordance with subsections (10B) to (10E).

(10B) In subsection (4), at the end insert ", paragraph 5 or 6 of Schedule 43A to that Act (pooling of tax arrangements: notice of final decision) or paragraph 9 of Schedule 43B to that Act (generic referral of arrangements: notice of final decision)".

(10C) After subsection (6) insert—

"(6A) Where, by virtue of this section, a case falls within paragraph 4A of Schedule 43 to the Finance Act 2013 (referrals of single schemes: relevant corrective action) or paragraph 2 of Schedule 43A to that Act (pooled schemes: relevant corrective action)—

(a) the person ("P") mentioned in sub-paragraph (1) of that paragraph takes the "relevant corrective action" for the purposes of that paragraph if (and only if)—

(i) in a case in which the tax advantage in question can be counteracted by making a payment to HMRC, P makes that payment and notifies HMRC that P has done so, or

(ii) in any case, P takes all necessary action to enter into an agreement in writing with HMRC for the purpose of relinquishing the tax advantage, and

(b) accordingly, sub-paragraphs (2) to (8) of that paragraph do not apply."

(10D) In subsection (11)—

(a) for "and HMRC" substitute ", "HMRC" and "tax advantage"";

(b) after "2013" insert "(as modified by this section)".

(10E) After subsection (11) insert—

"(12) See section 10A for further modifications of Part 5 of the Finance Act 2013."

(10F) After section 10 of the National Insurance Contributions Act 2014 insert—

"**10A Application of GAAR in relation to penalties**

(1) For the purposes of this section a penalty under section 212A of the Finance Act 2013 is a "relevant NICs-related penalty" so far as the penalty relates to a tax advantage in respect of relevant contributions.

(2) A relevant NICs-related penalty may be recovered as if it were an amount of relevant contributions which is due and payable.

(3) Section 117A of the Social Security Administration Act 1992 or (as the case may be) section 111A of the Social Security Administration (Northern Ireland) Act 1992 (issues arising in proceedings: contributions etc) has effect in relation to proceedings before a court for recovery of a relevant NICs-related penalty as if the assessment of the penalty were a NICs decision as to whether the person is liable for the penalty.

(4) Accordingly, paragraph 5(4)(b) of Schedule 43C to the Finance Act 2013 (assessment of penalty to be enforced as if it were an assessment to tax) does not apply in relation to a relevant NICs-related penalty.

(5) In the application of Schedule 43C to the Finance Act 2013 in relation to a relevant NICs-related penalty, paragraph 9(5) has effect as if the reference to an appeal against an assessment to the tax concerned were to an appeal against a NICs decision.

(6) In paragraph 8 of that Schedule (aggregate penalties), references to a "relevant penalty provision" include—

(a) any provision mentioned in sub-paragraph (5) of that paragraph, as applied in relation to any class of national insurance contributions by regulations (whenever made);

(b) section 98A of the Taxes Management Act 1970, as applied in relation to any class of national insurance contributions by regulations (whenever made);

(c) any provision in regulations made by the Treasury under which a penalty can be imposed in respect of any class of national insurance contributions.

(7) The Treasury may by regulations—

(a) disapply, or modify the effect of, subsection (6)(a) or (b);

(b) modify paragraph 8 of Schedule 43C to the Finance Act 2013 as it has effect in relation to a relevant penalty provision by virtue of subsection (6)(b) or (c).

(8) Section 175(3) to (5) of SSCBA 1992 (various supplementary powers) applies to a power to make regulations conferred by subsection (7).

(9) Regulations under subsection (7) must be made by statutory instrument.

(10) A statutory instrument containing regulations under subsection (7) is subject to annulment in pursuance of a resolution of either House of Parliament.

(11) In this section "NICs decision" means a decision under section 8 of the Social Security Contributions (Transfer of Functions, etc) Act 1999 or Article 7 of the Social Security Contributions (Transfer of Functions, etc) (Northern Ireland) Order 1999 (SI 1999/671).

(12) In this section "relevant contributions" means the following contributions under Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992—

(a) Class 1 contributions;

(b) Class 1A contributions;

(c) Class 1B contributions;

(d) Class 2 contributions which must be paid but in relation to which section 11A of the Act in question (application of certain provisions of the Income Tax Acts in relation to Class 2 contributions under section 11(2) of that Act) does not apply.""

Amendment 175, page 208, line 28, leave out from "notice" to "in" in line 30 and insert

"has been given under paragraph 5(2) or 6(2) of Schedule 43A to FA 2013 (notice of final decision after considering Panel's opinion about referred or counteracted arrangements)".

Amendment 176, page 208, line 34, leave out from "Panel" to end of line 36 and insert

"about the other arrangements (see subsection (8)) was as set out in paragraph 11(3)(b) of Schedule 43 to FA 2013."

Amendment 177, page 209, line 2, leave out from "(4)(d)" to end of line 6 and insert

"other arrangements" means—

(a) in relation to a notice under paragraph 5(2) of Schedule 43A to FA 2013, the referred arrangements (as defined in that paragraph);

(b) in relation to a notice under paragraph 6(2) of that Schedule, the counteracted arrangements (as defined in paragraph 1A of that Schedule)."

Amendment 179, page 209, line 6, at end insert—

"(13A) In section 220 of FA 2014 (content of notice given while a tax enquiry is in progress)—

(a) in subsection (4)(c), after "219(4)(c)" insert ", (d) or (e)";

(b) in subsection (5)(c), after "219(4)(c)" insert ", (d) or (e)";

(c) in subsection (7), for the words from "under" to the end substitute "under—

(a) paragraph 12 of Schedule 43 to FA 2013,

(b) paragraph 5 or 6 of Schedule 43A to that Act, or

(c) paragraph 9 of Schedule 43B to that Act,

as the case may be."

(13B) Section 287 of FA 2014 (Code of Practice on Taxation for Banks) is amended in accordance with subsections (13C) to (13E).

(13C) In subsection (4), after "(5)" insert "or (5A)".

(13D) In subsection (5)(b), after "Schedule" insert "or paragraph 5 or 6 of Schedule 43A to that Act".

(13E) After subsection (5) insert—

"(5A) This subsection applies to any conduct—

(a) in relation to which there has been given—

(i) an opinion notice under paragraph 7(4)(b) of Schedule 43B to FA 2013 (GAAR advisory panel: opinion that such conduct unreasonable) stating the joint opinion of all the members of a sub-panel arranged under that paragraph, or

(ii) one or more such notices stating the opinions of at least two members of such a sub-panel, and

(b) in relation to which there has been given a notice under paragraph 9 of that Schedule (HMRC final decision on tax advantage) stating that a tax advantage is to be counteracted.

(5B) For the purposes of subsection (5), any opinions of members of the GAAR advisory panel which must be considered before a notice is given under paragraph 5 or 6 of Schedule 43A to FA 2013 (opinions about the lead arrangements) are taken to relate to the conduct to which the notice relates."

(13F) In Schedule 32 to FA 2014 (accelerated payments and partnerships), paragraph 3 is amended in accordance with subsections (13G) and (13H).

(13G) In sub-paragraph (5), after paragraph (c) insert—

(d) the relevant partner in question has been given a notice under paragraph 5(2) or 6(2) of Schedule 43A to FA 2013 (notice of final decision after considering Panel's opinion about referred or counteracted arrangements) in respect of any tax advantage resulting from the asserted advantage or part of it and the chosen arrangements (or is given such a notice at the same time as the partner payment notice) in a case where the stated opinion of at least two of the members of the sub-panel of the GAAR Advisory Panel about the other arrangements (see sub-paragraph (7)) was as set out in paragraph 11(3)(b) of Schedule 43 to FA 2013;

(e) the relevant partner in question has been given a notice under paragraph 9(2) of Schedule 43B to FA 2013 (GAAR: generic referral of arrangements) in respect of any tax advantage resulting from the asserted advantage or part of it and the chosen arrangements (or is given such a notice at the same time as the partner payment notice) in a case where the stated opinion of at least two of the members of the sub-panel of the GAAR Advisory Panel which considered the generic referral in respect of those arrangements was as set out in paragraph 7(4)(b) of that Schedule."

(13H) After sub-paragraph (6) insert—

"(7) "Other arrangements" means—

(a) in relation to a notice under paragraph 5(2) of Schedule 43A to FA 2013, the referred arrangements (as defined in that paragraph);

(b) in relation to a notice under paragraph 6(2) of that Schedule, the counteracted arrangements (as defined in paragraph 1A of that Schedule)."

(13I) In Schedule 34 to FA 2014 (promoters of tax avoidance schemes: threshold conditions), in paragraph 7—

(a) in paragraph (a), at the end insert "(referrals of single schemes) or are in a pool in respect of which a referral has been made to that Panel under Schedule 43B to that Act (generic referrals),";

(b) in paragraph (b)—

(i) for "in relation to the arrangements" substitute "in respect of the referral";

(ii) after "11(3)(b)" insert "or (as the case may be) 7(4)(b)";

(c) in paragraph (c)(i) omit "paragraph 10 of"."—*(Mr Gauke.)*

Clause 145, as amended, ordered to stand part of the Bill.

Clause 146

GENERAL ANTI-ABUSE RULE: PENALTY

Amendments made: 82, page 209, line 14, after "person" insert "(P)".

Amendment 83, page 209, leave out lines 15 and 16.

Amendment 84, page 209, line 17, leave out "the person" and insert "(P)".

Amendment 85, page 209, line 21, leave out "the" and insert "particular".

Amendment 86, page 209, line 22, at end insert—

"(ba) a tax document has been given to HMRC on the basis that the tax advantage arises to P from those arrangements,

(bb) that document was given to HMRC—

(i) by P, or

(ii) by another person in circumstances where P knew, or ought to have known, that the other person gave the document on the basis mentioned in paragraph (ba), and"

Amendment 87, page 209, line 33, at end insert—

'( ) In this section the reference to giving a tax document to HMRC is to be interpreted in accordance with paragraph 11(g) and (h) of Schedule 43C."

Amendment 88, page 210, line 16, at end insert—

'( ) For the purposes of this paragraph consequential adjustments under section 210 are regarded as part of the counteraction in question.

( ) If the counteraction affects the person's liability to two or more taxes, the taxes concerned are to be considered together for the purpose of determining the value of the counteracted advantage."

Amendment 89, page 214, line 33, after "tax" insert

"(including any amount chargeable as if it were corporation tax or treated as corporation tax)"

Amendment 90, page 214, line 34, at end insert

"and (v) diverted profits tax;".

Amendment 91, page 215, line 34, after "given" insert "a pooling notice or".

Amendment 92, page 215, line 34, leave out "paragraph 1 of".

Amendment 93, page 215, line 41, at beginning insert

"in the case of a pooling notice,".

Amendment 94, page 215, line 47, leave out from beginning to "with" in line 48 and insert

"in the case of a notice of binding,".

Amendment 95, page 215, line 49, leave out "of binding".

Amendment 96, page 216, line 6, leave out "binding" and insert

"pooling or binding (as the case may be)".

Amendment 97, page 216, line 43, at end insert—

(ja) an appeal under section 103 of FA 2016 (apprenticeship levy: appeal against an assessment), or".

Amendment 98, page 216, line 45, leave out "(j)" and insert "(ja)".

Amendment 99, page 217, line 23, at end insert—

'( ) Where the taxpayer takes the first step described in sub-paragraph (3)(b), HMRC may proceed as if the taxpayer had not taken the relevant corrective action if the taxpayer fails to enter into the written agreement."—*(Mr Gauke.)*

Clause 146, as amended, ordered to stand part of the Bill.

Clause 147 ordered to stand part of the Bill.

Schedule 18

SERIAL TAX AVOIDANCE

Amendments made: 100, page 480, line 19, at end insert ", associated persons and partnerships"

Amendment 101, page 480, line 32, at end insert—

'( ) A warning notice given by virtue of paragraph 46C must also explain the effect of paragraph 46E (information in certain cases involving partnerships)."

Amendment 102, page 484, line 10, after "decision)" insert—

", paragraph 5 or 6 of Schedule 43A to that Act (pooled arrangements: notice of final decision) or paragraph 9 of Schedule 43B to that Act (generic referrals: notice of final decision)".

Amendment 103, page 484, leave out lines 23 and 24 and insert—

"the necessary corrective action for the purposes of section 208 of FA 2014 has been taken".

Amendment 104, page 484, line 28, at end insert—

"(1A) In sub-paragraph (1) the reference to giving a follower notice to P includes a reference to giving a partnership follower notice in respect of a partnership return in relation to which P is a relevant partner (as defined in paragraph 2(5) of Schedule 31 to FA 2014)."

Amendment 105, page 484, line 35, leave out from "advantage"" to end of line 36 and insert—

"has the same meaning as in Chapter 2 of Part 4 of FA 2014 (see section 208(3) of and paragraph 4(3) of Schedule 31 to that Act)."

Amendment 106, page 484, line 42, at end insert—

"(6) For the purposes of this paragraph a partnership follower notice is given "in respect of" the partnership return mentioned in paragraph (a) or (b) of paragraph 2(2) of Schedule 31 to FA 2014."

Amendment 107, page 485, line 8, after "election" insert—

", or a partnership return is made,"

Amendment 108, page 490, line 22, at end insert—

"( ) If the person mentioned in sub-paragraph (1) is a person carrying on a trade or business in partnership, the information which may be published also includes—

(a) any trading name of the partnership, and

(b) information about other members of the partnership of the kind described in sub-paragraph (4)(a) or (b)."

Amendment 109, page 494, line 31, at end insert—

"( ) In this paragraph "relevant failure", in relation to a relevant defeat, is to be interpreted in accordance with sub-paragraphs (2) to (7) of paragraph 43."

Amendment 110, page 504, line 43, at end insert—

"Associated persons treated as incurring relevant defeats

46A (1) Sub-paragraph (2) applies if a person ("P") incurs a relevant defeat in relation to any arrangements (otherwise than by virtue of this paragraph).

(2) Any person ("S") who is associated with P at the relevant time is also treated for the purposes of paragraphs 2 (duty to give warning notice) and 3(2) (warning period) as having incurred that relevant defeat in relation to those arrangements (but see sub-paragraph (3)).

For the meaning of "associated" see paragraph 46B.

(3) Sub-paragraph (2) does not apply if P and S are members of the same group of companies (as defined in paragraph 46(9)).

(4) In relation to a warning notice given to S by virtue of sub-paragraph (2), paragraph 2(4)(c) (certain information to be included in warning notice) is to be read as referring only to paragraphs 3, 17 and 18.

(5) A warning notice which is given to a person by virtue of sub-paragraph (2) is treated for the purposes of paragraphs 19(1) (duty to give relief restriction notice) and 30 (penalty) as not having been given to that person.

(6) In sub-paragraph (2) "the relevant time" means the time when P is given a warning notice in respect of the relevant defeat.

Meaning of "associated"

46B (1) For the purposes of paragraph 46A two persons are associated with one another if—

(a) one of them is a body corporate which is controlled by the other, or

(b) they are bodies corporate under common control.

(2) Two bodies corporate are under common control if both are controlled—

(a) by one person,

(b) by two or more, but fewer than six, individuals, or

(c) by any number of individuals carrying on business in partnership.

(3) For the purposes of this section a body corporate ("H") is taken to control another body corporate ("B") if—

(a) H is empowered by statute to control B's activities, or

(b) H is B's holding company within the meaning of section 1159 of and Schedule 6 to the Companies Act 2006.

(4) For the purposes of this section an individual or individuals are taken to control a body corporate ("B") if the individual or individuals, were they a body corporate, would be B's holding company within the meaning of those provisions.

Partners treated as incurring relevant defeats

46C (1) Where paragraph 46D applies in relation to a partnership return, each relevant partner is treated for the purposes of this Part of this Act as having incurred the relevant defeat mentioned in paragraph 46D(1)(b), (2) or (3)(b) (as the case may be).

(2) In this paragraph "relevant partner" means any person who was a partner in the partnership at any time during the relevant reporting period (but see sub-paragraph (3)).

(3) The "relevant partners" do not include—

(a) the person mentioned in sub-paragraph (1)(b), (2) or (3)(b) (as the case may be) of paragraph 46D, or

(b) any other person who would, apart from this paragraph, incur a relevant defeat in connection with the subject matter of the partnership return mentioned in sub-paragraph (1).

(4) In this paragraph the "relevant reporting period" means the period in respect of which the partnership return mentioned in sub-paragraph (1), (2) or (3) of paragraph 46D was required.

Partnership returns to which this paragraph applies

46D (1) This paragraph applies in relation to a partnership return if—

(a) that return has been made on the basis that a tax advantage arises to a partner from any arrangements, and

(b) that person has incurred, in relation to that tax advantage and those arrangements, a relevant defeat by virtue of Condition A (final counteraction of tax advantage under general anti-abuse rule).

(2) Where a person has incurred a relevant defeat by virtue of sub-paragraph (1A) of paragraph 13 (Condition B: case involving partnership follower notice) this paragraph applies in relation to the partnership return mentioned in that sub-paragraph.

(3) This paragraph applies in relation to a partnership return if—

(a) that return has been made on the basis that a tax advantage arises to a partner from any arrangements, and

(b) that person has incurred, in relation to that tax advantage and those arrangements, a relevant defeat by virtue of Condition C (return, claim or election made in reliance on DOTAS arrangements).

(4) The references in this paragraph to a relevant defeat do not include a relevant defeat incurred by virtue of paragraph 46A(2).

Partnerships: information

46E (1) If paragraph 46D applies in relation to a partnership return, the appropriate partner must give HMRC a written notice (a "partnership information notice") in respect of each sub-period in the information period.

(2) The "information period" is the period of 5 years beginning with the day after the day of the relevant defeat mentioned in paragraph 46D.

(3) If, in the case of a partnership, a new information period (relating to another partnership return) begins during an existing information period, those periods are treated for the purposes of this paragraph as a single period (which includes all times that would otherwise fall within either period).

(4) An information period under this paragraph ends if the partnership ceases.

(5) A partnership information notice must be given not later than the 30th day after the end of the sub-period to which it relates.

(6) A partnership information notice must state—

(a) whether or not any relevant partnership return which was, or was required to be, delivered in the sub-period has been made on the basis that a relevant tax advantage arises, and

(b) whether or not there has been a failure to deliver a relevant partnership return in the sub-period.

(7) In this paragraph—

(a) "relevant partnership return" means a partnership return in respect of the partnership's trade, profession or business;

(b) "relevant tax advantage" means a tax advantage which particular DOTAS arrangements enable, or might be expected to enable, a person who is or has been a partner in the partnership to obtain.

(8) If a partnership information notice states that a relevant partnership return has been made on the basis mentioned in sub-paragraph (6)(a) the notice must—

(a) explain (on the assumptions made for the purposes of the return) how the DOTAS arrangements enable the tax advantage concerned to be obtained, and

(b) describe any variation in the amounts required to be stated in the return under section 12AB(1) of TMA 1970 which results from those arrangements.

(9) HMRC may require the appropriate partner to give HMRC a notice (a "supplementary information notice") setting out further information in relation to a partnership information notice.

In relation to a partnership information notice "further information" means information which would have been required to be set out in the notice by virtue of sub-paragraph (6)(a) or (8) had there not been a failure to deliver a relevant partnership return.

(10) A requirement under sub-paragraph (9) must be made by a written notice and the notice must state the period within which the notice must be complied with.

(11) If a person fails to comply with a requirement of (or imposed under) this paragraph, HMRC may by written notice extend the information period concerned to the end of the period of 5 years beginning with—

(a) the day by which the partnership information notice or supplementary information notice was required to be given to HMRC or, as the case requires,

(b) the day on which the person gave the defective notice to HMRC,

or, if earlier, the time when the information period would have expired but for the extension.

(12) For the purposes of this paragraph—

(a) the first sub-period in an information period begins with the first day of the information period and ends with a day specified by HMRC,

(b) the remainder of the information period is divided into further sub-periods each of which begins immediately after the end of the preceding sub-period and is twelve months long or (if that would be shorter) ends at the end of the information period.

(13) In this paragraph "the appropriate partner" means the partner in the partnership who is for the time being nominated by HMRC for the purposes of this paragraph.

Partnerships: special provision about taxpayer emendations

46F (1) Sub-paragraph (2) applies if a partnership return is amended at any time under section 12ABA of TMA 1970 (amendment of partnership return by representative partner etc) on a basis that—

(a) results in an increase or decrease in, or

(b) otherwise affects the calculation of,

any amount stated under subsection (1)(b) of section 12AB of that Act (partnership statement) as a partner's share of any income, loss, consideration, tax or credit for any period.

(2) For the purposes of paragraph 14 (Condition C: counteraction of DOTAS arrangements), the partner is treated as having at that time amended—

(a) the partner's return under section 8 or 8A of TMA 1970, or

(b) the partner's company tax return,

so as to give effect to the amendments of the partnership return.

(3) Sub-paragraph (4) applies if a partnership return is amended at any time by HMRC as a result of a disclosure made by the representative partner or that person's successor on a basis that—

(a) results in an increase or decrease in, or

(b) otherwise affects the calculation of,

any amount stated under subsection (1)(b) of section 12AB (partnership statement) as the share of a particular partner (P) of any income, loss, consideration, tax or credit for any period.

(4) If the conditions in sub-paragraph (5) are met, P is treated for the purposes of paragraph 14 as having at that time amended—

(a) P's return under section 8 or 8A of TMA 1970, or

(b) P's company tax return,

so as to give effect to the amendments of the partnership return.

(5) The conditions are that the disclosure—

(a) is a full and explicit disclosure of an inaccuracy in the partnership return, and

(b) was made at a time when neither the person making the disclosure nor P had reason to believe that HMRC was about to begin enquiries into the partnership return.

Supplementary provision relating to partnerships

46G (1) In paragraphs 46C to 46F and this paragraph—

"partnership" is to be interpreted in accordance with section 12AA of TMA 1970 (and includes a limited liability partnership);

"the representative partner", in relation to a partnership return, means the person who was required by a notice served under or for the purposes of section 12AA(2) or (3) of TMA 1970 to deliver the return;

"successor", in relation to a person who is the representative partner in the case of a partnership return, has the same meaning as in TMA 1970 (see section 118(1) of that Act).

(2) For the purposes of this Part of this Act a partnership is treated as the same partnership notwithstanding a change in membership if any person who was a member before the change remains a member after the change."

Amendment 112, page 507, leave out lines 15 to 20.

Amendment 111, page 507, line 38, at end insert—

""partnership follower notice" has the meaning given by paragraph 2(2) of Schedule 31 to FA 2014;

"partnership return" means a return under section 12AA of TMA 1970;"

Amendment 113, page 508, line 13, at end insert—

'( ) For the purposes of this Schedule a partnership return is regarded as made on the basis that a particular tax advantage arises to a person from particular arrangements if—

(a) it is made on the basis that an increase or reduction in one or more of the amounts mentioned in section 12AB(1) of TMA 1970 (amounts in the partnership statement in a partnership return) results from those arrangements, and

(b) that increase or reduction results in that tax advantage for the person."—*(Mr Gauke.)*

Schedule 18, as amended, agreed to.

Clause 148

PROMOTERS OF TAX AVOIDANCE SCHEMES

Amendments made: 69, page 219, line 15, at end insert—

'(1A) An authorised officer must make the determination set out in subsection (1B) if the officer becomes aware at any time ("the relevant Part 2B time") that—

(a) a person meets a condition in subsection (6), (7) or (8), and

(b) at the relevant Part 2B time another person ("P"), who is carrying on a business as a promoter, meets that condition by virtue of Part 2B of Schedule 34A (meeting the section 237A conditions: bodies corporate and partnerships).

(1B) The authorised officer must determine whether or not—

(a) the meeting of the condition by the person as mentioned in subsection (1A)(a), and

(b) P's meeting of the condition as mentioned in subsection (1A)(b),

should be regarded as significant in view of the purposes of this Part."

Amendment 70, page 219, line 16, leave out "Subsection (1) does" and insert "Subsections (1) and (1A) do".

Amendment 71, page 219, leave out lines 21 to 25.

Amendment 72, page 219, line 25, at end insert—

'(3A) Subsection (1A) does not apply if, at the relevant Part 2B time, an authorised officer is under a duty to make a determination under section 237(5) in relation to P.

(3B) But in a case where subsection (1) does not apply because of subsection (3), or subsection (1A) does not apply because of subsection (3A), subsection (5) of section 237 has effect as if—

(a) the references in paragraph (a) of that subsection to "subsection (1)", and "subsection (1)(a)" included subsection (1) of this section, and

(b) in paragraph (b) of that subsection the reference to "subsection (1A)(a)" included a reference to subsection (1A)(a) of this section and the reference to subsection (1A)(b) included a reference to subsection (1A)(b) of this section."

Amendment 73, page 219, line 28, at end insert—

'( ) If the authorised officer determines under subsection (1B) that—

(a) the meeting of the condition by the person as mentioned in subsection (1A)(a), and

(b) P's meeting of the condition as mentioned in subsection (1A)(b),

should be regarded as significant in view of the purposes of this Part, the officer must give P a conduct notice, unless subsection (5) applies."

Amendment 74, page 225, line 7, at end insert—

( ) Part 2A contains provision about when a relevant defeat is treated as occurring in relation to a person;

( ) Part 2B contains provision about when a person is treated as meeting a condition in subsection (6), (7) or (8) of section 237A;"

Amendment 75, page 226, line 9, leave out from "person" to end of line 11 and insert

"is carrying on a business as a promoter and—the person is or has been a promoter in relation to the arrangements, or that would be the case if the condition in sub-paragraph (2) were met."

(i) the person is or has been a promoter in relation to the arrangements, or

(ii) that would be the case if the condition in sub-paragraph (2) were met."

Amendment 76, page 228, line 26, after first "to" insert

", paragraph 5(2) or 6(2) of Schedule 43A to or paragraph 9(2) of Schedule 43B to".

Amendment 77, page 230, line 9, at end insert—

PART 2A

RELEVANT DEFEATS: ASSOCIATED PERSONS

Attribution of relevant defeats

16A (1) Sub-paragraph (2) applies if—

(a) there is (or has been) a person ("Q"),

(b) arrangements ("the defeated arrangements") have been entered into,

(c) an event occurs such that either—

(i) there is a relevant defeat in relation to Q and the defeated arrangements, or

(ii) the condition in sub-paragraph (i) would be met if Q had not ceased to exist,

(d) at the time of that event a person ("P") is carrying on a business as a promoter (or is carrying on what would be such a business under the condition in paragraph 3(2)), and

(e) Condition 1 or 2 is met in relation to Q and P.

(2) The event is treated for all purposes of this Part of this Act as a relevant defeat in relation to P and the defeated arrangements (whether or not it is also a relevant defeat in relation to Q, and regardless of whether or not P existed at any time when those arrangements were promoted arrangements in relation to Q).

(3) Condition 1 is that—

(a) P is not an individual,

(b) at a time when the defeated arrangements were promoted arrangements in relation to Q—

(i) P was a relevant body controlled by Q, or

(ii) Q was a relevant body controlled by P, and

(c) at the time of the event mentioned in sub-paragraph (1)(c)—

(i) Q is a relevant body controlled by P,

(ii) P is a relevant body controlled by Q, or

(iii) P and Q are relevant bodies controlled by a third person.

(4) Condition 2 is that—

(a) P and Q are relevant bodies,

(b) at a time when the defeated arrangements were promoted arrangements in relation to Q, a third person ("C") controlled Q, and

(c) C controls P at the time of the event mentioned in sub-paragraph (1)(c).

(5) For the purposes of sub-paragraphs (3)(b) and (4)(b), the question whether arrangements are promoted arrangements in relation to Q at any time is to be determined on the assumption that the reference to "design" in paragraph (b) of section 235(3) (definition of "promoter" in relation to relevant arrangements) is omitted.

Deemed defeat notices

16B (1) This paragraph applies if—

(a) an authorised officer becomes aware at any time ("the relevant time") that a relevant defeat has occurred in relation to a person ("P") who is carrying on a business as a promoter,

(b) there have occurred, more than 3 years before the relevant time—

(i) one third party defeat, or

(ii) two third party defeats, and

(c) conditions A1 and B1 (in a case within paragraph (b)(i)), or conditions A2 and B2 (in a case within paragraph (b)(ii)), are met.

(2) Where this paragraph applies by virtue of sub-paragraph (1)(b)(i), this Part of this Act has effect as if an authorised officer had (with due authority), at the time of the time of the third party defeat, given P a single defeat notice under section 241A(2) in respect of it.

(3) Where this paragraph applies by virtue of sub-paragraph (1)(b)(ii), this Part of this Act has effect as if an authorised officer had (with due authority), at the time of the second of the two third party defeats, given P a double defeat notice under section 241A(3) in respect of the two third party defeats.

(4) Section 241A(8) has no effect in relation to a notice treated as given as mentioned in subsection (2) or (3).

(5) Condition A1 is that—

(a) a conduct notice or a single or double defeat notice has been given to the other person (see sub-paragraph (9)) in respect of the third party defeat,

(b) at the time of the third party defeat an authorised officer would have had power by virtue of paragraph 16A to give P a defeat notice in respect of the third party defeat, had the officer been aware that it was a relevant defeat in relation to P, and

(c) so far as the authorised officer mentioned in sub-paragraph (1)(a) is aware, the conditions for giving P a defeat notice in respect of the third party defeat have never been met (ignoring this paragraph).

(6) Condition A2 is that—

(a) a conduct notice or a single or double defeat notice has been given to the other person (see sub-paragraph (9)) in respect of each, or both, of the third party defeats,

(b) at the time of the second third party defeat an authorised officer would have had power by virtue of paragraph 16A to give P a double defeat notice in respect of the third party defeats, had the officer been aware that either of the third party defeats was a relevant defeat in relation to P, and

(c) so far as the authorised officer mentioned in sub-paragraph (1)(a) is aware, the conditions for giving P a defeat notice in respect of those third party defeats (or either of them) have never been met (ignoring this paragraph).

(7) Condition B1 is that, had an authorised officer given P a defeat notice in respect of the third party defeat at the time of that relevant defeat, that defeat notice would still have effect at the relevant time (see sub-paragraph (1)).

(8) Condition B2 is that, had an authorised officer given P a defeat notice in respect of the two third party defeats at the time of the second of those relevant defeats, that defeat notice would still have effect at the relevant time.

(9) In this paragraph "third party defeat" means a relevant defeat which has occurred in relation to a person other than P.

Meaning of "relevant body" and "control"

16C (1) In this Part of this Schedule "relevant body" means—

(a) a body corporate, or

(b) a partnership.

(2) For the purposes of this Part of this Schedule a person controls a body corporate if the person has power to secure that the affairs of the body corporate are conducted in accordance with the person's wishes—

(a) by means of the holding of shares or the possession of voting power in relation to the body corporate or any other relevant body,

(b) as a result of any powers conferred by the articles of association or other document regulating the body corporate or any other relevant body, or

(c) by means of controlling a partnership.

(3) For the purposes of this Part of this Schedule a person controls a partnership if the person is a controlling member or the managing partner of the partnership.

(4) In this paragraph "controlling member" has the same meaning as in Schedule 36 (partnerships).

(5) In this section "managing partner", in relation to a partnership, means the member of the partnership who directs, or is on a day-to-day level in control of, the management of the business of the partnership.

Part 2B

Meeting section 237A conditions: bodies corporate and partnerships

Treating persons under another's control as meeting section 237A condition

16D (1) A relevant body ("RB") is treated as meeting a section 237A condition at the relevant Part 2B time if—

(a) that condition was met by a person ("C") at a time when—

(i) C was carrying on a business as a promoter, or

(ii) RB was carrying on a business as a promoter and C controlled RB, and

(b) RB is controlled by C at the relevant Part 2B time.

(2) Sub-paragraph (1) does not apply if C is an individual.

(3) For the purposes of determining whether the requirements of sub-paragraph (1) are met by reason of meeting the requirement in sub-paragraph (1)(a)(i), it does not matter whether RB existed at the time when C met the section 237A condition.

Treating persons in control of others as meeting section 237A condition

16E (1) A person other than an individual is treated as meeting a section 237A condition at the relevant Part 2B time if—

(a) a relevant body ("A") met the condition at a time when A was controlled by the person, and

(b) at the time mentioned in paragraph (a) A, or another relevant body ("B") which was also at that time controlled by the person, carried on a business as a promoter.

(2) For the purposes of determining whether the requirements of sub-paragraph (1) are met it does not matter whether A or B (or neither) exists at the relevant Part 2B time.

Treating persons controlled by the same person as meeting section 237A condition

16F (1) A relevant body ("RB") is treated as meeting a section 237A condition at the relevant Part 2B time if—

(a) another relevant body met that condition at a time ("time T") when it was controlled by a person ("C"),

(b) at time T, there was a relevant body controlled by C which carried on a business as a promoter, and

(c) RB is controlled by C at the relevant Part 2B time.

(2) For the purposes of determining whether the requirements of sub-paragraph (1) are met it does not matter whether—

(a) RB existed at time T, or

(b) any relevant body (other than RB) by reason of which the requirements of sub-paragraph (1) are met exists at the relevant Part 2B time.

Interpretation

16G (1) In this Part of this Schedule—

"control" has the same meaning as in Part 2A of this Schedule;

"relevant body" has the same meaning as in Part 2A of this Schedule;

"relevant Part 2B time" means the time referred to in section 237A(1A);

"section 237A condition" means any of the conditions in section 237A(6), (7) and (8).

(2) For the purposes of paragraphs 16D(1)(a), 16E(1)(a) and 16F(1)(a), the condition in section 237A(6) (occurrence of 3 relevant defeats in the 3 years ending with the relevant time) is taken to have been met by a person at any time if at least 3 relevant defeats have occurred in relation to the person in the period of 3 years ending with that time."

Amendment 78, page 234, line 27, at end insert—

'(9A) Schedule 36 (promoters of tax avoidance schemes: partnerships) is amended in accordance with subsections (9B) to (9G).

(9B) In Part 2, before paragraph 5 insert—

"Defeat notices

4A A defeat notice that is given to a partnership must state that it is a partnership defeat notice.".

(9C) In paragraph 7(1)(b) after "a" insert "defeat notice,".

(9D) In paragraph 7(2) after "the" insert "defeat notice,".

(9E) After paragraph 7 insert—

"Persons leaving partnership: defeat notices

7A (1) Sub-paragraphs (2) and (3) apply where—

(a) a person ("P") who was a controlling member of a partnership at the time when a defeat notice ("the original notice") was given to the partnership has ceased to be a member of the partnership,

(b) the defeat notice had effect in relation to the partnership at the time of that cessation, and

(c) P is carrying on a business as a promoter.

(2) An authorised officer may give P a defeat notice.

(3) If P is carrying on a business as a promoter in partnership with one or more other persons and is a controlling member of that partnership ("the new partnership"), an authorised officer may give a defeat notice to the new partnership.

(4) A defeat notice given under sub-paragraph (3) ceases to have effect if P ceases to be a member of the new partnership.

(5) A notice under sub-paragraph (2) or (3) may not be given after the original notice has ceased to have effect.

(6) A defeat notice given under sub-paragraph (2) or (3) is given in respect of the relevant defeat or relevant defeats to which the original notice relates."

(9F) In paragraph 10—

(a) in sub-paragraph (1)(b) for "conduct notice or a" substitute ", defeat notice, conduct notice or";

(b) in sub-paragraph (3), after "partner—" insert—

"(za) a defeat notice (if the original notice is a defeat notice);".

(c) in sub-paragraph (4), after "("the new partnership")—" insert—

"(za) a defeat notice (if the original notice is a defeat notice);"

(d) after sub-paragraph (5) insert—

"(5A) A notice under sub-paragraph (3)(za) or (4)(za) may not be given after the end of the look-forward period of the original notice."

(9G) After paragraph 11 insert—

11A The look-forward period for a notice under paragraph 7A(2) or (3) or 10(3)(za) or (4)(za)—

(a) begins on the day after the day on which the notice is given, and

(b) continues to the end of the look-forward period for the original notice (as defined in paragraph 7A(1)(a) or 10(2), as the case may be)."

Amendment 79, page 234, line 27, at end insert—

'(9A) Part 2 of Schedule 2 to the National Insurance Contributions Act 2015 (application of Part 5 of FA 2014 to national insurance contributions) is amended in accordance with subsections (9B) and (9C).

(9B) After paragraph 30 insert—

"Threshold conditions

30A (1) In paragraph 5 of Schedule 34 (non-compliance with Part 7 of FA 2004), in sub-paragraph (4)—

(a) paragraph (a) includes a reference to a decision having been made for corresponding NICs purposes that P is to be deemed not to have failed to comply with the provision concerned as P had a reasonable excuse for not doing the thing required to be done, and

(b) the reference in paragraph (c) to a determination is to be read accordingly.

(2) In this paragraph "corresponding NICs purposes" means the purposes of any provision of regulations under section 132A of SSAA 1992.

Relevant defeats

30B (1) Schedule 34A (promoters of tax avoidance schemes: defeated arrangements) has effect with the following modifications.

(2) References to an assessment (or an assessment to tax) include a NICs decision relating to a person's liability for relevant contributions.

(3) References to adjustments include a payment in respect of a liability to pay relevant contributions (and the definition of "adjustments" in paragraph 17 accordingly has effect as if such payments were included in it).

(4) In paragraph 9(3) the reference to an enquiry into a return includes a relevant contributions dispute (as defined in paragraph 6 of this Schedule).

(5) In paragraph 21(3)—

(a) paragraph (a) includes a reference to a decision having been made for corresponding NICs purposes that the person is to be deemed not to have failed to comply with the provision concerned as the person had a reasonable excuse for not doing the thing required to be done, and

(b) the reference in paragraph (c) to a determination is to be read accordingly.

"Corresponding NICs purposes" means the purposes of any provision of regulations under section 132A of SSAA 1992."

(9C) In paragraph 31 (interpretation)—

(a) before paragraph (a) insert—

(za) "NICs decision" means a decision under section 8 of SSC(TF)A 1999 or Article 7 of the Social Security Contributions (Transfer of Functions, etc) (Northern Ireland) Order 1999 (SI 1999/671);"

(b) in paragraph (b), for "are to sections of" substitute "or Schedules are to sections of, or Schedules to"."

Amendment 80, page 234, line 39, after "person" insert "or an associated person".

Amendment 81, page 235, line 2, at end insert—

'(12A) For the purposes of subsection (11) a person ("Q") is an "associated person" in relation to another person ("P") at any time when any of the following conditions is met—

(a) P is a relevant body which is controlled by Q;

(b) Q is a relevant body, P is not an individual and Q is controlled by P;

(c) P and Q are relevant bodies and a third person controls P and Q.

(12B) In subsection (12A) "relevant body" and "control" are to be interpreted in accordance with paragraph 16C of Schedule 34A to FA 2014."—*(Mr Gauke.)*

Clause 148, as amended, ordered to stand part of the Bill.

Clause 149 ordered to stand part of the Bill.

Schedule 19

LARGE BUSINESSES: TAX STRATEGIES AND SANCTIONS

Amendment proposed: 1, page 516, line 21, at end insert—

'(2A) A group tax strategy of a qualifying group which is a MNE group must also include a country-by-country report.

(2B) In paragraph (2A) "country-by-country report" has the meaning given by the Taxes (Base Erosion and Profit Shifting) (Country by Country Reporting) Regulations 2016."—*(Caroline Flint.)*

Question put, That the amendment be made.

The Committee divided: Ayes 273, Noes 295.

Division No. 25] [2.39 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Allin-Khan, Dr Rosena
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Carswell, Mr Douglas
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Cooper, Rosie
Cooper, rh Yvette
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty-Hughes, Martin
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elliott, Tom
Ellman, Mrs Louise
Elmore, Chris
Esterson, Bill
Evans, Chris
Fellows, Marion
Ferrier, Margaret
Field, rh Frank
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Carolyn
Hart, Simon
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hollobone, Mr Philip
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinahan, Danny
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lynch, Holly
MacNeil, Mr Angus Brendan
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Malhotra, Seema
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McCartney, Jason
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Mills, Nigel
Monaghan, Carol
Monaghan, Dr Paul
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
Nuttall, Mr David
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Pound, Stephen
Powell, Lucy
Pugh, John

Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Salmond, rh Alex
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smyth, Karin
Spellar, rh Mr John
Starmer, Keir
Stephens, Chris
Stevens, Jo
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Mr Mark
Wilson, Phil
Winnick, Mr David
Winterton, rh Dame Rosie
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Vicky Foxcroft and
Jeff Smith

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Crabb, rh Stephen
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Karl
McLoughlin, rh Mr Patrick
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Milton, rh Anne
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Nokes, Caroline
Norman, Jesse
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom

Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, David
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Sarah Newton and Simon Kirby

Question accordingly negatived.

2.54 pm

More than two hours having elapsed since the commencement of proceedings, the proceedings were interrupted (Programme Order, 11 April).

The Chair put forthwith the Questions necessary for the disposal of the business to be concluded at that time (Standing Order No. 83D).

Schedule 19 ordered to stand part of the Bill.

Clause 150 ordered to stand part of the Bill.

Schedule 20 ordered to stand part of the Bill.

Clause 151 ordered to stand part of the Bill.

Schedule 21 ordered to stand part of the Bill.

Clauses 152 and 153 ordered to stand part of the Bill.

Schedule 22 ordered to stand part of the Bill.

Clause 154 ordered to stand part of the Bill.

New Clause 9

ESTIMATED IMPACT OF EXTENDING THE SCOPE OF THE REGISTER OF PEOPLE WITH SIGNIFICANT CONTROL REGULATIONS 2016

"The Chancellor of the Exchequer must, within 12 months of this Act coming into force, publish an estimate of the impact on levels of tax avoidance and tax evasion of extending the requirement placed on UK-incorporated companies by the Register of People with Significant Control Regulations 2016 to publish a register of people with significant control to companies incorporated in the Crown Dependencies and the Overseas Territories which have significant levels of trading activity within the UK."—*(Dame Margaret Hodge.)*

This new clause would require the Chancellor to publish an estimate of the impact on levels of tax avoidance and tax evasion of extending the current requirement on UK-based companies to publish information about people who have significant control over them to companies incorporated in the Crown Dependencies and the Overseas Territories which have significant levels of trading activity within the UK.

Brought up.

Question put, That the clause be added to the Bill.

The Committee divided: Ayes 268, Noes 305.

Division No. 26] [2.54 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Allin-Khan, Dr Rosena
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Cooper, Rosie
Cooper, rh Yvette
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty-Hughes, Martin
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Elmore, Chris
Esterson, Bill
Evans, Chris
Fellows, Marion
Ferrier, Margaret
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise

Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lynch, Holly
MacNeil, Mr Angus Brendan
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Malhotra, Seema
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Salmond, rh Alex
Saville Roberts, Liz
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Simpson, David
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smyth, Karin
Spellar, rh Mr John
Starmer, Keir
Stephens, Chris
Stevens, Jo
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Mr Mark
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Dame Rosie
Wishart, Pete
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Vicky Foxcroft and Jeff Smith

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Carmichael, Neil
Carswell, Mr Douglas
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Crabb, rh Stephen
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gyimah, Mr Sam
Hall, Luke

Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Lewis, Brandon
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Sarah Newton and
Simon Kirby

Question accordingly negatived.

Clause 41

CHARGE FOR FINANCIAL YEAR 2017

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

The Temporary Chair (Sir Roger Gale): With this it will be convenient to take the following:

Clauses 42 to 44 stand part.

Clauses 65 to 71 stand part.

Mr Gauke: The Bill introduces measures on small business investment that will simplify the tax system and ensure that allowances are fair and not open to abuse.

Clause 41 charges corporation tax for the financial year beginning 1 April 2017. Corporation tax is an annual tax approved by Parliament each year. This is an essential provision that enables us to collect tax. The key reform announced in the Budget to support business investment and back Britain's economy is set out in clause 42, which cuts the rate of corporation tax to 17% with effect from 1 April 2020. I expect that our debate will focus on this provision, so I will start here, before commenting more briefly on the other clauses.

I will begin by setting out our broader strategy on corporation tax. The Government have been clear that taxes should be low but must be paid, and since 2010 we have made progress towards those goals. The main rate of corporation tax was 28% in 2010. By 2020, we will have cut the UK main rate by more than a third to make the UK more competitive and to support growth and investment. It will be one of the biggest boosts British business has ever seen. Further corporation tax cuts will increase the returns companies receive on their investments, and by 2020 corporation tax cuts delivered since 2010 will be saving businesses almost £15 billion a year. This will ensure that the UK has by far the lowest rate of corporation tax in the G20 and make Britain even more attractive to inward investors.

At the same time, we have taken significant measures to clamp down on tax avoidance and aggressive tax planning. The Government successfully helped initiate the G20-OECD base erosion and profits shifting project and worked internationally, including with G20 and OECD partners, to bring this to a successful conclusion in October 2015. We spent the earlier part of today's debate considering some of the measures introduced in the Bill to address avoidance and evasion, but the Bill also takes further steps elsewhere. Key measures include tackling hybrid mismatch arrangements, introducing a restriction on the tax deductibility of corporate interest and expense, extending the UK's withholding tax rights over royalties and ensuring non-resident property developers pay tax in the UK on profits they make in this country.

Low corporation rates enable businesses to increase investment, take on new staff, increase wages or reduce prices. This is borne out in receipts data: onshore corporation tax receipts have risen by almost 20% since 2010, despite lowering corporation tax rates. The Treasury and HMRC have modelled the economic impact of the corporation tax cuts delivered since 2010 and those announced at Budget 2016. This modelling suggests that the cuts could increase long-run GDP by more than 1%—almost £24 billion in today's prices. The corporation tax cuts and other reforms we introduced have completely changed perceptions of the UK tax regime. The UK is now regularly cited in surveys as one of the most competitive regimes in the world.

As the Chancellor has said, in the last six years, the Government and the British people have worked hard to rebuild the British economy. We have worked systematically through a plan that means that today Britain has the strongest major advanced economy in the world. Cutting corporation tax rates has been a central part of the Government's economic strategy, and that strategy is working.

The UK has been one of the fastest-growing economies in the G7, and the OECD forecasts the UK to be the fastest-growing G7 economy in 2016. There are 2.3 million more people in employment since 2010, and business investment is now 30% higher than it was in 2010. Tax competition is dynamic. In the last few decades, we have seen countries across 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. A new 17% rate of corporation tax sends out the message loud and clear around the world that the British economy is fundamentally strong and highly competitive and that Britain is open for business. For those reasons, I urge the Committee to support the clauses, and to speak in anticipation of what we are about to hear, I hope the Committee will reject amendment 21, tabled by the hon. Member for Wolverhampton South West (Rob Marris), which would cancel the corporation tax cuts.

Let me move on to the other measures in this group. Clause 43 abolishes vaccine research relief from 1 April 2017. This relief is available only to large companies and is claimed fewer than 10 times a year, with a value below £5 million. The Government believe that direct spending programmes such as the recently announced £1 billion Ross fund offer a more effective and flexible approach to supporting the development of medicines and vaccines, and will have a far greater impact.

Clause 44 makes a small change to ensure that the introduction of the research and development expenditure credit does not have the unwanted effect of reducing the amount of relief available to certain small businesses. The expenditure credit replaced the old large company R and D tax credit scheme in 2016, following a period of three years in which both were available simultaneously. We recognise that R and D tax relief plays a vital role in supporting productive investment in the UK. These two changes will ensure that R and D tax support remains effective in meeting this objective.

Clause 65 extends the current time limit for claiming enhanced capital allowances in enterprise zones to eight years from the date on which the enterprise zones are announced. Businesses operating in the 46 enterprise zones across the UK can opt either for a rebate on business rates or enhanced capital allowance covering 100% of investment. Extending the time limit for claiming enhanced capital allowances to eight years will allow all zones to enjoy it for the same duration. I am sure that hon. Members of all parties will welcome this.

Clause 66 will strengthen the existing capital allowance anti-avoidance revisions to ensure that artificial and contrived arrangements cannot be used to gain excessive capital allowances. Capital allowances allow businesses to write off amounts that they spend on plant and machinery against their taxable profits. This reflects the depreciation in the value of the assets over time. When the business disposes of the asset, the legislation is designed to subtract this disposal value so that the allowances are reduced to reflect the net cost of the asset to the business. HMRC has received several disclosures of tax-avoidance schemes where the disposal value has been manipulated to an artificially low level. This leads to excessive capital allowances being received; the tax result does not reflect commercial reality and so constitutes an avoidance of tax. Clause 66 prevents this and ensures that business pays the correct amount of tax.

3.15 pm

Clause 67 will ensure that trading income received in non-monetary form is fully brought into account in calculating taxable profits, income tax and for corporation tax purposes. HMRC consider that existing law and practice already requires that trading and property income received in non-monetary form is brought into account in calculating taxable profits. This is an equitable position arising from a long-held principle established in case law. However, this legal principle has been challenged in some instances. Clause 67 will insert a rule to provide that the value of the money's worth is to be brought into account for the purposes of calculating the profits of the trade. This will have no effect on the vast majority of trades and will put beyond doubt that such income is taxable in full.

Clause 68 repeals the renewals allowance legislation. This allowance provided a tax relief for spending by a business on the replacement and alteration of trade tools. The relief is no longer available to businesses, and relief was repealed from the effective date on 1 April 2016 for companies and on 5 April 2016 for sole traders. The clause removes a relief that predated capital allowances. The number of traders using the relief was small, and there has been some evidence of abuse. Alternative means of tax relief for spending by businesses is available

through the capital allowances regime and there is new relief for residential landlords for costs incurred in replacing domestic items such as furniture and appliances.

Clauses 69 and 70 make changes to the wear-and-tear allowance that currently allows landlords fully furnishing properties to claim a 10% tax deduction of their net rental income when calculating the taxable profits each year. The allowance can be claimed regardless of the actual costs incurred on replacements and can be claimed even when a landlord has not actually made any replacements. The changes made by clauses 69 and 70 will replace this with a new allowance, permitting all landlords to deduct the actual costs they incur on replacing domestic items such as furniture and appliances. In conclusion, this change will create a fairer system for landlords and for tenants where the genuine costs of replacement can be reclaimed against income tax.

Clause 71 makes changes to incorporate the revisions to the OECD transfer pricing guidelines secured as part of the joint OECD /G20 base erosion and profit-shifting project into UK domestic law. The beneficial revisions to the OECD guidelines ensure that they are refocused on appropriately rewarding real economic activity within a multinational enterprise. This is in line with the key principle that profits should be recognised where economic activity takes place. In addition, the revisions provide tax authorities with a new tool better to investigate the pricing of unique intangibles where there is no independent information with which to ascertain their value, ensuring that tax bases cannot be eroded through the mispriced transfer of the significant assets. Clause 71 will also widen the scope of materially updating the OECD guidelines, which can be incorporated within UK law by way of a Treasury order. Together, these changes will further support the work undertaken by HMRC to tackle aggressive transfer pricing positions taken by some multinational enterprise groups and ensure that these are swiftly incorporated into UK legislation.

As I have outlined, these clauses take a number of important steps to make our business tax environment one that better supports enterprise and growth, and targets reliefs where they are effective in advance of this Government's plans for a successful economy. They implement OECD guidelines that the UK has championed on transfer pricing, and take other steps to clamp down on avoidance. They withdraw outdated and little-used allowances in favour of broader reliefs and spending programmes on vaccines. They support Britain's enterprise zones, set up by the Government to boost growth and employment in key areas of opportunity. By bringing down the headline rate of corporation tax to 17%—the lowest in the G20—we are making it clearer than ever that Britain is open for business. These clauses should therefore stand part of the Bill.

Rob Marris: The Labour party supports all these grouped clauses except clause 42. I will not press amendment 21 to a Division because it has not been selected, but I will be inviting all Members, particularly those in the Opposition, to vote against clause 42 on corporation tax.

Clause 41 is effectively a technical change. I appreciate that it is on corporation tax and it goes with clause 42, but I think it need not detain the House now. On the abolition of vaccine research relief, paragraph 15 of the explanatory notes on clause 43 helpfully says:

> "The low level of take-up of the relief suggests it does not have a significant impact on a company's research decisions. The government believes that direct spending programmes like the recently announced Ross Fund offer a more effective and flexible approach to the production of medicines and vaccines."

The Ross Fund is £1 billion and was announced by the Chancellor of the Exchequer in November 2015.

I appreciate this is not directly the Minister's departmental responsibility, but if we are looking at things such as the Ross Fund, where the Government are directly funding rather than encouraging research through fiscal levers, I would like him to indicate whether that Ross Fund money will count as part of the 0.7% of GDP commitment for overseas aid. I again salute the Government for reaching that 0.7% target. The Labour Government of whom I was a Back Bencher for many years moved significantly towards that target, but it was the coalition Government who reached it, and it is this Government who have maintained that in spite of some pressure on occasions from what might be called their natural supporters, who have reservations about that 0.7%. I do salute the Government for reaching that, and they have the complete support of Opposition Members on maintaining that commitment, but there are always potential difficulties in how one measures what goes into that 0.7%. Whether this would come under the Department for International Development or the Department of Health in terms of vaccine research and the Ross Fund I know not, but I hope the Minister will, as a Treasury Minister, be able to give some indication as to whether this kind of thing counts towards the 0.7%, because were it to do so, some of us would raise an eyebrow, and I think one ought to know.

It also appears that the Government have decided that direct spending programmes are more effective and flexible for research than funding through fiscal measures. For us socialists, it is a welcome conversion on the part of the Government that they agree that they have a role in direct funding, but in terms of clause 43 and the abolition of vaccine research relief, this must form part of a wider canvas. I found it a bit shocking when the National Audit Office said a few months ago that there were about 1,200 tax reliefs. From memory, it found about six different sorts of measures that are often commonly called tax reliefs, and that only about 300 of them were being monitored by the Government as to their efficacy or otherwise.

It appears that the Government have monitored the efficacy of vaccine research relief and decided that it is not very efficacious. As I understand it, fewer than 10 companies were claiming the relief. I can understand that if that is the case the Government might wish to remove it, although of course in terms of pharmaceutical research, they could be 10 extremely large companies. The Government monitored that, however, and I salute them for doing so and for coming up with some results from their monitoring.

Clause 44 updates aspects of the cap on research and development aid. Broadly, we on the Opposition Benches—Labour, certainly—support this, because it was a Labour Government who introduced R and D relief for small and medium-sized companies in the Finance Act 2000, and the large companies scheme was introduced in the Finance Act 2002—I believe I sat on the Committee of that Bill as well, Sir Roger. At that time there was cross-party consensus, as there was when we were in

opposition in 2013 regarding the introduction of R and D expenditure credits and their gradual replacement of the large companies scheme; we supported those measures in 2013. However, R and D tax credits have in very round terms led to £1 billion a year being claimed between the tax years of 2000-01 and 2013-14. That sounds very good and I have all kinds of figures here—helpfully supplied by the indefatigable researcher Imogen Watson, with whom the Minister will be familiar by now. I will not detain the House by reading them all out, but 33,800 different companies were claiming under the SME scheme and 7,800 were claiming under the large companies scheme.

Those figures are impressive: an average claim of £1 billion sounds impressive. However, since 2008 productivity has of course stalled in this country. One reason why successive Governments have given R and D tax reliefs of various different orders of magnitude and types is to encourage R and D, which will lead to newer products, goods and services and also to more efficient ways of doing things. Unfortunately, that has not been reflected in the productivity situation in the UK for many years, and I urge the Minister to reflect on that. In terms of the previous clause, he looked at the efficacy of the vaccine relief and decided to go in-house rather than carry on with the relief. I am not saying that the Government should take R and D in-house—I do not want to be misunderstood on that—but they should be looking at the efficacy, or otherwise, of it.

Clause 65 extends the capital allowances to designated assisted areas within enterprise zones for up to eight years. Of course the Labour party supports that. It is designed to encourage the purchase of energy-saving technologies. Again, I have a long list of qualifying technologies, which I will not read out.

I do want to ask a technical question, however, which I hope the Minister, with his usual omniscience, will be able to reply to. Pipework insulation is a qualifying technology, as are things such as high-speed hand air dryers and solar thermal systems, but I do not see on the list—it may be a lacuna on the list, or my fault—other forms of insulation other than pipework insulation. This is all part of the programme, which broadly has cross-party support from, I think, all parties in this House, that the UK should cut its CO_2 emissions and greenhouse gas emissions, and one way to do that is by using fiscal levers. It would appear on the face of it that it would be good to have on that list insulation generally, in contradistinction to just pipework insulation. If it is not on the list, no doubt the Minister can explain why in his reply.

The second point that I want to make on the extension of capital allowances, the eight-year period and so on was raised by my hon. Friend the Member for Leeds West (Rachel Reeves) in a written question on 26 April this year to which the Minister helpfully replied on 5 May 2016 when he said:

"The government has carefully considered the case for exempting plant and machinery from business rates. However, there would also be fundamental operational challenges to delivering an exemption on account of the way in which the plant and machinery is embedded in the premises concerned".

I ask the Minister to look at that again. It is a long time since I practised property law—I do not know whether the Minister ever did; that may have been a good few years ago as well—but there used to be things called fixtures and fittings, and indeed I believe that they still exist. They are often set out in commercial, rather than residential, leases. I am not sure why the issue of the embedded plant and machinery to which the Minister referred in his written answer is so difficult. I may be missing something, but I should have thought that if commercial lawyers can do it for fixtures and fittings in commercial leases, HMRC could do it for plant and machinery, embedded or otherwise, and that it would be worth the Government's looking again at the issue raised by my hon. Friend.

Clause 66 is entitled "Capital allowances: anti-avoidance relating to disposals". I wonder whether the Minister might be able to supply figures showing how much has been lost to the Exchequer through such avoidance schemes, but of course we support a clampdown on them.

3.30 pm

Clause 67, entitled "Trade and property business profits: money's worth", confirms that trading income received in non-monetary forms is fully accountable in calculations of taxable trading profits for income tax and corporation tax purposes. The fact that trading income received in non-monetary forms is assessable for those purposes would seem fairly obvious to many of us. Indeed, paragraph 12 of the explanatory notes on clause 67 refers to a 1948 decision to that effect, made by what was then the judicial Committee of the House of Lords; it would be called the Supreme Court now. I hope that the Minister will be able to tell us what has happened in the intervening 68 years to require that fact to be included in legislation, given that, presumably, there was formerly reliance on the case law precedent cited in the explanatory notes.

Furthermore—this is just a curiosity of mine, in which I hope the Minister will, with his usual patience, indulge me—if trading income received in non-monetary forms is to be thus assessable, what about the barter economy? Some people trade through barter. It is not simply an agreement between neighbours; there are trading arrangements which have traditionally been considered not to be susceptible to income tax and the like. Might it be an unintended consequence of clause 67 that such arrangements would in future be assessable?

Labour broadly supports clause 68, entitled "Replacement and alteration of tools". However, I want to raise an issue that was raised with us by the Association of Taxation Technicians, to whom we are grateful. The clause would repeal legislation providing tax relief for expenditure incurred by a business on replacement or alteration of trade tools. We are talking about an important, although small, corner of the economy, and the proposed repeal could cause small businesses book-keeping problems. The association helpfully provided an example, and, if you will indulge me, Mr Howarth, I will read it out. It is not very long.

"One of our members has given an example of the use of the provision by a carpenter"—

one of the association's clients—

"who has to replace a saw almost every week. Treating expenditure on saws as if it was on consumables (in the same way as screws, nails and glue) makes perfect sense. If the provision is repealed"—

which, of course, is what clause 68 would do—

"each of the saws will have to be capitalised and then written off for capital allowance purposes. Such repeal would make no difference at all to the trader's actual tax position. It would simply complicate record keeping, add administrative burden and increase the risk of computational error."

I wonder whether the Minister would have a look at that again and establish whether some kind of de minimis threshold could be introduced for businesses of that kind. Let me give an example of my own; I do not know whether it would be caught. A hairdresser who needed to replace his or her scissors every month might then have to account for that in capital terms, which would involve an awful lot of paperwork for a small business.

Clause 69 is coupled with clause 70: they are twins. In a sense, clause 69 introduces an alternative version of what clause 70 removes, namely the way in which those in the property business can claim tax relief for wear and tear. The amount was, across the board, 10%. I understand that the arrangement was fairly rough and ready and no records had to be produced, and there was a thought that some landlords were abusing it. Clause 70 gets rid of that regime, and clause 69 introduces a new regime specifying actual expenditure. It sounds fairer that someone cannot claim 10% across the board if they have not spent the money, and that they have to demonstrate what they have spent. Clause 70 gets rid of the 10% allowance, and clause 69 requires records to be produced to prove that money has been spent. The difficulty is that we are talking about small businesses, and the dilemma for any Government is the trade-off between accurate, fair accounting and taxation, and something that is a bit rough and ready but much less onerous for small businesses.

The Chartered Institute of Taxation, to which I continue to be grateful, has expressed its concern that there is no definition in statute of what constitutes a dwelling house. That is a bit worrying. I tried on two occasions to meet representatives of the Residential Landlords Association to discuss this matter, but unfortunately they had to cancel on both occasions so I am none the wiser. If the Minister could say a little more about the Government's thinking on the rough and ready 10% rule versus the accuracy required by clause 69, and about the definition of a dwelling house, that would be helpful.

Clause 71 deals with transfer pricing applications, but I will not say a great deal on that matter because we ventilated those issues, albeit from a somewhat different angle, when we discussed amendment 1 earlier. However, there is a quote on transfer pricing that I quite like from the Tax Justice Network. In quoting Lee Sheppard, it stated:

> "Transfer pricing is the leading edge of what is wrong with international taxation…The purpose of the OECD model treaty was to make life comfortable for American, British, German, and French multinationals by ensuring that the taxation of their operations by host countries is limited by separate company accounting and the permanent establishment concept. Treaties accomplish this task very well—so well, in fact, that many multinationals pay tax nowhere"—

but those treaties are

> "clumsy tools that affluent developed countries have used among themselves, to their collective detriment, and seek to impose on developing countries."

I have quite a lot of sympathy with that. We read of large companies such as Apple appearing to pay almost no tax anywhere, although we can never be sure about that because of the lack of transparency. I can understand the practice of transfer pricing and I can understand multinationals acting within the law in shifting stuff—legitimately if not ethically—to the lowest tax jurisdiction, but paying no tax at all seems a bit bizarre. The UK Government should continue to take the laudable steps that they have been taking over the past 16 years, including the past six years, to clamp down on that activity.

Clause 42 deals with corporation tax. The official Opposition—and, I hope, all MPs—will be voting against clause 42 stand part, because it would lower corporation tax. The Institute for Fiscal Studies is a fountain of considerable wisdom. It is not always right, of course—no one is—but it is worth listening to. It has calculated that the Government's cuts to corporation tax have cost £10.8 billion a year. The Minister has said, and I do not doubt him, that overall receipts are up, despite the rates being lower. However, that is not the only yardstick. We also have to look at how much higher the receipts would have been, had the rate not been slashed to the lowest in the G7 and the joint lowest in the G20.

Of course my party wants a competitive tax rate, but we also want a fair tax system. My understanding is that in 1999-2000, corporation tax as a percentage of total HMRC receipts was 11.67%. By 2015-16, that percentage had crashed to 8.31%—a huge drop. The Minister has referred to the efforts of this Government and the Government that immediately preceded them to rebuild the British economy, which he referred to as being fundamentally strong. It will not surprise him that I beg to differ. However, there are definitely good points.

Sammy Wilson (East Antrim) (DUP): While there may have been a drop from 11.7% of total receipts to 8.3%, will the hon. Gentleman accept that other new forms of taxation, such as climate change levies and other climate taxes, have been imposed on businesses and have increased total tax revenues? The cake is bigger, so the slice of corporation tax is smaller, but the total amount is larger.

Rob Marris: The hon. Gentleman is quite right about the climate change levy. Changes in this Finance Bill effectively make the climate change levy just another tax, because it will no longer be used by the Government as a lever to change behaviour, which is why Labour dislikes the proposal. Business tax has probably gone up a bit overall, but what has happened in the economy, which the Minister described as fundamentally strong, is that employment is up by almost 2.5 million, and we salute that as a considerable achievement.

However, it has been bought on a sea of debt, on the drip, on the never-never. The national debt has gone up 60% in six years. We still have a huge annual deficit. Pay has stagnated for six years, and public sector pay will remain stagnant for another two or three years. Overall capital investment is markedly down. We have the biggest trade deficit in our history. Productivity is completely stalled. It is welcome that 2 million more people have jobs, which is good and the best route out of poverty, but almost every other economic indicator is poor and the Government propose to cut corporation tax.

Mr Jim Cunningham (Coventry South) (Lab): My hon. Friend mentioned borrowing. Given the economic situation over the last few days, it seems that the Chancellor might have to borrow more money to add to the national debt, and he is now talking about increasing taxes and cutting public services as well.

Rob Marris: I will not go too far down that route, but this Chancellor—in this sense and this sense only—has been saved by the Brexit vote. He was never going to meet his forecasts for getting the deficit down in the lifetime of this Parliament. He also completely failed when he forecast in the previous Parliament that the deficit would be down to zero by 2015. He then forecast that it would be down to zero by 2020. That was never going to happen. We predicted that and I am sad that it was the case.

Now, with the Brexit vote, as my hon. Friend the Member for Coventry South (Mr Cunningham) says, the forecast will be nowhere near right, but no doubt the Chancellor will then use the vote as an excuse. The Brexit vote has revealed some of the underlying problems in the British economy that just about every serious economist has been pointing out for the last five years. Cutting corporation tax in this circumstance is a bad idea, and I urge all hon. and right hon. Members to vote against clause 42.

Nigel Mills: It is a pleasure to follow the hon. Member for Wolverhampton South West (Rob Marris). I want to say a few words about clause 42, because although I clearly welcome the planned reduction in corporation tax by 2020, following the welcome vote last week, it may now need to be part of the picture of how we change our business tax regime over that period. Unlike earlier, there are now a few more of us present who thought the vote was welcome.

For us to capitalise on the opportunities of leaving the European Union, we will have to make our country even more attractive to outside investment to stimulate growth, a key part of which is our corporation tax system. As the Minister is planning ahead that far and as we now have the special group in the Cabinet Office under the Chancellor of the Duchy of Lancaster, I urge careful thought about what our tax system should look like by the time we leave the European Union, what signals we are giving and how we can further improve it and make it more attractive. Perhaps we could look at an even lower rate to send out a signal that we are positive about business activity and that we want more investment and will reward it further.

Perhaps we could look again at how we do capital allowances, especially for infrastructure investment and manufacturing items, for example. Perhaps we could re-examine how we give tax relief for the building of new factories. This country is not actually that generous and does not give tax relief for any industrial building, which is not a clever way of encouraging manufacturing. In fact, we are one of the least attractive tax regimes for various infrastructure investment activity because of our lack of relief for structures. Perhaps now that we have the need and the time to review that, we should ask whether it is clever to structure our tax system in a way that is not as attractive as possible for industrial building and infrastructure activity, especially as we will need a lot of investment as we go forward.

3.45 pm

Given that we are now leaving the EU, there are some other areas on which we can capitalise. We have had to make various changes to our tax codes, especially to our corporation tax code, to comply with EU law, some of which take away some anti-avoidance rules that we would have quite liked to keep. Perhaps now would be a good time to think: should we bring those back as part of our tax system to stop assets being moved offshore at a discount without the tax being paid? Certain examples of that were exaggerated in the campaign. None the less, there are some perfectly sensible and reasonable anti-avoidance rules that we could now bring back.

We had to introduce some compliance obligations in our system to try to make ourselves compliant with EU law which perhaps we will not need. For example, there is a measure that extends transfer pricing rules to UK transactions on the statute book but it has never really been tested or enforced. Perhaps we can sweep that away, thus taking away a compliance burden.

The vote may prompt our questioning whether our ever-expanding corporation tax code is sensible. Is now the right time, when we know that we have a big change coming, to see whether there is a better way of taxing our businesses? Is there a simpler tax code—perhaps something closer to accounts profit—that does not need all these adjustments? Can we capitalise on our general anti-abuse rule and perhaps have not quite so many detailed technical anti-avoidance rules? Can we just now rely on a robust principle that we know those rules are there, that they work and that we are building on them? Might it not make us an even more attractive destination if we say that we now have an even simpler tax code?

As I have said, I welcome the signal that we are reducing the corporation tax rate further, but if we are to help our economy grow over the next few years, we need to send some even stronger signals. There is more that we can do to our corporation tax code over the next four years than this sector is currently planning.

Kirsty Blackman (Aberdeen North) (SNP): I specifically want to talk about clause 43 in relation to vaccine breakthrough. I have issues with a couple of the Government's proposals. First, it has been made clear that this measure costs the Government very little. In terms of foreign projections, the removal of the relief does not increase the Treasury's take by a vast amount.

The explanatory notes on this were incredibly helpful and I really appreciated them, but they seem to be missing a few things. First, they say that only 10 firms claimed the relief, but they do not make it clear how many firms research and develop vaccines. After my slightly rudimentary research, I could find only about 10 firms that research and develop vaccines, which means that all of them claim the relief. Therefore, if I am correct, the uptake is quite high. That could be why companies are choosing to research and develop vaccines. I would appreciate it if the Minister confirmed how many companies research and develop these things. If he does not have that information today, perhaps he could write to me with any details he has on that.

The explanatory notes mention the Ross Fund. I appreciate that the fund is a good thing and that it is good that the Government are financially supporting the development of vaccines, but it seems to me that the fund does not necessarily cover everything that the vaccine relief previously covered. The Ross Fund covers the following: antimicrobial resistance, which is a really important thing to be funding in this day and age;

[Kirsty Blackman]

diseases with epidemic potential, which, given what happened with Ebola, is a really important area to be funding; and neglected tropical diseases, which is a fabulous area for the Government to support. It is really important to be putting money into the various areas of research that have previously been neglected.

From the research that I have, it seems that vaccine research relief covers HIV/AIDS, whereas the Ross Fund does not. I would really appreciate it if the Government told whether HIV/AIDS research now falls through a gap, because it is an area that we need to continue to research and for which we do not currently have any vaccine or cure. I do not want it to get lost because companies are no longer able to claim aid or funding for such research.

I will not speak at too much length, as my concerns are around clause 43 and the fact that, although helpful, the explanatory notes left me with quite a few questions.

David Rutley (Macclesfield) (Con): I want to add my support to clause 42, notwithstanding the important points made by my hon. Friend the Member for Amber Valley (Nigel Mills), who set out the need for further thinking, perhaps, in the light of the Brexit vote. I was on a different side of the debate from him—only marginally—because I thought that there were concerns about economic risk, but there are certainly opportunities ahead, as well.

We need to ensure that we are ready to explore and realise those opportunities and the Government are absolutely committed to doing that. I hope that the Opposition are as well. It seems that the hon. Member for Wolverhampton South West (Rob Marris) is indicating that. We are up for that. As a result, I am perplexed about why clause 42 is not being supported by the Opposition. Such measures were vital when the proposals were first set out, and it is now even more important to put out a clear signal that we are open for business, that we understand business, that we want business to continue to come to the UK and that we want our exporters to thrive and flourish.

The corporation tax level is an important signal and an important driver in that regard. It is noticeable that the Federation of Small Businesses stated at the time of the announcement that it saw clause 42 as an important statement of intent that will provide a boost for affected firms. Small businesses are of course the backbone of our economy, but it is clear that the clause is an important signal for bigger businesses, too. It helps to illustrate and underline that Britain is open for business.

Given the decision made by the public, which I fully respect, it will be very important that we maintain the flow and increase the levels of foreign direct investment. I thought we were exposed in that area for a period of time, and I think that that exposure is still real, but we are currently the biggest destination in Europe for foreign direct investment. We have seen the biggest increase in FDI in projects in the north-west and I want to work with the Government and whichever party is around to ensure that we continue to see that flow. I want to ensure that the success we see in the country continues and that the northern powerhouse can fulfil its full potential. Key initiatives such as the life sciences corridor in Cheshire will require clear signals to businesses in the UK and abroad that we are open and want to move further forward, which is why I will support clause 42 when we vote, as I understand we will.

Sammy Wilson: I want to show our support for clause 42. In fact, I think it would be a bit strange for someone from Northern Ireland to take a different stance, especially given the fact that the Northern Ireland Government have put the reduction and devolution of corporation tax at the centre of their policy for attracting investment into Northern Ireland over the next 10 to 15 years.

There are two things. First, we must ask ourselves whether we believe that a reduction in taxation on businesses acts as an incentive. As I listened to the Opposition spokesman's opposition to this measure, it raised a query in my mind: is the reduction of other business taxes regarded as acceptable and indeed desirable by the Labour party as a means of incentivising and helping small business? For the Opposition, it seems as though the reduction in business rates, which are a form of taxation, is desirable because it helps small businesses, but that the reduction of corporation tax seems to have no effect, or the opposite effect. If we are going to have some consistency, we must ask ourselves whether the principle of reducing taxes on businesses and their profits, and the impact that that has on the amount of money they retain for investment, is an effective means of stimulating business. If it is true of one form of tax, it is true of another. That is one of the reasons why I believe that the reduction in corporation tax is an important decision.

Secondly, during my former role as a Member of the Northern Ireland Assembly and as a Minister there, one of the things that came up consistently when we spoke to investors was corporation tax. We had an especially big problem, because we were living next door to a country—we have a land border with it—that had emphasised the reduction in corporation tax. Time and again, though not exclusively—there is no point in over-egging this pudding—investors mentioned the level of corporation tax: 12.5% in the Irish Republic and 22% then in Northern Ireland. When companies looked at the headline level of taxation, they viewed the Irish Republic as a much more desirable place to invest. Of course they looked at other things—the skills base, the availability of office and factory space, the infrastructure and so on—but corporation tax was an important factor.

Rob Marris: May I caution the hon. Gentleman? For some of those companies—not all of them—this is a classic sob story. Corporation tax in America is roughly twice the rate that it is here. People still invest in companies in America. Corporation tax is part of an overall picture, as he says. Yes, companies should pay tax. If we followed the logic of some of the things that he has said this afternoon, we would not tax companies. That may be his position; it is not the position of Labour party.

Sammy Wilson: It is not the position of the Democratic Unionist party either, because there are other ways in which companies can be held responsible for their infrastructure requirements. For example, one of the forms of taxation that the Government have introduced

recently is the apprenticeship levy, where companies will be held responsible. They need trained workers, and they have to make a contribution from their profits to train those workers. There are ways to target the contribution that we require companies to make. I am not saying that companies should not pay for the infrastructure from which they benefit, but we must address one of the issues that they raise when they are considering whether we are a competitive place to invest.

David Rutley: The hon. Gentleman is making characteristically important points. Although there has been a nod to what has gone on in the US, it is important to look at what is happening in the UK. As we have seen a reduction in corporation tax, we have seen a strong performance in foreign direct investment. Let us look at what has happened here, which has helped to move the situation further forward—and no doubt it has done so in Northern Ireland as well as the mainland.

Sammy Wilson: The hon. Gentleman is quite right: if we look at the record of companies in the United Kingdom as corporation tax has decreased, we see that we have experienced increasing foreign direct investment. Indeed, since the Northern Ireland Government announced that corporation tax will be reduced in, we hope, a year and a half's time, there has been an upsurge of interest in the number of companies that wish to consider Northern Ireland as an investment proposition. We are already the second most successful region in the United Kingdom for foreign direct investment—I suppose that this bears out the Opposition spokesman's point—because we have emphasised the other selling points that are available to us at present, but corporation tax is the additional one that will make things easier for us.

Mr Jim Cunningham: Coming back to something that the hon. Gentleman said earlier about the training levy, for want of a better term, employers and particularly small businesses in this country have traditionally been reluctant about that levy. What do businesses in Northern Ireland feel about the levy?

Sammy Wilson: Of course, all businesses will seek to emphasise the additional costs that the levy imposes on them. However, many businesses that face a shortage skills in Northern Ireland now recognise that there must be a means to ensure that we have a supply of skilled labour. Opinions differ on how to provide that supply of skilled labour and how the apprenticeship levy should be applied and used, but people now accept, given the importance of skilled labour to firms, that they have to pay for it.

Roger Mullin: I return to the earlier point that the hon. Gentleman was making about inward investment. Does he agree that, compared to Brexit, this measure is pretty marginal in its likely impact in encouraging inward investment? As I am sure we are both very concerned about inward investment, does he agree that we should have an urgent debate to consider the implications of the Brexit vote?

4 pm

Sammy Wilson: I am reluctant to get involved because I know that the Chair will call me to order, but perhaps you will indulge me, Mr Howarth, and allow me to answer the point. I do not share the hon. Gentleman's views about the detrimental impact of Brexit. Indeed, for businesses in Northern Ireland, where we have become export-oriented, it opens up the opportunity to look to those parts of the world where there are growing economies and allows us to make our own trade deals with them. I believe that Brexit will be of benefit to us and—

The Temporary Chair (Mr George Howarth): Order. I understand the connection that the hon. Gentleman is making, but he is about to strain it beyond the limits.

Sammy Wilson: I was about to say, Mr Howarth, that the reduction in corporation tax will be an additional means by which we can capitalise on those opportunities.

Bob Stewart (Beckenham) (Con): Would the hon. Gentleman like to see corporation tax in Northern Ireland at the same level as in the Republic of Ireland? Would that be possible?

Sammy Wilson: I have two more points that I want to make. The first is that the reduction in corporation tax in this Budget gives the Northern Ireland Government more flexibility. I hope the Minister will be able to clarify how much this reduction in corporation tax will reduce the bill for the devolution of corporation tax to the Northern Ireland Assembly. The reduction of that bill enables the Northern Ireland Government to do one of two things: either to have a lower cost for the reduction—the 12.5% —or to reduce the rate below 12.5%, accepting that there will be a hit of £280 million. If that has already been factored into the Budget, the rate of corporation tax can be reduced even further to make us more competitive.

Lastly, if the Government had decided not to go down the route of lowering the headline rate, one way of giving incentives to firms would simply be to increase the number of capital allowances or make them more complex. Although it could be argued that that would allow the Government to target particular kinds of investment, it has two impacts. First, it increases the cost of collecting tax, and, secondly, it makes it more complex for firms to have their corporation tax calculated. For small firms that is a burden. For larger firms it may not be such a burden.

I wish to quote that famous Scottish economist, Adam Smith—I am sure my friends in the Scottish National party will be glad to hear this. He set out in his principles of taxation that in the collection of taxes there should be economy, certainty and equity. I believe that having more capital allowances militates against that and makes it more costly, and firms will have less certainty about what their eventual tax bill should be. That is one of the reasons why I welcome clause 43 and some of the other clauses that reduce the number of allowances, as that simplifies the tax system and makes taxes easier to collect.

There may be only 10 companies that claim the vaccine research relief, but that requires an infrastructure to carry out the collection and a number of civil servants to be appointed to do the job. If we want to find ways of cutting the cost of collecting taxes, it makes sense to look at reliefs that may not be widely used but still absorb resources within HMRC. For these reasons, my party and I will not support the opposition to clause 42 and we will join the Government in pushing it through.

Mr Gauke: I thank hon. Members for their contributions to the debate. I will perhaps turn to corporation tax rates and clause 42 at the end of my speech—I think we will save the most exciting element to the end. Let me first pick up some of the other points that have been raised.

Vaccine research relief is currently available only to large firms; it was removed for small and medium-sized enterprises in 2011, at the same time as the general SME R and D relief was increased. It is also worth pointing out that all vaccine producers can claim normal R and D relief on qualifying expenditure. Incentivising vaccine production remains a priority for the Government, but we believe that spending programmes such as the Ross fund are more effective at doing that. The amount claimed through VRR is less than £5 million a year, despite a generous raise.

The Ross fund was announced by my right hon. Friend the Chancellor in November 2015. It will target infectious diseases, including malaria, diseases with epidemic potential, neglected tropical diseases, which affect more than 1 billion people globally, and antimicrobial resistance, which poses a substantial and growing threat to global health. In January 2016 the Chancellor built on the announcement of the Ross fund by confirming that the Government will invest £500 million a year over the next five years in the fight to end deaths from malaria. That formed part of the £3 billion commitment between the Government and Bill Gates. The UK continues to contribute to the Global Fund to Fight AIDS, Tuberculosis and Malaria, an internationally supported organisation designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. I wanted specifically to come back on the very good point raised by the hon. Member for Aberdeen North (Kirsty Blackman).

The Ross fund does constitute official development assistance. It is worth pointing out that all UK ODA is administered with the promotion of the economic development and welfare of developing countries as its main objective, and it is in line with internationally agreed rules on ODA, so it is perfectly reasonable that we include the fund in the 0.7%, and it can clearly make a huge difference to large numbers of people.

The hon. Member for Wolverhampton South West (Rob Marris) asked how much is lost to the Exchequer through some of the schemes we seek to address in clause 66. Over the scorecard period, which takes us to 2020-21, it is expected that the changes will yield about £20 million of tax that would otherwise have been avoided and that they will potentially protect much more. This is not the largest measure by any means, but it is, none the less, a contribution. By way of background, the relevant case law is the 1948 House of Lords decision, Gold Coast Selection Trust Ltd *v.* Humphrey—no doubt familiar to the hon. Member for Wolverhampton South West. It has been suggested that this is no longer good law as it predates generally accepted accounting practice and the enactment of current legislation setting out the rules for the calculation of trading income. Let me be very clear that HMRC does not accept this proposition. *[Interruption.]* As the hon. Member for Wolverhampton South West mutters, it is a case of belt and braces. HMRC's view, and the Government's view, is that we should change the law now as a response to the potential risk, which is in the region of £125 million in one case alone. The challenge we have seen seeks to suggest that the current case law that dictates the tax treatment is outdated. I hope that clause 67 helps to address this risk.

Rob Marris: I asked the Minister for reassurance that this would not affect the barter economy. He might wish to write to me later.

Mr Gauke: I think I can provide that reassurance, but perhaps it would be best if I wrote to the hon. Gentleman—again, on a belt and braces basis.

The hon. Gentleman raised the concern that had been put to him that clause 68 might force businesses to claim capital allowances and that that might complicate the system. He gave the example of a saw, with a carpenter potentially encountering complications in his or her tax affairs . The answer is that that is very unlikely. Most small businesses will find that their capital spending on equipment is fully relieved by the £200,000 annual investment allowance, which is now at a record permanent level. Accordingly, they would receive a full deduction for their expenditure in the year and would not usually have to calculate annual writing-down allowances. The changes will ensure that tax relief for expenditure incurred by business on replacement and alteration of tools means that all capital expenditure on equipment is dealt with in a fair and proportionate way.

I was asked whether clauses 69 and 70 will cause some complication in the old 10% wear-and-tear deduction, which was simple. Of course, Labour Members highlighted the wear-and-tear allowance as a potential saving within the tax system. It is interesting that, despite its simplicity, a significant number of interested parties agreed with the Government that the wear-and-tear allowance was not fair. It applies only to landlords of fully furnished properties, and provides relief even where landlords have not had to meet any actual expense. We have carefully considered the different ways in which a relief based on actual expenditure could be designed and implemented, and we have legislated for the simplest possible basis.

Turning to clause 42 and the wider issues, I am grateful for the supportive contributions by my hon. Friends the Members for Amber Valley (Nigel Mills) and for Macclesfield (David Rutley), and by the hon. Member for East Antrim (Sammy Wilson). If the hon. Gentleman had argued a different case, I might have pointed to the many conversations that we have had over very many years in the context of devolution of corporation tax to Northern Ireland. I was struck by his point about how, when talking to international businesses, people often note the headline rate of corporation tax; international investors are aware of that. It is certainly my experience, having met many international businesses over a number of years when promoting the UK as a place in which to do business, that our low corporation tax rate, and our destination towards an even lower rate, attracts attention and a fair degree of admiration, and ultimately attracts jobs and investment to the UK. That is why we have taken steps to reduce the corporation tax rate, and I think that that has played a significant role in the fact that business investment is up significantly; that employment numbers are as high as they are; and that foreign direct investment in this country has been so strong. Of course, that is not the only factor; there are others. This country also faces particular challenges in

the light of recent events, but, as my hon. Friends the Members for Amber Valley and for Macclesfield have said, it is absolutely right that we have a competitive corporation tax rate.

4.15 pm

The message that we want to send to those businesses that may have concerns about the consequences of the referendum vote is that the UK is open for business. We continue to provide a skilled and ambitious workforce, and to offer links with much of the rest of the world. Clearly, there is a debate to be had about how much access we can continue to have to the single market, but I certainly hope that we can do that. The UK also has a competitive tax system and the 17% rate of corporation tax is absolutely key to that. In particular, it would be a grave mistake for us to step away from what we have already announced, namely our clear determination to move towards a lower rate of corporation tax, because this is a competitive world and the UK needs to make the case that we are open for business.

With those remarks, I hope that the various clauses under discussion will be supported. In particular, I hope that there will be resounding support for clause 42, which further moves the United Kingdom in the direction of having a competitive, attractive and dynamic economy.

Question put and agreed to.

Clause 41 accordingly ordered to stand part of the Bill.

Clause 42

RATE OF CORPORATION TAX FOR FINANCIAL YEAR 2020

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

The Committee divided: Ayes 308, Noes 255.

Division No. 27] [4.17 pm

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Carmichael, Neil
Carswell, Mr Douglas
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Cleverly, James
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hermon, Lady
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie

Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, David
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Ayes:
Sarah Newton and
Simon Kirby

NOES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Allen, Mr Graham
Allin-Khan, Dr Rosena
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clwyd, rh Ann
Coaker, Vernon
Cooper, Julie
Cooper, Rosie
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty-Hughes, Martin
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Elmore, Chris
Esterson, Bill
Evans, Chris
Fellows, Marion
Ferrier, Margaret
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hillier, Meg
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Long Bailey, Rebecca
Lucas, Caroline
Lynch, Holly
MacNeil, Mr Angus Brendan
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan
Mearns, Ian

Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Cat
Smyth, Karin
Spellar, rh Mr John
Starmer, Keir
Stephens, Chris
Stevens, Jo
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Hywel
Williams, Mr Mark
Wilson, Phil
Winnick, Mr David
Winterton, rh Dame Rosie
Wright, Mr Iain

Tellers for the Noes:
Vicky Foxcroft and Jeff Smith

Question accordingly agreed to.

Clause 42 ordered to stand part of the Bill.

Clauses 43 and 44 ordered to stand part of the Bill.

Clauses 65 to 71 ordered to stand part of the Bill.

Clause 72

REDUCTION IN RATE OF CAPITAL GAINS TAX

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

The Temporary Chair (Mr George Howarth): With this it will be convenient to discuss the following:

That schedules 11 and 12 be the Eleventh and Twelfth schedules to the Bill.

Government amendments 30 to 35.

Clauses 73 to 75 stand part.

Government amendments 36 to 38.

That schedule 13 be the Thirteenth schedule to the Bill.

Clause 76 stand part.

Government amendments 39 to 64.

Amendment 181, in schedule 14, page 432, line 45, at end insert—

"169VS Expiration of Chapter V provisions

(1) The provisions of Chapter V of part 5 of this Act shall remain in force until five years after their commencement and shall then expire, unless continued in force by an order under subsection (2).

(2) The Secretary of State may by order made by statutory instrument provide—

(a) that all or any of those provisions which are in force shall continue in force for a period not exceeding 12 months from the coming into operation of the order; or

(b) that all or any of those provisions which are for the time being in force shall cease to be in force.

(3) No order shall be made under subsection (2) unless—

(a) a draft of the order has been laid before and approved by a resolution of both Houses of Parliament,

(b) the Secretary of State has laid the report of a review of the operation of Investor's Relief before both Houses of Parliament."

Government amendments 65 to 68.

That schedule 14 be the Fourteenth schedule to the Bill.

Amendment 182, in clause 77, page 135, line 17, leave out "£100,000" and insert "£50,000".

Government amendment 184.

Clauses 77 to 81 stand part.

New clause 2—*Review of remuneration of investment fund managers—*

"The Chancellor of the Exchequer must commission a review of ways in which the law could be amended to ensure that no element of the remuneration paid to an investment fund manager may be treated as a capital gain, and that such remuneration shall be treated for tax purposes wholly as income, and must publish the report of the review within six months of the passing of this Act."

New clause 11—*Entrepreneur's relief: value for money—*

"The Chancellor of the Exchequer shall, within six months of the passing of this Act, publish a report giving HM Treasury's assessment of the value for money provided by Entrepreneur's Relief."

Mr Gauke: The final session of today's debate considers a number of changes to capital gains tax, along with Government amendments and one Opposition amendment.

Clause 72 will provide an incentive for people to invest in companies by reducing the main rate of capital gains tax from 18% to 10% and 28% to 20% on most gains made by individuals, trustees and personal representatives. The Government want to ensure that companies can access the capital they need to grow and create jobs, and want the next generation to be backed by a strong investment culture. We believe the best way to encourage this is to let investors keep more of the rewards when their investment is successful. At 28%, our higher rate of capital gains tax is among the highest in the developed world. We do not want high tax rates to deter investment. The lower capital gains tax rates introduced by this clause will make it more attractive for people to invest in companies, helping those companies to access the capital to expand and create jobs. Gains made on residential properties that do not qualify for private residence relief, and those from carried interest, will remain subject to the 18% and 28% rates. Retaining these rates will create an incentive for individuals to invest in companies rather than in property.

[Mr Gauke]

Clauses 73 to 75 make changes to ensure that entrepreneurs relief on capital gains tax rewards business owners and entrepreneurial investors while safeguarding the effect of measures introduced last year to prevent abuse of the relief. The Government are committed to supporting enterprise and entrepreneurship, but they are equally committed to fairness in the tax system. Entrepreneurs relief allows certain capital gains to be taxed at 10%, rather than the normal rates, and plays an important role in supporting the enterprise culture of this country, but, as with all tax reliefs, we need to make sure that it is not being claimed in circumstances where it does not achieve its intended purpose.

These changes will improve the targeting of the anti-abuse rules introduced in 2015. The changes in clause 73 will allow relief for gains on disposal of a private asset used in a business in cases of genuine retirement or where members of the claimant's family succeed to the claimant's business. These changes will level the playing field for family-run businesses and allow them to be passed to the next generation without an unfair tax charge.

The changes in clause 74 will allow someone selling their business to a limited company to claim relief on the goodwill of that business, providing they have only a small stake in the company. The relief will still be denied where the former proprietor or partner could continue running the business through the company and benefit directly from future profits and business growth. Entrepreneurs relief on gains on shares is due only where those shares are in trading companies or the holding companies of trading groups. Clause 75 amends the definition of a trading company to ensure that relief is available for shares in a company that has no trade of its own but which holds shares in a trading joint venture company where the investor effectively holds 5% or more of the joint venture company. The further changes made by these clauses will be backdated to the date on which the 2015 changes came into effect, meaning that no one who has made a genuine disposal for commercial reasons should be disadvantaged by the new rules.

The Government have tabled several minor amendments to the clauses. Amendments 30 to 33 simply move one of the new conditions introduced by clause 73 to a different place in the relevant statute. Amendments 34 and 35 correct two unintended retrospective effects of clause 73. Without the amendments, someone who made a disposal after Budget day 2015 and was eligible for entrepreneurs relief could find themselves deprived of that relief by changes announced at Budget 2016. Amendments 36 to 38 clarify the commencement provisions for the new rules introduced by clause 75 and ensure that the new definition of a trading company supersedes the definition used by the Finance Act 2015. These amendments do not reflect any change in policy and will have no impact on the costings of the measures.

Now is an appropriate time to address new clause 11, tabled by Opposition Members, which proposes that my right hon. Friend the Chancellor of the Exchequer publish within six months of the passing of the Act a report of the Treasury's assessment of the value for money provided by entrepreneurs relief. Opposition Members will be aware that the Government keep all tax policy under review. This includes entrepreneurs relief, as demonstrated by recent action taken to ensure that the relief is effective, well targeted and not open to abuse, and we will continue to act where appropriate. I can inform the Committee that officials have for some time been developing a detailed research programme designed to identify taxpayers' motivations for using entrepreneurs relief, and I expect the results to be published at some point in 2017. I do not believe it is necessary to legislate for a review, so I hope that the Opposition will not press the new clause.

Clause 76 and schedule 14 introduce investors relief and apply a 10% rate of capital gains tax to gains accruing on the disposal of qualifying shares held by an external investor in an unlimited trading company for at least three years. Many companies struggle to attract the long-term external investment they need to grow and expand, and this can be particularly difficult for unlisted companies, which is why, on top of cutting the capital gains tax rates, the Government are introducing this additional financial incentive to invest in these companies over the longer term. Investors relief has been designed to help unlisted companies attract inward equity investment from external investors. This clause and schedule apply a 10% rate of capital gains tax to gains accruing on the disposal of qualifying shares held by an investor in an unlisted trading company or trading group. The investor must not be an employee or officer of the company at the time of subscription. In addition, the shares must have been newly issued after 17 March 2016 and held for a period of at least three years starting from 6 April 2016. The amount of relief is capped, with individuals subject to a lifetime cap of £10 million on qualifying gains.

We are today making a number of amendments to this clause to ensure that the rules surrounding the relief are fair and clear, and to extend the scope of the relief to prevent market distortions and unlock further sources of capital. Amendments 39 to 41, 43, 44, 50 and 61 will ensure that trustees of a settlement as well individuals who choose jointly to subscribe with other individuals are able to subscribe for investor relief qualifying shares. In the case of trusts, amendment 51 includes rules that prevent individuals from creating multiple trusts, each with a £10 million lifetime limit.

Amendments 45 to 49 clarify how to determine the number of shares that qualify for investors relief when a disposal is made that consists of a mixture of qualifying and non-qualifying shares. Amendments 52 to 60 and amendments 65 to 68 clarify the provisions that deal with share disposals, share exchanges, elections, subscriptions and the distribution of value to existing shareholders.

Finally, some investors may wish to monitor and protect their investment through a seat on a company's board. Amendments 42 and 62 to 64 allow such an investor to become a director after their investment has been made as long as they are not remunerated in that capacity. They also allow an individual who becomes an employee of the company to access relief in most situations after 180 days of the share issue. Investors relief is designed to attract new capital into unlisted companies, enabling them to grow their business. It will help to advance this Government's aims for a growing economy driven by investment and supporting businesses to grow.

Let me turn to the Opposition amendment that was tabled by the hon. Member for Feltham and Heston (Seema Malhotra), but is now being taken up by her

successor—and may I congratulate the hon. Member for Salford and Eccles (Rebecca Long Bailey) on her promotion? Amendment 181 seeks to end the relief after a period of five years, with the option of an additional 12-month extension if agreed by both Houses, subject to the Chancellor laying a review of the operation of the relief before both Houses. The amendment is unnecessary when the Government rightly keep all tax policy under review in line with normal tax policy-making practice. There would be limited merit in conducting the review within five years; the first data on the uptake of the relief in its first year of operation would not be available to HMRC until 2020-21. The Government believe that legislating for a review within five years is unnecessary and inappropriate. I therefore hope that amendment 181 will be withdrawn.

Clause 77 relates to shares given to employees who accept employee shareholder status. It places a lifetime limit of £100,000 on the capital gains tax exempt gains that a person can make on disposal of those shares. The limit will apply to shares received under arrangements entered into after 16 March 2016. The change will enable employee shareholders to realise the significant growth in the value of their shares without paying any capital gains tax, while helping to ensure that the status is not misused. The clause provides for fair and consistent treatment of transfers of shares to a spouse or partner. The change will benefit the Exchequer by £10 million in 2019-20 and £35 million in 2020-21.

It is also an appropriate point to address amendment 182, which was tabled by Opposition Members. It proposes that the lifetime limit be £50,000 rather than the Government's proposed £100,000. This is not a change that the Government would welcome. The introduction of a cap of £100,000 where there was none before is, we believe, a significant change. The level of the cap is a matter of weighing up two policy objectives—ensuring that employee shareholder status is not misused, and encouraging and rewarding entrepreneurship. The Government believe that setting the cap at £100,000 strikes the right balance. It encourages entrepreneurship by allowing an exemption from capital gains tax which is still generous while reducing the likelihood of abuse by ensuring that the benefits for individuals are proportionate and fair. I therefore invite hon. Members to reject amendment 182.

4.45 pm

On Government amendment 184, the normal CGT rule is that when a share is involved in certain paper-for-paper transactions, such as a bonus issue or a share-for-share takeover, a tax charge is prevented from arising at that time because the shareholder receives no cash from which to pay that tax. The new lifetime cap in clause 77 means we need a rule to ensure fair and consistent treatment when an exempt employee shareholder share is involved in these types of transactions. This amendment ensures that an employee shareholder will not have to pay CGT at the time of those transactions. Without the amendment, an employee shareholder who has used the whole of his or her lifetime limit may suffer a tax charge owing to events beyond their control although they receive no cash from which to pay that tax. That would plainly be unfair and inconsistent with the treatment of other shareholders in similar circumstances.

Clause 78 introduces a further limit to the relief from CGT on the disposal of employee shareholder shares. The clause is designed to ensure that investment fund managers cannot take advantage of the employee shareholder rules to avoid tax on the rewards they receive for managing funds. Clause 78 is part of the legislation introduced by this Bill to ensure fund managers are eligible to pay CGT on their performance-linked rewards or carried interest only when the underlying fund they manage holds investments for the long term. To continue the Government's work ensuring that fund managers pay the right amount of tax, this clause is designed to ensure that any planning that seeks to exploit the employee shareholder rules will not work. The changes made by clause 78 are narrow in scope. They amend the rules governing the relief afforded to employee shareholders to make it clear that the relief from CGT does not apply to the management fees and carried interest paid to fund managers. Those funds were never intended to benefit from this relief and should always be charged to tax at the appropriate rate.

Turning to new clause 2, the SNP proposes a review within six months of Royal Assent of the tax treatment of investment fund managers' remuneration. Legislating for a review in six months is unnecessary. The Government have already undertaken extensive work on this area over the last year, launching a consultation after last year's summer Budget on the remuneration of investment fund managers and publishing draft legislation at autumn statement. Indeed following this work the Government have included provision in this Bill to ensure that investment managers' rewards will be charged to income tax whenever the underlying fund is not investing for the long term. By contrast, treating carried interest that arises to fund managers from long-term investment strategies as essentially a capital gain, rather than an income issue, is the right approach, and one that keeps the UK in step with other countries. It is also the approach consistently adopted by previous Governments in this country over a long period. Of course if any part of a manager's reward payments are properly regarded as income rather than capital they should be charged to income tax and the clauses included by the Government in this Bill will ensure fund managers do not access CGT treatment except where they are long-term investors.

I welcome this debate. The Government have already looked closely at income and capital for fund managers' remuneration and have introduced clauses in this Bill to ensure that the line is drawn in the right place. Again I hope Opposition Members will not press new clause 2.

Clauses 79, 80 and 81 make minor changes to ensure the CGT system for non-residents operates effectively. Since April 2015 non-residents disposing of UK residential property have been subject to CGT. This has addressed a significant unfairness in the tax regime and ensures that non-residents investing in the UK property pay their fair share of tax. While the regime is working well overall, the Government have identified a small number of technical issues that need addressing. The changes made in clause 79 will ensure that there is neither double counting nor under-counting in the determination of how much capital gains tax is due when a non-resident disposes of UK residential property. The changes made in clause 80 will provide for two circumstances in which a capital gains tax return by a non-resident is not required when no tax is due, and gives the Treasury secondary legislative power to add, amend or remove circumstances. That will minimise the administrative burden on taxpayers.

Clause 81 adds capital gains tax to the provisions in the Provisional Collection of Taxes Act 1968, which allows tax to be collected on a provisional basis between Budget and Royal Assent. Before capital gains tax for non-residents was introduced, it was normally payable at the end of the tax year, so there was no need to collect tax on a provisional basis. However, non-residents are required to notify and pay any capital gains tax that is due within 30 days. From April 2019, UK residents disposing of residential property will also notify and pay capital gains tax within that period. It is therefore now necessary for any rate cut or rise to apply properly to UK residents and non-residents disposing of residential property before a Finance Bill receives Royal Assent.

A wide range of measures is before us, and I have already spoken for long enough—for too long, some might argue. Taken together, those measures do much to support entrepreneurship, investment and economic growth. The introduction of investors relief and the reduction in the main rates of capital gains tax for non-property investments in particular are big, ambitious steps. Meanwhile, we are also being vigilant in tightening areas of capital gains tax and associated reliefs that have the potential to be exploited, and addressing any instances in which restrictions unfairly exclude justified users. I encourage Members on both sides of the Committee to support our proposals.

Rebecca Long Bailey (Salford and Eccles) (Lab): I thank the Minister for his earlier kind words, and commend him for his sterling effort over the last two days. He has fought his way through the Finance Bill with a bad back, and we wish him a speedy recovery. There will be a place in heaven for him, I am sure of that.

I want to speak about clauses 72 to 81, schedules 11 to 14, Government amendments 30 to 68, new clause 2, and the amendments that stand in my name and those of my hon. Friends. Clause 72 and schedules 11 and 12 cut the basic rate of capital gains tax from 18% to 10%, and the 28% rate to 20% on most gains made by individuals, trustees and personal representatives. Gains accruing on the disposal of interest in residential properties that do not qualify for private residence relief, and gains arising in respect of carried interest, remain subject to the 18% and 28% rates.

The Government have said that the retention of the higher rates for residential property is intended to provide an incentive for investment in business over property. Entrepreneurs relief will remain at 10 %, and will be extended to investors. I shall return to those reliefs, about which the Opposition have some concerns, later in my speech. The changes will take effect on 6 April 2016.

As the Committee will know, Labour Members have a serious problem with this policy decision, which they opposed during the Budget debate and on Second Reading. It constitutes a major tax giveaway to the tune of £2.7 billion over the next five years for the wealthiest in our society, at a time when the poorest communities are crying out for help and investment. The Chancellor had a choice to make in his Budget. He had to decide whether to use any spare cash, of which he keeps saying there is none, to help the most vulnerable, who have suffered six years of the Government's austerity programme, or to give a tax break to those who need it the least. He chose the latter, and, in the Opposition's view, that says it all about the Government's priorities.

The explanatory notes state that

"the Government wants to ensure that companies have the opportunity to access the capital they need to grow and create jobs, and wants the next generation to be backed by a strong investment culture."

Opposition Members want capital investment in our economy. Indeed, we champion it and we have been saying so for more than nine months. However, we question whether cutting the headline rate of capital gains tax will indeed trigger large-scale investment. We believe that it could simply line the pockets of some of the wealthiest.

The Chartered Institute of Taxation echoes those concerns, stating that

"the intention of the reduction is stated as being to drive productivity growth across the UK, but we question whether a simple reduction in rates will stimulate growth".

The Office for Budget Responsibility's economic and fiscal outlook document suggests that such a cut is unlikely to put rocket boosters under business investment, having not predicted massive increases over the next five years. What is more, business itself has not been calling for this measure, which was totally unexpected. The top priority for business is investment in skills and infrastructure, not cuts in the top-line rate of taxation—especially when the headline rates are frequently chopped and changed by the Chancellor in what Paul Johnson, the director of the Institute for Fiscal Studies, describes as an

"up and down rollercoaster ride".

He also stated that

"we need a serious plan and strategy here. This is not the way to make good tax policy".

In the current economic climate, given the result last Thursday, it is even more vital to provide as much certainty as possible to business on the rates of tax that they will pay. Given the serious risk of recession in the latter end of this year, I again make the point that £2.7 billion is a lot of money that could be put to better use. The Opposition will not support such an unfair measure, and we will oppose this clause standing part of the Bill.

Clauses 73 to 75 relate to entrepreneurs relief, which provides a rate of capital gains tax of 10% on any gains accrued when directors who own 5% or more of a company sell shares in the companies they own, up to a lifetime limit of £10 million. The clauses address some issues with the legislation that was introduced in the Finance Act 2015. According to the Government's explanatory notes to the Bill, changes in that Act

"prevented certain abuses involving ER, but they also limited the availability of relief on some transactions where there was no abuse. The effect of the changes made by this clause are backdated to the introduction of FA 2015 in order to mitigate the disadvantage suffered by some as a result of earlier changes."

Opposition Members have no issue with the content of the clauses, and we are pleased that the Government have tabled amendments to correct the poor drafting of the original ones. The Chartered Institute of Taxation had raised some concerns about that, so we are pleased that the Government have clarified the legislation.

However, the Opposition are concerned about entrepreneurs relief as a whole and we have therefore proposed, in new clause 11, that the Government produce a report within six months of the passing of this Bill

giving the Treasury's assessment of the value for money provided by entrepreneurs relief. The relief was estimated to cost £2 billion in 2012-13, rising to £3 billion in 2015-16. That represents a vast amount of Government revenue that is being forgone, and there appears to be no assessment of the relief's efficacy in encouraging entrepreneurialism. We understand the rationale behind it, but as with all tax reliefs, the Government must ask themselves whether it provides value for money and whether it works in practice.

Tax Research UK's analysis of the relief suggests that in the 2013-14 financial year, 3,000 people received tax relief to the tune of £600,000 each, at a total cost to the Treasury of £1.8 billion. Will the Minister confirm whether that is the case and tell us whether the Treasury has the relevant figures for 2014-15? That analysis also highlighted a couple of issues with the logic behind the relief itself, arguing that it is given at a time when people cease to be entrepreneurs by selling their businesses, and that it therefore does not encourage entrepreneurialism. It also argues that the relief has unfortunate behavioural consequences because by increasing the reward from sale it encourages sale far too early. The Opposition therefore feel that an assessment of the relief is in order given the vast amount of forgone Government revenue, which appears to be concentrated in the hands of a small number of individuals. I noted the Minister's earlier comments and look forward to the results of the Government's research, due to be published in 2017.

5 pm

That leads me nicely on to clause 76, Government amendments 44 to 68 and Opposition amendment 181 relating to investors' relief. Clause 76 extends entrepreneurs relief to external investors in unlisted companies, applying a 10% rate of capital gains tax to gains accruing on the disposal of shares in an unlisted trading company. Shares must be held by individuals, be newly issued on or after 17 March 2016 and have been held by the investor for at least three years, starting from 6 April 2016. A person's qualifying gains are subject to a lifetime cap of £10 million. The theory behind the relief was that it would encourage investment in small businesses that need capital to expand and create jobs, and it is expected to cost £120 million over the next five years.

We are happy to support the initial implementation as an experimental relief, but as with entrepreneurs relief we believe that the Government should periodically assess its efficacy. Amendment 181 would introduce a sunset clause whereby the relief will expire in five years' time. To extend it, the Chancellor would have to enact secondary legislation, but before such an order could be made he must review matters and lay a report of the investors relief before Parliament. That would be a sensible approach to ensure that the relief is doing in practice what the Government intend it to do in theory. I hope that the Government can see the merits of that approach and accept our amendment, but I will not seek to divide the House on it today.

Clauses 77 and 78 relate to employee shareholder schemes, as does Opposition amendment 182. Employee shareholder schemes allow employees to become a shareholder in the company by which they are employed by giving up some statutory employment rights in exchange for free shares issued by the employer. As the Chancellor helpfully explained in 2012:

"You the company: give your employees shares in the business. You the employee: replace your old rights of unfair dismissal and redundancy with new rights of ownership. And what will the government do? We'll charge no capital gains tax at all on the profit you make on your shares. Zero percent capital gains tax for these new employee-owners. Get shares and become owners of the company you work for."

Under the current law, the tax treatment is that the first £2,000 of free shares received by the employee shareholder are free of income tax and national insurance. Gains on the first £50,000 of shares received are free of capital gains tax when sold. Clause 77 places a lifetime limit of £100,000 on the capital gains tax exempt gains that a person can make on the disposal of shares acquired under employee shareholder agreements entered into after 16 March 2016.

Now, I must be clear that the Opposition do not like employee shareholder schemes one bit. Giving up one's statutory employment rights is certainly a red line for me and the Opposition. However, we welcome this specific clause and the imposition of a lifetime limit. Frankly, we are amazed that it has taken so long seeing as how the scheme has been labelled

"the best tax wheeze in town".

Given the mounting evidence to suggest that the scheme is being misused for tax avoidance purposes, we question whether a £100,000 limit is too high. Amendment 182 proposes reducing it to £50,000. I hope the Minister will heed my concerns about the schemes, and I look forward to his response. Again, I do not want to divide the House on this matter tonight, but I hope that the Government will address my points.

Clause 78 is an anti-avoidance measure designed to prevent investment managers from converting their management fees and carried interest into an exempt gain for capital gains tax purposes. The clause prevents the employee shareholder scheme capital gains tax exemption from applying if the relevant disposal is not compliant with a new test introduced in clauses 36 and 37. We support this measure.

Clauses 79 to 81 make some minor changes to the capital gains tax regime for non-residents disposing of UK residential property. The first corrects a technical error, removing a potential double charge, and the second provides two circumstances when a non-resident's capital gains tax return is not required. The last simply amends the Provisional Collection of Taxes Act 1968 to include capital gains tax. I have no issues with those clauses, and we will support them.

New clause 2, tabled by the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) would specifically require the Chancellor to conduct a review of the ways in which the law could be amended to ensure that no element of the remuneration paid to an investment fund manager may be treated as a capital gain, and that such remuneration shall be treated, for tax purposes, wholly as income. We welcome that suggestion and we will support it if Scottish National party Members push it to a vote.

We are supportive of most of the measures up for discussion in this group of clauses, but I hope that the Minister will take account of the Opposition's concerns that I have outlined about the entrepreneurs relief, investors relief and employee shareholder schemes. However, what we cannot support is such a huge, huge tax giveaway

for the wealthiest in society with this cut to capital gains tax while our communities are completely starved of investment. We will therefore oppose clause 72.

Roger Mullin: I welcome the hon. Member for Salford and Eccles (Rebecca Long Bailey) to her new post. If I recall correctly, one of the first debates that we took part in together was about that very important topic of whisky. It is appropriate that I mention that given the Minister's condition.

Rob Marris: It was not from drinking whisky.

Roger Mullin: No, I know, but perhaps the Minister could take a few drams to relieve the pain. I certainly think that he deserves it given what he has put himself through over the past couple of days.

May I also say to the hon. Lady that we on the SNP Benches agree with everything that she has argued? I am delighted to say that we will be supporting her opposition to clause 72.

Rob Marris: That was a short speech.

Roger Mullin: It is not quite as short as that.

I want to speak to new clause 2, which is in my name, and I will begin with a quote that I have used before in this House:

"I was shocked to see that some of the very wealthiest people in the country have organised their tax affairs, and to be fair it's within the tax laws, so that they were regularly paying virtually no income tax. And I don't think that's right."

I entirely agreed with the Chancellor of the Exchequer when he said that in April 2012. That is precisely why we are bringing this new clause to the Floor of the House today. Many people in remunerated employment, working hard every day of the week, will be surprised to learn that the managing director of an average European firm can expect to receive around £8 million in remuneration. Private equity fund managers are able to shrink their bills by paying, as we have heard, only 28% in capital gains, rather than 45% in income tax simply because it is classified as carried interest. In effect, they are getting a remuneration for managing other people's money, and therefore they should be taxed in the same way that other people are taxed—through income tax.

A fund manager's ability to pay capital gains instead of income tax allows them to avoid paying national insurance on part of their income. I am well aware of the Minister's technical explanations about why we are dealing with a different form of gain. However, that does not wash with people in society who are undertaking their work in most other occupations in life. The Government yesterday indicated that they were content to squeeze yet more money out of the contractor sector, affecting teachers, nurses, people in rural communities and the like. These are not the people who are aggressively avoiding tax. The people who are aggressively avoiding tax are people working in the City of London. They are avoiding paying the income tax that the rest of the people in society are quite happy to comply with.

The loopholes that continue are simply an example of the over-complication of our tax system, a matter that has been referred to by hon. Members on both sides of the House. As we look at the thousands upon thousands of pieces of paper in the tax code, it is clear that the bigger we make it the more we create the possibility of loopholes. Surely the time has come for a more fundamental review of all forms of business taxation, a matter that I know the hon. Member for East Antrim (Sammy Wilson) has raised in the past.

Indeed, some of the people gaining considerable sums of money have great sympathy with this. I would like to quote not some of the campaigners but one of the highest-paid people in the country, the head of the private equity firm Cerberus, Stephen Feinberg. He said in 2011, tellingly:

"In general, I think that all of us are way overpaid in this business. It is almost embarrassing."

I do not think that we should allow this gentleman, the head of an investment fund, and others to be embarrassed any more. I think we should end their embarrassment by making sure that in the future they pay appropriate levels of income tax.

We also find ourselves in agreement with the OECD, which in May 2014 recommended in its position on tax

"taxing as ordinary income all remuneration, including fringe benefits, carried interest arrangements, and stock options",

and that this should be paid as income tax.

We have evidence not just from campaigners but from people in the City who admit that this is an anomaly that needs closing, so I ask the Minister to give further consideration to this important move. I would also say in general that we welcome quite a lot of the technical changes that have been made on investment, entrepreneurs relief and the like. We want to encourage an entrepreneurial economy, but not at the cost of heightening income inequality and of further division in society.

Mr Gauke: I shall be relatively brief in responding to the debate. I addressed one of the issues that we have debated in my fairly lengthy remarks earlier and there is also a certain sense that these are issues we have debated in the past. I certainly remember debating the issue of carried interest with the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) in last year's Finance Bill. He made very similar points and I am inclined to make very similar points in response, so I will not necessarily run through all that once again. I remind the hon. Gentleman that where we are talking about remuneration that is income, we are determined to ensure that it is taxed as income. As a Government we have shown a willingness to make changes in this area.

Let me turn to the wider issues of capital gains tax and yet again welcome the hon. Member for Salford and Eccles (Rebecca Long Bailey) to her position. I wish her a long and distinguished period as shadow Chief Secretary, given that I understand that there might be uncertainty more generally on the Labour Front Bench. It is extremely important that our tax system is competitive and encourages investment, which will drive our economy forward in the future. A number of external bodies have welcomed the steps that we have taken in reducing CGT rates. The CBI and the Institute of Economic Affairs have welcomed these cuts as means to encouraging entrepreneurship and growth. A number of internal studies indicate that lower rates of CGT support equity investment in firms and promote higher-quality investment in start-ups. That is an important source of innovation and growth.

5.15 pm

I do not accept the hon. Lady's criticism that this is somehow just a tax cut for the wealthy. These changes will encourage wider public involvement in investment opportunities and help companies to expand and create jobs. By retaining the 18% and 28% rates for residential property, the Government are encouraging investment in shares, rather than property, thus giving the British economy a boost at a time of global uncertainty. At 20%, the CGT rate paid by higher rate taxpayers is still two percentage points higher than under the last Labour Government. For residential property and carried interest, the rate is 10 percentage points higher.

David Rutley: I am sorry that my hon. Friend is in so much pain when he stands up.

I am surprised by some of the things said in this debate. We all recognise the importance of enterprise and of encouraging further enterprise, particularly in the northern powerhouse, as the hon. Member for Salford and Eccles (Rebecca Long Bailey) recognised. We can achieve the aim of encouraging enterprise by using exactly the mechanism that my hon. Friend talks about. Does he agree that that is why the bodies he mentions have made this proposal? It will make a material difference to our enterprising spirit and economic growth.

Mr Gauke: My hon. Friend makes an excellent point. We must create wealth in this country to be a successful economy. We need to have an entrepreneurial and dynamic economy. He made this point earlier in the context of corporation tax, but similar arguments can be made in the context of CGT as well.

On the criticism that entrepreneurs relief is badly targeted, I argue that, of course, as with all tax reliefs, it is entirely appropriate that the Government keep it under review to ensure that it is well targeted and not open to abuse, but we believe that it is right to incentivise individuals to set up and expand their businesses. Entrepreneurs relief plays an important part in our pro-growth agenda. It is a highly popular and widely used relief, which supports about 40,000 entrepreneurs a year, according to our latest data. We do not believe that this support should be withdrawn. The latest published cost of entrepreneurs relief is £3 billion, but that is a static figure; the true cost will be different, due to potential changes in the disposals and behavioural change. That behavioural change is very important. On when the data for 2014-15 will be released, these statistics are published annually, and the new release is due in October 2016.

On rates going up and down, let me point out that the 28% higher rate of CGT was introduced in 2010, by the coalition Government, and this is the first change since then. The Government have published the "Business tax road map", setting out plans for business taxes over the entire Parliament and providing some certainty and stability to businesses.

On the argument that employee shareholder status should be withdrawn, we believe that ESS provides vital flexibility for early-stage firms and that it is right that employee shareholders receive tax benefits on shares awarded in exchange for relinquishing certain employment rights. The purpose of the lifetime limit is to ensure that small firms can offer attractive tax benefits to employees, while ensuring that the benefits are proportionate and fair.

I hope that, with those remarks, I can seek to dissuade the Labour party from voting against the reductions in CGT and the SNP from pressing its amendment to a vote, but if I have been unsuccessful in persuading them not to do so, I urge my right hon. and hon. Friends not to support such measures.

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

The Committee divided: Ayes 308, Noes 264.

Division No. 28] [5.20 pm

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris

Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hermon, Lady
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Julian
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Ayes:
Sarah Newton and
Simon Kirby

NOES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Allin-Khan, Dr Rosena
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Cooper, Rosie
Cooper, rh Yvette
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty-Hughes, Martin
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Elmore, Chris
Esterson, Bill
Evans, Chris

Fellows, Marion
Ferrier, Margaret
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lynch, Holly
MacNeil, Mr Angus Brendan
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onwurah, Chi
Osamor, Kate
Oswald, Kirsten
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Gavin
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Saville Roberts, Liz
Shah, Naz
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Simpson, David
Skinner, Mr Dennis
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smyth, Karin
Spellar, rh Mr John
Starmer, Keir
Stephens, Chris
Stevens, Jo
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Hywel
Williams, Mr Mark
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Wishart, Pete
Wright, Mr Iain

Tellers for the Noes:
Vicky Foxcroft and Jeff Smith

Question accordingly agreed to.

Clause 72 ordered to stand part of the Bill.

Schedules 11 and 12 agreed to.

Clause 73

ENTREPRENEURS' RELIEF: ASSOCIATED RELIEF

Amendments made: 30, page 132, line 8, leave out "before "A1" insert "ZA1,"" and insert "after "A1," insert "A1A,"".

Amendment 31, page 132, line 10, leave out subsections (3) and (4).

Amendment 32, page 132, leave out line 23 and insert—

"(1AA) Condition A1A is that P makes a material disposal of business assets which consists of the disposal of the whole of P's interest in the assets of a partnership, and—

(a) that interest is an interest of less than 5%,

(b) P holds at least a 5% interest in the partnership's assets throughout a continuous period of at least 3 years in the 8 years ending with the date of the disposal, and

(c) at the date of the disposal, no partnership purchase arrangements exist.

(1AB) Subject to subsection (6A), for the purposes of conditions A1 and A1A,".

Amendment 33, page 132, line 42, leave out "ZA1 or A1" and insert "A1 or A1A".

Amendment 34, page 133, line 27, leave out "this section" and insert "subsections (2)(a), (3) to (10) and (12) to (14)".

Amendment 35, page 133, line 28, at end insert—

"( ) The amendments made by subsections (2)(b) and (11) have effect in relation to disposals of assets which are acquired on or after 13 June 2016."—*(Mr Gauke.)*

Clause 73, as amended, ordered to stand part of the Bill.

Clauses 74 and 75 ordered to stand part of the Bill.

Schedule 13

ENTREPRENEURS' RELIEF: "TRADING COMPANY" AND "TRADING GROUP"

Amendments made: 36, page 413, line 30, leave out "omit subsection (4A)" and insert

"subsection (4A) is treated as never having had effect, and is omitted accordingly".

Amendment 37, page 421, line 30, after "Schedule" insert "(except paragraph 3)".

Amendment 38, page 421, line 31, at end insert

", but only for the purposes of determining what is a trading company or trading group at times on or after that date.

(2) In conditions B and D in section 169I of TCGA 1992 (material disposal of business assets)—

(a) a reference to a company ceasing to be a trading company does not include a case where, as a result of the coming into force of the amendments made by this Schedule, a company which was a trading company immediately before 18 March 2015 is treated as ceasing on that day to be a trading company, and

(b) a reference to a company ceasing to be a member of a trading group does not include a case where, as a result of the coming into force of the amendments made by this Schedule, a company which was a member of a trading group immediately before 18 March 2015 is treated as ceasing on that day to be a member of a trading group.

(3) Sub-paragraph (2) is without prejudice to the operation of section 43(4) of FA 2015."—*(Mr Gauke.)*

Schedule 13, as amended, agreed to.

Clause 76 ordered to stand part of the Bill.

Schedule 14

INVESTORS' RELIEF

Amendments made: 39, page 422, line 7, after second "of" insert

"(and disposals of interests in)".

Amendment 40, page 422, leave out lines 18 and 19 and insert—

"(6) Sections 169VGA and 169VGB make provision about disposals by trustees of a settlement.

(6A) Section 169VGC makes provision about disposals of interests in shares.

(6B) Sections 169VGD and 169VGE provide for a cap on the amount of investors' relief that can be claimed.

(6C) Section 169VGF makes provision about claims for investors' relief."

Amendment 41, page 422, line 27, after second "of" insert

"(or of an interest in)".

Amendment 42, page 423, leave out lines 11 to 14 and insert—

"(g) at no time in the share-holding period was the investor or a person connected with the investor a relevant employee in respect of that company (within the meaning given by section 169VQA), and".

Amendment 43, page 424, leave out line 8 and insert—

"(4) In this section—

(a) subsection (1) is subject to section 169VGA (disposals by trustees of a settlement: further conditions for relief), and

(b) subsection (2) is subject to—

section 169VGB (reduction of relief for certain disposals by trustees of a settlement), and

sections 169VGD and 169VGE (cap on investors' relief)."

Amendment 44, page 424, leave out lines 14 and 15 and insert—

"(6) For the application of this section to disposals of interests in shares, see section 169VGC.

(7) In this Chapter a "qualifying person" means—

(a) an individual, or

(b) the trustees of a settlement."

Amendment 45, page 424, line 29, leave out from "shares" to "and" in line 30 and insert "found under subsection (4),".

Amendment 46, page 424, line 31, leave out "that disposal." and insert "the disposal concerned."

Amendment 47, page 424, line 32, leave out from "The" to end of line 33 and insert

"number of qualifying shares found under this subsection is—".

Amendment 48, page 424, line 35, leave out "disposal," and insert "disposal concerned,".

Amendment 49, page 424, line 41, leave out "169VC(1)" and insert "169VC(1)(a)".

Amendment 50, page 425, line 1, leave out "by the qualifying person".

Amendment 51, page 426, line 44, leave out from beginning to end of line 13 on page 427 and insert—

"**169VGA Disposals by trustees: further conditions for relief**

(1) Where a disposal falling within section 169VC(1)(a) and (b) is made by the trustees of a settlement, section 169VC does not apply to the disposal unless there is at least one individual who is an eligible beneficiary in respect of the disposal.

(2) For the purposes of this section, an individual is an "eligible beneficiary" in respect of the disposal if—

(a) at the time immediately before the disposal, the individual has under the settlement an interest in possession in settled property that includes or consists of the holding of shares mentioned in section 169VC(1),

(b) the individual has had such an interest in possession under the settlement throughout the period of 3 years ending with the date of the disposal,

(c) at no time in that period has the individual been a relevant employee in respect of the company that issued the shares (within the meaning given by section 169VQA), and

(d) the individual has (by the time of the claim under section 169VC in respect of the disposal) elected to be treated as an eligible beneficiary in respect of the disposal.

(3) For the purposes of subsection (2)(d), an individual elects to be treated as an eligible beneficiary in respect of a disposal if the individual tells the trustees (by whatever means) that he or she wishes to be so treated; and an election under subsection (2)(d) may be withdrawn by the individual at any time until the claim is made.

(4) In this section "interest in possession" does not include an interest in possession for a fixed term.

(5) In relation to a disposal made by the trustees of a settlement, any reference in section 169VB(2)(g) to the investor is to be read as a reference to any trustee of the settlement.

169VGB Disposals by trustees: relief reduced in certain cases

(1) Subsection (2) applies where—

(a) a disposal falling within section 169VC(1)(a) and (b) is made by the trustees of a settlement,

(b) section 169VC applies to the disposal by reason of there being at least one individual who is an eligible beneficiary in respect of the disposal (see section 169VGA), and

(c) at the time immediately before the disposal, there are two or more persons each of whom has under the settlement an interest in possession in the settled property.

(2) In such a case the reference in section 169VC(2) to the relevant gain is to be read as a reference—

(a) to the eligible beneficiary's share of the relevant gain (see subsections (3) to (6)), or

(b) if there is more than one individual who is an eligible beneficiary in respect of the disposal, to so much of the relevant gain as is equal to the aggregate of the eligible beneficiaries' shares of that gain.

(3) In this section—

"eligible beneficiary" has the meaning given by section 169VGA(2);

"relevant gain" has the meaning given by section 169VC(3);

"the settled property" means settled property that includes or consists of the holding of shares mentioned in section 169VC(1).

(4) Subsection (5) applies to determine for the purposes of this Chapter, in relation to any individual who is an eligible beneficiary in respect of a disposal within section 169VC(1) made by the trustees of a settlement, that individual's share of the relevant gain.

(5) That individual's share of the relevant gain on the disposal is so much of the relevant gain on the disposal as bears to the whole of that gain the same proportion as X bears to Y, where—

X is the interest in possession (other than for a fixed term) which, at the time immediately before the disposal, that individual has under the settlement in the income from the holding of shares mentioned in section 169VC(1), and

Y is all the interests in that income that persons (including that individual) with interests in possession in that holding have under the settlement at that time.

169VGC Disposals of interests in shares: joint holdings etc

(1) In section 169VC(1)(a), the reference to the case where a qualifying person disposes of a holding, or part of a holding, of shares in a company includes the case where a qualifying person disposes of an interest in a relevant holding.

(2) In this section a "relevant holding" means either—

(a) a number of shares in a company which are of the same class and were acquired in the same capacity jointly by the same two or more persons including the qualifying person, or

(b) a number of shares in a company which are of the same class and were acquired in the same capacity by the qualifying person solely.

(3) In this section—

(a) "an interest" in a relevant holding means any interests of the qualifying person, in any of the shares in the relevant holding, which are by virtue of section 104 to be regarded as a single asset, and

(b) references to an interest include part of an interest.

(4) Where section 169VC(1) applies by reason of this section, section 169VD(3) and (4) have effect as if any reference to the number of shares disposed of were a reference to the number of shares an interest in which is disposed of.

(5) In relation to a disposal by the trustees of a settlement of an interest in a relevant holding falling within subsection (2)(a), sections 169VGA(2) and 169VGB(3) and (5) have effect as if any reference to the holding of shares mentioned in section 169VC(1) were to the interest disposed of.

(6) In accordance with subsection (1)—

(a) in sections 169VI(1)(d), 169VK(1)(d) and 169VN(1)(d) (reorganisations), any reference to a disposal of all or part of a holding includes a disposal by the qualifying person of an interest in the holding, and

(b) the reference in section 169VO(2) to a disposal of the original shares is to be read, in relation to a case where the original shares fall within subsection (2)(a) above, as a reference to a disposal of the qualifying person's interest in those shares.

169VGD Cap on relief for disposal by an individual

(1) This section applies if, on a disposal within section 169VC(1) made by an individual ("the individual concerned"), the aggregate of—

(a) the amount of the relevant gain on the disposal ("the gain in question"),

(b) the total amount of any gains that, in relation to earlier disposals by the individual concerned, were charged at the rate in section 169VC(2), and

(c) the total amount of any reckonable trust gains that, on any previous trust disposals in respect of which the individual concerned was an eligible beneficiary, were charged at the rate in section 169VC(2),

exceeds £10 million.

(2) The rate in section 169VC(2) applies only to so much (if any) of the gain in question as, when added to the aggregate of the total amounts mentioned in subsection (1)(b) and (c), does not exceed £10 million.

(3) Section 4 (rates of capital gains tax) applies to so much of the gain in question as is not subject to the rate in section 169VC(2).

(4) In this section—

"eligible beneficiary", in relation to a disposal, is to be read in accordance with section 169VGA(2);

"reckonable trust gain", in relation to a trust disposal in respect of which the individual concerned was an eligible beneficiary, means—

(a) if section 169VGB(1)(c) applied in relation to the disposal, that individual's share of the relevant gain on that disposal, within the meaning given by section 169VGB(4) and (5);

(b) otherwise, the relevant gain on that disposal;

"the relevant gain", in relation to a disposal, has the meaning given by section 169VC(3);

"trust disposal" means a disposal by the trustees of a settlement.

169VGE Cap on relief for disposal by trustees of a settlement

(1) This section applies where—

(a) a disposal ("the disposal in question") is made by the trustees of a settlement,

(b) that disposal is within section 169VC(1), and

(c) there is an excess amount in relation to an individual who is an eligible beneficiary in respect of the disposal in question ("the individual concerned").

(2) For the purposes of this section there is an "excess amount" in relation to the individual concerned if the aggregate of—

(a) the amount of the current gain,

(b) the total amount of any gains that, in relation to earlier disposals made by the individual concerned, were charged at the rate in section 169VC(2), and

(c) the total amount of any reckonable trust gains that, on any previous trust disposals in respect of which the individual concerned was an eligible beneficiary, were charged at the rate in section 169VC(2),

exceeds £10 million.

(3) The rate in section 169VC(2) applies to the current gain only to the extent (if any) that the current gain when added to the aggregate of the total amounts mentioned in subsection (2)(b) and (c) does not exceed £10 million.

(4) Section 4 (rates of capital gains tax) applies to so much of the current gain as is not subject to the rate in section 169VC(2).

(5) In this section—

"the current gain" means the reckonable trust gain on the disposal in question;

"eligible beneficiary", in relation to a disposal, is to be read in accordance with section 169VGA(2);

"reckonable trust gain", in relation to any trust disposal in respect of which the individual concerned is an eligible beneficiary, means—

(a) if section 169VGB(1)(c) applies in relation to the disposal, that individual's share of the relevant gain on that disposal, within the meaning given by section 169VGB(4) and (5);

(b) otherwise, the relevant gain on that disposal;

"the relevant gain", in relation to a disposal, has the meaning given by section 169VC(3);

"trust disposal" means a disposal by the trustees of a settlement.

169VGF Claims for relief

(1) Any claim for investors' relief must be made—

(a) in the case of a disposal by an individual, by that individual;

(b) in the case of a disposal by the trustees of a settlement, jointly by—

(i) the trustees, and

(ii) the eligible beneficiary in respect of the disposal, within the meaning given by section 169VGA(2) (or, if more than one, all those eligible beneficiaries).

(2) Any claim for investors' relief in respect of a disposal must be made on or before the first anniversary of the 31 January following the tax year in which the disposal is made."

Amendment 52, page 430, line 28, leave out from first "in" to end of line 29 and insert

"an exchange of shares treated under section 169VL or 169VM as a reorganisation of share capital,".

Amendment 53, page 430, line 33, leave out "reorganisation or".

Amendment 54, page 430, line 39 , leave out "reorganisation or".

Amendment 55, page 430, line 42, leave out "reorganisation or".

Amendment 56, page 430, line 45, at end insert—

"(2A) Accordingly—

(a) in section 169VB(2)(f) and (g) as they apply to the original share, any reference to the share-holding period is to be read as to the period mentioned in subsection (2)(a) above, and

(b) in section 169VB(2)(f) and (g) as they apply to a share representing the original share, any reference to the share-holding period is to be read as to the period mentioned in subsection (2)(b) above."

Amendment 57, page 431, line 1, leave out "subsection (2) applies" and insert

"subsections (2) and (2A) apply".

Amendment 58, page 431, leave out lines 16 and 17 and insert—

"(3) Any election under this section must be made—

(a) if the reorganisation or exchange of shares would (apart from section 127) involve a disposal by the trustees of a settlement, jointly by—

(i) the trustees, and

(ii) the person who if the disposal were made would be the eligible beneficiary in respect of the disposal, within the meaning given by section 169VGA(2) (or, if more than one, all the persons who would be such eligible beneficiaries);

(b) otherwise, by the individual concerned."

Amendment 59, page 431, line 32, leave out from "of" to "and" in line 34 and insert

"arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage to any person,".

Amendment 60, page 431, line 36, at end insert—

"( ) In subsection (1) "arrangements" and "tax advantage" have the same meaning as in section 16A."

Amendment 61, page 432, line 3, at end insert—

"( ) In this Chapter, apart from subsections (2) and (3), references to a person's having subscribed for a share include the person's having subscribed for the share jointly with any other person (and references to a person's holding a share or to a share being issued to a person are to be read accordingly)."

Amendment 62, page 432, line 23, at end insert—

"**"169VQA "Relevant employee"**

(1) This section applies to determine for the purposes of—

(a) section 169VB(2)(g), or

(b) section 169VGA(2)(c),

whether a particular person has at any time in the relevant period been a "relevant employee" in respect of the issuing company.

(2) A person who has at any time in the relevant period been an officer or employee of—

(a) the issuing company, or

(b) a connected company,

is to be regarded as having at that time been a relevant employee in respect of the issuing company, but this is subject to subsections (3) and (5).

(3) If—

(a) a person is an unremunerated director of the issuing company or a connected company at any time in the relevant period, and

(b) the condition in subsection (4) is met,

the fact that the person holds that directorship at that time does not make the person a relevant employee in respect of the issuing company at that time.

(4) The condition referred to in subsection (3) is that at no time before the relevant period had the person mentioned in that subsection, or a person connected with that person, been—

(a) connected with the issuing company, or

(b) involved in carrying on (whether on the person's own account or as a partner, director or employee) the whole or any part of the trade, business or profession carried on by the issuing company or a company connected with that company.

(5) If—

(a) a person becomes an employee of the issuing company or a connected company at a time which is—

(i) within the relevant period, but

(ii) not within the first 180 days of that period,

(b) at the beginning of the relevant period, there was no reasonable prospect that the person would become such an employee within the relevant period, and

(c) the person is not at any time in the relevant period a director of the issuing company or a connected company,

that employment of the person does not make the person a relevant employee in respect of the issuing company at any time in the relevant period.

(6) For the purposes of subsection (5) there is a "reasonable prospect" of a thing if it is more likely than not.

(7) In this section—

"director" is to be read in accordance with section 452 of CTA 2010,

"connected company" means a company which at any time in the relevant period is connected with the issuing company (and it does not matter for this

purpose whether that time is a time when the person in question is an officer or employee of either company);

"the issuing company" means the company mentioned in (as the case may be) section 169VB(2)(g) or 169VGA(2)(c);

"the relevant period" means the period mentioned in (as the case may be) section 169VB(2)(g) or section 169VGA(2)(c);

"unremunerated director" has the meaning given by section 169VQB.

169VQB "Unremunerated director"

(1) For the purposes of section 169VQA a person ("the person concerned") is an "unremunerated director" of the issuing company or a connected company at a particular time in the relevant period if that person is a director of that company at that time and—

(a) does not receive in the relevant period any disqualifying payment from the issuing company or a related person, and

(b) is not entitled to receive any such payment in respect of that period or any part of it.

(2) In this section "disqualifying payment" means any payment other than—

(a) a payment or reimbursement of travelling or other expenses wholly, exclusively and necessarily incurred by the person concerned in the performance of his or her duties as a director,

(b) any interest which represents no more than a reasonable commercial return on money lent to the issuing company or a related person,

(c) any dividend or other distribution which does not exceed a normal return on the investment to which the dividend or distribution relates,

(d) any payment for the supply of goods which does not exceed their market value,

(e) any payment of rent for any property occupied by the issuing company or a related person which does not exceed a reasonable and commercial rent for the property, or

(f) any necessary and reasonable remuneration which is—

(i) paid for qualifying services that are provided to the issuing company or a related person in the course of a trade or profession carried on wholly or partly in the United Kingdom, and

(ii) taken into account in calculating for tax purposes the profits of that trade or profession.

(3) In this section a "related person" means—

(a) a connected company of which the person concerned is a director, or

(b) any person connected with the issuing company or with a company within paragraph (a).

(4) In this section any reference to a payment to the person concerned includes a payment made to that person indirectly or to that person's order or for that person's benefit.

(5) In this section "qualifying services" means services which are—

(a) not secretarial or managerial services, and

(b) not services of a kind provided by the person to whom they are provided.

(6) In this section the following expressions have the same meaning as in section 169VQA—

"connected company";

"director";

"issuing company";

"relevant period"."

Amendment 63, page 432, line 25, at end insert—

""employee" (except in the expression "relevant employee", which is to be read in accordance with section 169QVA) has the meaning given by section 4 of ITEPA 2003;"

Amendment 64, page 432, line 38, leave out "169VC(6)" and insert "169VC(7)".

Amendments 65, page 433, line 7, at end insert "on a particular date".

Amendment 66, page 433, line 30, after "(b)" insert "in relation to the shares".

Amendment 67, page 433, line 31, at end insert "in relation to them".

Amendment 68, page 433, line 37, at beginning insert "In sub-paragraphs (3) and (4) and".—*(Mr Gauke.)*

Schedule 14, as amended, agreed to.

Clause 77

EMPLOYEE SHAREHOLDER SHARES: LIMIT ON EXEMPTION

Amendment made: 184, page 135, line 31, at end insert—

"(3A) Section 236F of TCGA 1992 (reorganisation of share capital involving employee shareholder shares) is amended in accordance with subsections (3B) and (3C).

(3B) After subsection (1) insert—

(1A) Subsection (1B) applies where—

(a) an exempt employee shareholder share ("the original EES share") is held by a person ("P") before, and is concerned in, a reorganisation, and

(b) the original EES share is disposed of on the reorganisation.

(1B) P is to be treated as if the original EES share were disposed of for consideration of an amount determined in accordance with subsections (1D) to (1H) (the "relevant amount").

(1C) In this section "notional gain" means the gain, if any, that would accrue to P if the original EES share were disposed of on the reorganisation for consideration of an amount equal to the market value of the share.

(1D) Subsections (1E) to (1G) apply where a notional gain would accrue to P on the disposal of the original EES share.

(1E) Where the whole of the notional gain would be a chargeable gain by virtue of section 236B(1A), the relevant amount is the amount that would secure that on the disposal neither a gain nor a loss would accrue to P.

(1F) Where part (but not the whole) of the notional gain would be a chargeable gain by virtue of section 236B(1A), the relevant amount is the maximum amount, not exceeding the market value of the share, that would secure that on the disposal no chargeable gain would accrue to P.

(1G) Where no part of the notional gain would be a chargeable gain by virtue of section 236B(1A), the relevant amount is equal to the market value of the original EES share at the time of the disposal.

(1H) Where no notional gain would accrue to P on the disposal of the original EES share, the relevant amount is the amount that would secure that on the disposal neither a gain nor a loss would accrue to P.

(1I) In determining for the purposes of this section whether any part of a notional gain is a chargeable gain by virtue of section 236B(1A), subsection (1B) is to be disregarded.

(1J) Where more than one original EES share is disposed of by P on a reorganisation, references in this section to the disposal of the original EES share are to be treated as references to the disposal of all of the original EES shares disposed of on the reorganisation.

(1K) In this section "reorganisation" has the same meaning as in section 127."

(3C) In subsection (2) for "reference in subsection (1) to section 127 includes" substitute "references in this section to section 127 include"."—*(Mr Gauke.)*

Clause 77, as amended, ordered to stand part of the Bill.

Clauses 78 to 81 ordered to stand part of the Bill.

New Clause 2

REVIEW OF REMUNERATION OF INVESTMENT FUND MANAGERS

"The Chancellor of the Exchequer must commission a review of ways in which the law could be amended to ensure that no element of the remuneration paid to an investment fund manager may be treated as a capital gain, and that such remuneration shall be treated for tax purposes wholly as income, and must publish the report of the review within six months of the passing of this Act."—*(Roger Mullin.)*

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 259, Noes 315.

Division No. 29] [5.38 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Allin-Khan, Dr Rosena
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Benn, rh Hilary
Berger, Luciana
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Champion, Sarah
Chapman, Douglas
Cherry, Joanna
Clwyd, rh Ann
Coffey, Ann
Cooper, Julie
Cooper, Rosie
Cooper, rh Yvette
Corbyn, rh Jeremy
Cowan, Ronnie
Coyle, Neil
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
Danczuk, Simon
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty-Hughes, Martin
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Elmore, Chris
Esterson, Bill
Evans, Chris
Ferrier, Margaret
Fitzpatrick, Jim
Flello, Robert
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Long Bailey, Rebecca
Lucas, Caroline
Lynch, Holly
MacNeil, Mr Angus Brendan
Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, Dr Alasdair
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McMahon, Jim
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reeves, Rachel
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry

Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Jeff
Smyth, Karin
Spellar, rh Mr John
Starmer, Keir
Stephens, Chris
Stevens, Jo
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Hywel
Wilson, Phil
Winnick, Mr David
Wishart, Pete
Wright, Mr Iain

Tellers for the Ayes:
Marion Fellows and
Owen Thompson

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Carmichael, Neil
Carswell, Mr Douglas
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Donelan, Michelle
Dorries, Nadine
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fallon, rh Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hermon, Lady
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lilley, rh Mr Peter
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McLoughlin, rh Mr Patrick
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark

Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Shapps, rh Grant
Sharma, Alok
Shelbrooke, Alec
Simpson, David
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Henry
Smith, Royston
Soames, rh Sir Nicholas
Solloway, Amanda
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Stewart, Rory
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Sir Desmond
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Whittingdale, rh Mr John
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Sarah Newton and Simon Kirby

Question accordingly negatived.

The Deputy Speaker resumed the Chair.

Bill (Clauses 7 to 18, 41 to 44, 65 to 18, 129, 132 to 136, and 144 to 154, and schedules 2, 3, 11 to 14, and 18 to 22), as amended, reported, and ordered to lie on the Table.

Madam Deputy Speaker (Natascha Engel): Before we move to the four Ways and Means resolutions numbered 2 to 5 on the Order Paper, the Minister has notified me that he wishes to move an additional Ways and Means motion relating to stamp duty. Copies have been in the Vote Office for the past 40 minutes and I hope hon. Members have had an opportunity to read it. The same procedure will apply as for the motions on the Order Paper.

FINANCE BILL: WAYS AND MEANS (STAMP DUTY: ACQUISITION OF TARGET COMPANY'S SHARE CAPITAL)

Resolved,

That the following provisions shall have effect for the period beginning with 29 June 2016 and ending 31 days after the earliest of the dates mentioned in section 50(2) of the Finance Act 1973—

(1) Section 77 of the Finance Act 1986 (acquisition of target company's share capital) is amended as follows.

(2) In subsection (3), omit the "and" at the end of paragraph (g) and after paragraph (h) insert ", and

(i) at the time the instrument mentioned in subsection (1) isexecuted there are no disqualifying arrangements, within the meaning given by section 77A, in existence."

(3) In subsection (3A) for "(3)" substitute "(3)(b) to (h)".

(4) In subsection (4) after "this section" insert "and section 77A".

(5) After section 77 of the Finance Act 1986 insert—

"77A Disqualifying arrangements

(1) This section applies for the purposes of section 77(3)(i).

(2) Arrangements are "disqualifying arrangements" if it is reasonable to assume that the purpose, or one of the purposes, of the arrangements is to secure that—

(a) a particular person obtains control of the acquiring company, or

(b) particular persons together obtain control of that company.

(3) But neither of the following are disqualifying arrangements—

(a) the arrangements for the issue of shares in the acquiring company which is the consideration for the acquisition mentioned in section 77(3);

(b) any relevant merger arrangements.

(4) In subsection (3) "relevant merger arrangements" means arrangements for the issue of shares in the acquiring company to the shareholders of a company ("company B") other than the target company ("company A") in a case where—

(a) that issue of shares to the shareholders of company B would be the only consideration for the acquisition by the acquiring company of the whole of the issued share capital of company B,

(b) the conditions in section 77(3)(c) and (e) would be met in relation to that acquisition (if that acquisition were made in accordance with the arrangements), and

(c) the conditions in paragraphs (f) to (h) of section 77(3) would be met in relation to that acquisition if—

(i) that acquisition were made in accordance with thearrangements, and

(ii) the shares in the acquiring company issued asconsideration for the acquisition of the share capital of company A were ignored for the purposes of those paragraphs;

and in section 77(3)(e) to (h) and (3A) as they apply by virtue of this subsection, references to the target company are to be read as references to company B.

(5) Where—

(a) arrangements within any paragraph of subsection (3) are part of a wider scheme or arrangement, and

(b) that scheme or arrangement includes other arrangements which—

(i) fall within subsection (2), and

(ii) do not fall within any paragraph of subsection(3),those other arrangements are disqualifying arrangements despite anything in subsection (3).

(6) In this section—

"the acquiring company" has the meaning given by section 77(1);

"arrangements" includes any agreement, understanding or scheme (whether or not legally enforceable);

"control" is to be read in accordance with section 1124 of the Corporation Tax Act 2010;

"the target company" has the meaning given by section 77(1)."

(6) The amendments made by this Resolution have effect in relation to anyinstrument executed on or after 29 June 2016 (and references to arrangementsin any provision inserted by this Resolution include arrangements entered into before that date).

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of section 50 of the Finance Act 1973.—*(Mr Gauke.)*

FINANCE BILL: WAYS AND MEANS (TRANSACTIONS IN LAND)

Resolved,

That provision may be made for and in connection with the taxation of:

(1) profits of trading activities concerned with land, or the development of land, in the United Kingdom; and

(2) other amounts representing profits from a disposal of, or of property deriving its value from, land in the United Kingdom.—*(Mr Gauke.)*

FINANCE BILL: WAYS AND MEANS (RECEIPTS FROM INTELLECTUAL PROPERTY: DIVERTED PROFITS TAX)

Resolved,

That provision be made amending Part 3 of the Finance Act 2015 (diverted profits tax).—*(Mr Gauke.)*

FINANCE BILL: WAYS AND MEANS (RECEIPTS FROM INTELLECTUAL PROPERTY: TERRITORIAL SCOPE)

Resolved,

That:

(1) In section 577 of the Income Tax (Trading and Other Income) Act 2005 (territorial scope of Part 5 charges), at the end insert—

"(5) See also section 577A (territorial scope of Part 5 charges: receipts from intellectual property)."

(2) After that section insert—

"577A Territorial scope of Part 5 charges: receipts from intellectual property

(1) References in section 577 to income which is from a source in the United Kingdom include income arising where—

(a) a royalty or other sum is paid in respect of intellectual property by a person who is non-UK resident, and

(b) the payment is made in connection with a trade carried on by that person through a permanent establishment in the United Kingdom.

(2) Subsection (3) applies where a royalty or other sum is paid in respect of intellectual property by a person who is non-UK resident in connection with a trade carried on by that person only in part through a permanent establishment in the United Kingdom.

(3) The payment referred to in subsection (2) is to be regarded for the purposes of subsection (1)(b) as made in connection with a trade carried on through a permanent establishment in the United Kingdom to such extent as is just and reasonable, having regard to all the circumstances.

(4) In determining for the purposes of section 577 whether income arising is from a source in the United Kingdom, no regard is to be had to arrangements the main purpose of which, or one of the main purposes of which, is to avoid the effect of the rule in subsection (1).

(5) In this section—

'arrangements' includes any agreement, understanding, scheme, transaction or series of transactions

(whether or not legally enforceable);

'intellectual property' has the same meaning as in section 579;

'permanent establishment'—

(a) in relation to a company, is to be read (by virtue of section 1007A of ITA 2007) in accordance with Chapter 2 of Part 24 of CTA 2010, and

(b) in relation to any other person, is to be read in accordance with that Chapter but as if references in that Chapter to a company were references to that person."

(3) The amendments made by paragraphs (1) and (2) have effect in relation to royalties or other sums paid in respect of intellectual property on or after 28 June 2016.

(4) It does not matter for the purposes of subsection (4) of section 577A of the Income Tax (Trading and Other Income) Act 2005 (as inserted by paragraph (2)) whether the arrangements referred to in that subsection are entered into before, or on or after, 28 June 2016.

(5) Where arrangements are disregarded under subsection (4) of section 577A of the Income Tax (Trading and Other Income) Act 2005 (as inserted by paragraph (2)) in relation to a payment of a royalty or other sum which—

(a) is made before 28 June 2016, but

(b) is due on or after that day,

the payment is to be regarded for the purposes of subsection (1) of that section as made on the date on which it is due.

(6) In determining the date on which a payment is due for the purposes of paragraph (5), disregard the arrangements referred to in that paragraph.

(7) Where—

(a) an intellectual property royalty payment within the meaning of section 917A of the Income Tax Act 2007 is made on or after 28 June 2016,

(b) the payment is made under arrangements (within the meaning of that section) entered into before that day,

(c) the arrangements are not DTA tax avoidance arrangements for the purposes of that section,

(d) it is reasonable to conclude that the main purpose, or one of the main purposes, of the arrangements was to obtain a tax advantage by virtue of any provisions of a foreign double taxation arrangement, and

(e) obtaining that tax advantage is contrary to the object and purpose of those provisions,

the arrangements are to be regarded as DTA tax avoidance arrangements for the purposes of section 917A of the Income Tax Act 2007 in relation to the payment.

(8) In paragraph (7)—

"foreign double taxation arrangement" means an arrangement made by two or more territories outside the United Kingdom with a view to affording relief from double taxation in relation to tax chargeable on income (with or without other tax relief);

"tax advantage" is to be construed in accordance with section 208 of the Finance Act 2013 but as if references in that section to "tax" were references to tax chargeable on income under the law of a territory outside the United Kingdom.

(9) Where—

(a) a royalty is paid on or after 28 June 2016,

(b) the right in respect of which the royalty is paid was created or assigned before that day,

(c) section 765(2) of the Income Tax (Trading and Other Income) Act 2005 does not apply in relation to the payment, and

(d) it is reasonable to conclude that the main purpose, or one of the main purposes, of any person connected with the creation or assignment of the right was to take advantage, by means of that creation or assignment, of the law of any territory giving effect to Council Directive 2003/49/EC of 3rd June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different member States, section 758 of the Income Tax (Trading and Other Income) Act 2005 does not apply in relation to the payment.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—*(Mr Gauke.)*

FINANCE BILL: WAYS AND MEANS (DEDUCTION OF INCOME TAX AT SOURCE: INTELLECTUAL PROPERTY)

Resolved,

That:

(1) Part 15 of the Income Tax Act 2007 (deduction from other payments connected with intellectual property) is amended as specified in paragraphs (2) and (3).

(2) In section 906 (certain royalties etc where usual place of abode of owner is abroad), for subsections (1) to (3) substitute—

"(1) This section applies to any payment made in a tax year where condition A or condition B is met.

(2) Condition A is that—

(a) the payment is a royalty, or a payment of any other kind, for the use of, or the right to use, intellectual property (see section 907),

(b) the usual place of abode of the owner of the intellectual property is outside the United Kingdom, and

(c) the payment is charged to income tax or corporation tax.

(3) Condition B is that—

(a) the payment is a payment of sums payable periodically in respect of intellectual property,

(b) the person entitled to those sums ('the assignor') assigned the intellectual property to another person,

(c) the usual place of abode of the assignor is outside the United Kingdom, and (d) the payment is charged to income tax or corporation tax."

(3) For section 907 substitute—

"907Meaning of 'intellectual property'

(1) In section 906 'intellectual property' means—

(a) copyright of literary, artistic or scientific work,

(b) any patent, trade mark, design, model, plan, or secret formula or process,

(c) any information concerning industrial, commercial or scientific experience, or

(d) public lending right in respect of a book.

(2) In this section 'copyright of literary, artistic or scientific work' does not include copyright in—

(a) a cinematographic film or video recording, or

(b) the sound-track of a cinematographic film or video recording, except so far as it is separately exploited."

(4) The amendments made by paragraphs (2) and (3) have effect in respect of payments made on or after 28 June 2016.

(5) But the amendments made by paragraphs (2) and (3) do not have effect for the purposes of the definition of "intellectual property royalty payment" in section 917A of the Income Tax Act 2007 inserted by Resolution 23 of the House of 22 March 2016 (deduction of income tax at source: tax avoidance).

(6) That section has effect in relation to payments made on or after 28 June 2016 as if "intellectual property royalty payment" also included (so far as it would not otherwise do so) any payments referred to in section 906(2)(a) or (3)(a) of the Income Tax Act 2007 substituted by paragraph (2).

(7) In determining whether section 906 of the Income Tax Act 2007 applies to a payment, no regard is to be had to any arrangements the main purpose of which, or one of the main purposes of which, is to avoid the effect of the amendments made by paragraphs (2) and (3).

(8) Where arrangements are disregarded under paragraph (7) in relation to a payment which—

(a) is made before 28 June 2016, and

(b) is due on or after that day,

the payment is to be regarded for the purposes of section 906 of the Income Tax Act 2007 as made on the date on which it is due.

(9) In determining the date on which a payment is due for the purposes of paragraph (8), disregard the arrangements referred to in that paragraph.

(10) In this Resolution "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable and whether entered into before, or on or after, 28 June 2016).

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—*(Mr Gauke.)*

Business without Debate

DELEGATED LEGISLATION

Madam Deputy Speaker (Natascha Engel): With the leave of the House, we shall take motions 6 to 11 together.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

Capital Gains Tax

That the draft Double Taxation Relief and International Tax Enforcement (United Arab Emirates) Order 2016, which was laid before this House on 19 May, be approved.

Corporation Tax

That the draft Double Taxation Relief (Isle of Man) Order 2016, which was laid before this House on 19 May, be approved.

That the draft Double Taxation Relief (Jersey) Order 2016, which was laid before this House on 19 May, be approved.

Capital Gains Tax

That the draft Double Taxation Relief and International Tax Enforcement (Uruguay) Order 2016, which was laid before this House on 19 May, be approved.

Corporation Tax

That the draft Double Taxation Relief (Guernsey) Order 2016, which was laid before this House on 19 May, be approved.

Electricity

That the draft Electricity Capacity (Amendment) Regulations 2016, which were laid before this House on 12 May, in the last Session of Parliament, be approved.—*(Mr Gauke.)*

Question agreed to.

PETITION

Private rented sector in Dulwich and West Norwood

5.54 pm

Helen Hayes (Dulwich and West Norwood) (Lab): I was not expecting my petition to be called quite so early, so I do not have it on me, but the physical copy is on the way, Madam Deputy Speaker.

I am pleased to present a petition on behalf of my constituent Alper Muduroglu, who has gathered 1,500 signatures online against the very high fees that my constituents have to pay to private letting agents. This is a huge issue and I am pleased to present the petition to Parliament for response from a Minister.

Following is the full text of the petition:

[The petition of Alper Muduroglu,

Declares that tenants in the private rented sector in Dulwich and West Norwood have to pay high fees to letting agents; further that there is no limit to the amount lettings agents can charge; further that the Government should take action to address the difficulties faced by tenants in the private rented sector, particularly in London; and notes that an online petition on a similar matter has been signed by 1,480 individuals.

The petitioner therefore requests that the House of Commons urges the Government to consider capping the fees that letting agents are permitted to charge.

And the petitioner remains, etc.]

[P001699]

Bedford Hospital

Motion made, and Question proposed, That this House do now adjourn.—*(Charlie Elphicke.)*

5.55 pm

Richard Fuller (Bedford) (Con): It is a pleasure and an honour to have secured this debate to talk about the future of Bedford hospital and, in doing so, to praise the efforts and work of the clinicians, nurses, porters, cleaners, caterers and management at our hospital. It is also an opportunity for me to talk about some of the experiences that have affected the hospital over the six years I have been a Member of Parliament. In that time, the most significant impacts have come as a result of actions taken by those within the senior NHS structures.

On the basis of my six years' grassroots experience, I want to talk about the impacts of some of those processes on my local hospital. In doing so, I am joined in spirit by the Minister for Community and Social Care, my right hon. Friend the Member for North East Bedfordshire (Alistair Burt), who, because of his ministerial responsibilities, cannot speak today. As a Health Minister—although not the Minister responsible for hospitals—he is somewhat constrained in what he may say publicly, but he has provided tremendous support to me and the hospital as it has traversed difficult times in recent years, so I want to put on the record my thanks to him.

Right at the start of my time as an MP, when we were considering the future of hospitals and possible reorganisations, my right hon. Friend, who has been a Member of Parliament, whether for Bedfordshire and for Bury, for 20 or 30 years—so he has a long perspective on this—made an observation to me that the Minister might want to reflect on. He said that in his time organisational fads had come and gone. At one time, the fad might be to centralise, but wait long enough and the fad will be to decentralise services, and that affects not just the health service but many other aspects of public service management.

I want to talk about Bedford hospital and its performance. I am personally extremely grateful to the hospital. I was born there and went there when sick with pneumonia—as the House can see, I made as full a recovery as I could have wished. I am grateful to the hospital for being there at important times in my life, and I know that many of my constituents feel likewise. It is not a big hospital in the grand scale of things, but neither is it a small hospital; it is one of those that many of our constituents would recognise as that local district general hospital that is such a feature of many towns across the United Kingdom.

In my time as an MP, there has been one dramatic moment, where, because of poor guidance, the deanery removed junior paediatric doctors from the hospital. In the past when that happened, the deanery never put junior doctors back, but for the first time in its history it did, because it recognised the level of support and the need for paediatric services in Bedford. The turnaround was a signal achievement by the hospital and came within six months of its positive review by the Care Quality Commission.

A few years later—in fact, earlier this year—the CQC came back to do its overall report for Bedford hospital. It provides a grid, Madam Deputy Speaker, and you

[Richard Fuller]

may have seen them at your hospital area reviews, when lots of different services and functions are described and coloured yellow, green, red and blue. Blue is best, as of course it always is, and then we go down through green and yellow to red. Bedford hospital had no reds—not even one of 30 or 40 measurements taken by the CQC. Everything and every aspect of the organisation of our local hospital was working at a level that may have required some improvement, but that provided a level of care in which we in the Bedford community could have trust. Overall, the hospital achieved the same ranking as three quarters of our hospitals do—"requires improvement"—but Bedford hospital was right in the upper quartile of those quality ratings.

The hospital has shown itself able to recover from its problems and it has demonstrated that it delivers good care outcomes. What it has also demonstrated is its ability to start to meet some of the financial challenges that many hospitals in the country have. Two years ago, the hospital had a very substantial deficit, and I shall come on later to a nearby hospital that had an even more significant one.

In the financial year ending in April this year, Bedford hospital met its target of losing only £18 million and it is now on target to achieve its next benchmark of reducing the losses to £10 million. I would, of course, like the hospital to be in surplus, but the direction of travel and rate of progress being made are something from which we can take some comfort. I hope that the Minister will be able to talk about the experience of other hospitals across the country in reducing their deficits and say whether Bedford is moving at the right pace and in the right direction in comparison with many other hospitals.

It is interesting to note that between 2013 and 2015-16 the number of A&E admissions in Bedford went up from 13,600 to 19,300—a very significant increase. As the Minister knows, it is often the case with hospitals that the more A&E admissions they have, the bigger the strain on their finances. The improvement in Bedford hospital's finances is coming at a time when more and more A&E work is being carried out. Interestingly, the A&E performance of Bedford hospital last winter was in the top 10% of hospitals in the country as a whole.

My final point of praise for Bedford hospital is about the level of connection and support it has in the community. We have a vibrant Friends of Bedford Hospital, as well as a strong charity that raises considerable sums—millions of pounds—for the hospital, including money to support the development of a cancer unit. This is not public money provided by the NHS, but money provided through the strength of charitable giving in Bedford, Kempston and across Bedfordshire by people who know and love their hospital. It is perhaps not unique in the country, but the level of charitable support in place for the hospital is certainly something of note.

If the hospital had been left on its own and the doctors had been left to work out their clinical pathways and to meet the challenges of ever-increasing demands for better care quality as well as the financial challenges of achieving a surplus, I think it would have done very well indeed. There is no resistance to change. The other feature of my six years as an MP, as it affects our hospital, however, has been an ongoing, going-nowhere review that started off as a review of five hospitals back in 2011 and has now been reduced to a review of two hospitals—at Bedford and Milton Keynes.

The five hospital review was rather ambitiously called "Healthier Together", but after the Corby by-election, it got relabelled as "Healthier Together; Happier Apart" because of the strength of feeling of local people about the performance of the review of hospitals in Northamptonshire. The review of Bedford and Milton Keynes has gone on essentially for a significant number of years, but with very little progress indeed. This has come at a considerable cost. The costs of the "Healthier Together" five-hospital review were anticipated to be £2.2 million. The subsequent review, just between Bedford and Milton Keynes, cost £3.2 million in its first phase and is expected to cost a further £1.3 million this year. In the context of a hospital that is trying to reduce its costs —whether or not this money is funded out of the hospital, the CQC, Monitor or NHS England does not matter—these are considerable sums that have been spent on reviews that have not delivered.

I want to talk about why they have not delivered. The first reason is that despite, perhaps, the best efforts of people on the ground, the original structuring of the Bedford and Milton Keynes review never had any public support. Many people in Bedford understand that their loved ones will go to other hospitals if they need extra care: if you get a heart attack in Bedford, you go straight past Bedford hospital to Papworth; if your child is very sick, they may go to Great Ormond street; if you are pregnant and have a very difficult pregnancy, you may well find that the last stage of your pregnancy and birth take place at Luton and Dunstable. But in very few regards do the people of Bedford look for their health care towards Milton Keynes.

So the original structuring of this review failed to understand where public support might naturally come from, which is why in the general election—I know the Minister, my friend, is aware of this—I was strongly of the view that it made sense for people in Bedford and Bedford hospital to look for ties with Addenbrooke's, a well-regarded hospital which many in Bedford understand. Many people think it delivers the quality of care they need at the high end and believe it would form the core of a much stronger and better and more appropriate alliance than a forced-together merger with Milton Keynes.

That would not have been the only clinical partner, but it could have been the core partner if those in charge of the review had so permitted. I also think that not only did the review lack public support, but this pushing together of Bedford and Milton Keynes importantly also lacked clinician support—support from the doctors and the consultants, who are the ones we would look to to say, "What is the right way for us to achieve those higher quality standards in care?" Their eyes would also have looked elsewhere than this review of Bedford and Milton Keynes. These issues did not arise at the last minute. They arose and were known about for many, many years, and I want to talk in a little while about why on earth the review continued with that lack of support from both the public and clinicians in Bedford.

It is fair to say that when the initial numbers came out and people looked at the financial models for these reviews, there was a series of errors, so much so that they had to go back and redo all their analysis, further

undermining public confidence in this review. Some of the options presented were quite scary: "Should we close A&E in one hospital and move it to another?" or "Should we drop maternity services and paediatrics in one hospital?" These are scary options that those doing a full analysis will of course want to be able to model, but at the slightest change of certain assumptions, they would flip completely from saying, "Yes, we should keep maternity and paediatrics" to "No, we shouldn't." The sensitivities in some of these important decisions suggest too heavy a reliance on financial modelling, rather than on the instincts of the clinicians and the local public about how they feel care quality targets can be set. Yes, that will be within a financial envelope, but this over-reliance on financial modelling was another error in this review, and perhaps one that carries on into other reviews across the country.

This review has been going on since June 2011, with all these weaknesses in errors, sensitivities, lack of clinician support and lack of public support. One would have hoped the message had got through, but unfortunately has not. The review was essentially, as I have called it a number of times, a "zombie" review; no matter how much people would say, "This has no future prospects", and however much it would be knocked back, the "zombie" review would rise up and continue to walk forward.

The problem with that was that it created such an enormous amount of doubt and uncertainty. I think that our hospital in Bedford could do with a restructuring of its A&E department, so that patient flows work even better than they do now. Less stress would be placed on our doctors and nurses who work in A&E, because it would be easier to move patients through the hospital. Such an investment would be very worthwhile. It would not cost the Treasury a significant amount, and it would pay its way in a few years—not even a double figure. However, it cannot be considered while a question mark may still be hanging over our hospital's future. I pay enormous tribute to its staff, who have held together strongly and with great spirit in the face of that doubt and uncertainty.

That brings me to my more immediate reason for raising this issue with my hon. Friend the Minister. Let me begin by making a point about joint clinical commissioning groups. CCGs hold our budgets and, on our behalf, spend money on healthcare in our local communities, whether it is primary care or acute care. As we know, they must make certain decisions about where the money should go, but they are also empowered to make some structural decisions. A few years ago, we introduced a statutory instrument under which, instead of making decisions on their own and only for their areas, CCGs could create a framework that would allow them to make a decision together, rather than a decision having to be endorsed by the constituent CCGs one by one in the knowledge that it was right for their individual areas.

Of course, that sets up the potential for mischief as well as the potential for good decision making. If a strong CCG feels that it can dominate a broader group, the interests of the minority can be pushed to one side. That is why I forced that decision on to the Floor of the House. In the last Parliament, I was the only MP on the Regulatory Reform Committee to vote against the creation of joint CCGs. I did so because I could see the potential for mischief. Although I would not say that the members of the Bedfordshire and Milton Keynes joint committee have been mischievous, I do think that the process casts further doubt on the wisdom of putting that system together.

Two weeks ago, the final straw broke the camel's back. The joint committee produced a report containing its recommendations, which was given full publicity. A very worrying headline was splashed across my local newspaper, saying that maternity services in Bedford were to close. When our local media—BBC Three Counties Radio, or another of our local papers—wanted to talk to those who had produced that very scary report, they were told, "We cannot talk to you, because of purdah."

What goes through the minds of people who are entrusted with our healthcare, and who think that it is OK to throw a report out into the public domain and then back away and say, "We cannot say anything about it"? What logic says that publishing a report is not a breaking of purdah, but talking about it is? It seems to me that those people did not know what they were doing. I am very grateful to Simon Stevens, the chief executive of NHS England, who wrote back to me on 27 June. Referring to those two points, he said:

> "With hindsight, the meeting should not have been scheduled during the purdah period and the report should not have been released."

For me, that is the final straw. I have experienced the final straw a number of times in this regard, but I do not think that the public can possibly have confidence in a group of people who will do something that is so scary and then run away—and when the head of NHS England describes it as a great and grievous error, it is time for the joint committee to be dropped. But no! This has not ended; it has paused. How long do we have to wait for this review to reach its bitter end and to be closed?

I want to hear from the Minister today what the logic is behind continuing the Bedford and Milton Keynes healthcare review. It has no local support from the people or the local clinicians of Bedford. It has no respect for the public, given the way in which it puts out pronouncements and then runs away. It does not even fit with NHS national strategy. In those circumstances, a pause is not good enough. It is time this review was killed off—ended, kaput, no more! The people who go to our hospital want to know that they can look to and trust a single process in relation to the future of that hospital, and the people who work in that hospital want to have the confidence that they can control its future on behalf of their patients. The nonsense of the review carrying on is affecting my constituents and my local doctors. It is also disrupting the national strategy of the NHS.

The Minister will be aware of the comprehensive programme reviewing the implementation of the NHS five year forward view. It is called the sustainability and transformation plan—the STP—and it is a pretty good plan. I read the "Five Year Forward View"—as I know you did, Madam Deputy Speaker—before the election. It was an important document that we should all read, and it was a good document because it pointed in the right direction in relation to the needs of an ageing population and the importance of integrating care in the community with our acute services. The plan is the sort of plan that people, politicians and clinicians can get behind. The direction of travel was made clear, and

[Richard Fuller]

the STP is the implementation tool that is being used to achieve that across the country. It will not satisfy everyone—indeed, I am sure that it will come up with some challenging solutions—but it is consistent with the national strategy and I believe that it is the right approach to take nationally.

In my own region, the STP involves not only Bedfordshire but Luton and Milton Keynes. Importantly for our area, it is being led by an extremely capable hospital chief executive, Pauline Philip. She is the chief executive of Luton and Dunstable University hospital. She will of course have to balance her interests as the head of a hospital that would naturally like to take more under its own control with the understanding that there is a responsibility to keep a sustainable acute services area and, most importantly, to gain the support of local authority areas.

I am reflecting on why that other review is still paused, given its inadequacies and lack of fit, so here are some observations that I hope the Minister will respond to. In my experience, in discussions about this over the past six years, there has been too much bureaucratic infighting between Monitor and the NHS Trust Development Authority, which seemed to think, prior to its merging into NHS Improvement, that the hospitals in its arm of the health service were the ones to protect, regardless of the consequences for hospitals in the other arm. Milton Keynes hospital, the other hospital affected by this review, was frequently seen to be being indulged, while more severe restrictions were placed on Bedford hospital. For example, while Bedford hospital was achieving a reduction in its losses, Milton Keynes hospital was being indulged for increasing its losses. Where is the fairness in that?

I also want to ask why the boundaries were selected in this way. It appears to me that the boundaries relating to Bedford and Milton Keynes were drawn in a way that was perhaps correct for locating the problem, but that they had no chance of being the right set of boundaries for finding the solution. That is fine. When we look at problems, we often set up boundaries to understand them. I understand that, but what I have observed as a Member of Parliament is intransigence in those who have been running this process to understand that although they may have the correct boundaries for the problem, they need to be creative beyond those boundaries to find a solution. Year after year, square pegs were shoved into round holes. It was not working, and yet there was an intransigence in those who managed the system just to keep on keeping on, wasting millions of pounds in the process and reducing not increasing public trust in the NHS.

I would therefore ask Simon Stevens, who I think has the right strategy, what is going on in the mid-tier of NHS management. Who is in charge? It seems that there is one plan in the STP, which is Simon Stevens's plan, but somebody else must have a dog in the hunt as well, because that is the only explanation for why the Bedford and Milton Keynes review has not been killed but paused. It is time to hold to account those who started the review and who have kept it going at the cost of millions of pounds beyond the point of there being any confidence in it. I do not mean our local CCGs; I mean the mid-tier of NHS England. I want the Minister to say today that he will examine the matter and ask probing questions about how inertia in bureaucratic processes can go unchecked for so long, causing so much uncertainty, with so little logic. Even when it is apparent, as it is today, that it strikes against the structure of the national NHS strategy, implemented through STPs, it was paused, not cancelled.

I have seen something in the past few weeks that does have congruence with the national strategy and does have the support of local people. It is a plan that was put together by Bedford Borough Council. The mayor and I disagree on many things, but he has done a first-class job with councillors from all parties. I want to make particular mention of Councillor Louise Jackson, the Labour councillor for Harpur ward, and Councillor John Mingay, the Conservative councillor for Newnham. They put together a plan that drew in the resources of PwC, which had done a similar review of Tameside. They specified something that could happen and work for their hospital and their community, and then gave it to the STP and to the national process for evaluation. It is a plan that the people of Bedford can get behind. It is certainly a plan that carries my support and the support of all local politicians and the Minister for Community and Social Care, my right hon. Friend the Member for North East Bedfordshire (Alistair Burt).

The future of Bedford hospital is strong and positive. It wants to change and to meet the challenges set by NHS England. The most important thing that we have to look after as Members of Parliament is the health and wellbeing of our constituents. Our interests are in their wellbeing, not in any institution, and in patients' futures. People must be able to expect the right level of quality services in A&E, paediatrics and maternity to be available in their local community in a town the size of Bedford, which is growing at a rate. The hospital has such deep connections with the community and such strong charitable support, and there has been such positive action even during this period of doubt and uncertainty. I hope that the Minister will reflect not only on the national impact, but on his ability to bring that period of doubt and uncertainty to an end.

6.23 pm

The Parliamentary Under-Secretary of State for Health (Ben Gummer): I thank my hon. Friend the Member for Bedford (Richard Fuller). As a fellow Member of Parliament for a county town with distinct and important interests, I recognise his campaigning work. I know the pleasures and vicissitudes of representing a town such as Ipswich or Bedford and can see why he feels so passionately about this subject and why he continues to fight for the good of his hospital.

It is no wonder that Bedford hospital is held in such affection and high regard by the people of that town. It was founded in 1803 by Samuel Whitbread with a bequest of £8,000, which was not inconsiderable at the time, and three physicians—if only we could provide healthcare on such limited means now. That long history has clearly placed the hospital at the heart of the community. I can quite see why the charitable and community efforts that go into the hospital are so considerable.

My hon. Friend is right to point out that Bedford hospital is classed as requiring improvement by the Care Quality Commission. Although the CQC recognised

that there were areas that were good and, most importantly, that the hospital was good at caring for patients, significant areas required improvement. I know that puts it with the majority of hospitals in this country, but it does not put it in a good place. The point of having these scorings by the CQC is to ensure that we can measure progress, so that hospitals across the country improve and become better at what they do.

All of us agree that the current quality of care provided at Bedford, as with other hospitals that require improvement, is not good enough and that something needs to be done about it. I know that my hon. Friend has not shirked that responsibility. In his speech, he made it clear that there are areas of clinical care, which are currently provided outside the county, that need to be provided because of the nature of the change in medical technology. They are provided outside the county because of the need to have clinicians doing work on a regular basis, which they cannot given the relatively limited population base. My hon. Friend's hospital serves about 280,000 people, which is a small population for a district general hospital. Therefore, it is impossible for it, as it is for my own hospital, to provide the full panoply of services. That means that, in the future, the kind of services it provides will change. I hope—and this is the intention of NHS England—that, in some areas, it will increasingly do more of the work that was otherwise done at a regional level and that we will begin to see services in Bedford hospital that have not been provided there before.

By the same token—to take one particular clinical example—I imagine that the advance of stroke medicine will mean the establishment of major stroke centres, as we are seeing in London. The new technologies, which are currently very little used in the NHS, will require investment of a kind that we have never before had in stroke medicine, and that will have implications across the country. We must be honest about that, because it will require moving services so that people can have access to better treatment and therefore a higher likelihood of their lives being saved.

My hon. Friend is also right to say that the hospital has a deficit. Many hospitals in the NHS do so. Some manage their finances better than others, and there is a close correlation across the NHS between those hospitals that run their services well and those that run their finances well. The hospitals that are scoring outstanding ratings from the CQC are the ones that run their finances best. Those that cannot run their hospital well and are classed inadequate are those with the biggest financial problems. Given the fact that there is a standard formula across the country, that is to do with the internal management both by clinicians and managers, and not to do with differences in funding.

Clearly, there are issues with the quality of care at Bedford, and the future will be secured at that hospital only if, like other district general hospitals across the country, it can evolve, change and respond to changing medical technology and best practice. It also needs to provide new and additional services and to play to its strengths. One particular strength that I wish to highlight, because it is fantastically provided in Bedfordshire as a whole, is end-of-life care. It is noticeable that it was rated good by the CQC and clearly plays a part in the system-wide approach to end-of-life care, which I have held up to people across the country as a symbol of how to get it right, rather than wrong.

I will have to disappoint my hon. Friend in this regard: I cannot comment on the specifics of the reviews. There are two reasons. First, reconfigurations do not concern the Department. They are to be done locally; that is the point of reconfigurations. I will talk about the generality of that later, but I cannot direct one way or the other how that reconfiguration should happen.

I completely understand my hon. Friend's frustration. He has been let down, and his community has been let down. This has been going on for far too long—its current phase goes back to the mid-2000s. That is not acceptable. There is one thing worse than making a bad decision or a mediocre decision, and that is putting off making a bad or mediocre decision and putting everything into chaos in the meantime—something on which we can reflect on a larger scale at the moment. If we do not move forward with proposals, we are not changing the hospital in the way that it might need to be changed or responding to changing circumstances. That means that in the end we create greater instability, and instability itself is a bigger problem for the hospital that might or might not remove one or two services.

That is not to say that I endorse whatever plan comes out from the joint committee, or to say anything otherwise, but I am absolutely determined that reconfigurations, as they happen around the country—and continue to happen through the NHS—should abide by the principles of reconfiguration. They should be independent, they should be clinically led and they should reflect the full gamut of clinical opinion across any area. They should be cognisant of the wider interests of the NHS; it is not right to be able to reconfigure something that has detrimental effects on neighbours. That is how our system works. They should also be expeditious, and this is where we have singularly failed over the whole history of the NHS. People hang around, they do not make decisions, they vacillate, and consequently when decisions are made they are often out of date, even if they are right.

This is where I hope that the STP process correctly identified by my hon. Friend will help. The chief executive of the NHS, Simon Stevens, has made it absolutely clear that we need to ensure that we have consistent, rigorous plans that have the agreement of the central bodies but are locally driven, that have the buy-in of all the local organisations involved in healthcare and that actually happen, so that they will happen within the period of the five year forward view, into which we are 18 months advanced already. That is why, whatever happens, the joint committee's report needs to work with the STP when it is eventually published and agreed. The two need to work together; we cannot have two separate plans. It will be impossible to do that, and that goes for the situation across the country. We cannot have one plan that is not reflected in the STP.

I would encourage my hon. Friend to continue his hard work and that of his council to influence how the STP is formed and to bring maximum pressure to bear to ensure that it reflects the wishes of local people, so that the STP is something into which everyone can buy and so that it is realisable.

I want to reflect quickly on the generality of mergers. My hon. Friend spoke about the relationship with Milton Keynes. Again, it is not for me to make a determination on whether that is the right or wrong thing, but the whole NHS needs to get out of the rut of

[Ben Gummer]

feeling that mergers can happen only between two neighbouring places. Often, it is the right thing to do, but being neighbours does not always make it the right thing to do. I would be as happy to see a relationship between Bedford hospital and another outstanding hospital elsewhere in the country if that was the right thing for Bedford.

Realistically—this is the same for my hospital as for others—we will have to see scale, not only so that we can better manage overhead costs but so that we can spread good practice, which is something that the NHS has been terrible at doing throughout its history. Some of the experience of the emerging chains elsewhere in the country—I point my hon. Friend to the work of Sir David Dalton at Salford royal hospital and the remarkable work done by Jim Mackey at Northumbria NHS trust—shows the advantage of creating partnerships, which would secure Bedford's future and ensure that Samuel Whitbread's original vision lives on into this century and therefore into the third century of the hospital's foundation.

I thank my hon. Friend for bringing these important local issues to the attention of the House. I share his frustration. He is right in his analysis that this has taken too long. None of us in the House is able to determine the clinical adequacy, or not, of the plan as it emerges, but I impress on local commissioners and NHS England that we must ensure that a plan is agreed locally as quickly as possible and just to get on and do it, so that we stop this indecision and vacillation, which has clearly caused local people in Bedford such concern over so many years.

Question put and agreed to.

6.35 pm

House adjourned.

Westminster Hall

Tuesday 28 June 2016

[Sir Edward Leigh *in the Chair*]

Human Rights in Iran

9.30 am

Dr Matthew Offord (Hendon) (Con): I beg to move,

That this House has considered human rights in Iran.

It is a great pleasure to serve under your chairmanship, Sir Edward. I am very pleased that this debate was selected. I am grateful to have the opportunity to discuss the alarming and deteriorating human rights situation in Iran, which has been overlooked recently. This is matter of great importance to many Members, and I am pleased that Members from all political parties in the United Kingdom are here this morning.

For the past two years, discussions about Iran have focused on the country's clandestine nuclear programme and the international concern over its purpose. I regretted Her Majesty's Government's decision to decouple Iran's human rights abuses and support for terrorism from the nuclear negotiations. I believe that that was a lost opportunity, and that doing so sent the wrong message to Iran.

Figures announced by Iran's state media and verified by international non-governmental organisations reveal that more than 2,400 people, including many juveniles and women, have been executed in Iran under Rouhani's three-year tenure. Last year alone there were 966 executions—the highest number in the past two decades. According to the UN special rapporteur for Iran, Dr Ahmed Shaheed, the number of executions was roughly double that of 2010, and 10 times that of 2005.

In July 2015, the deputy director of Amnesty International's middle east and north Africa programme, Mr Said Boumedouha, said:

"Iran's staggering execution toll…paints a sinister picture of the machinery of the state carrying out premeditated, judicially-sanctioned killings on a mass scale."

Almost one year later, the Iranian authorities have maintained a horrifying execution rate that is nothing but state-sanctioned murder. There were 73 executions, including many public hangings, across Iranian cities in May. It is clear that no change can be expected; we should expect this horrific trend to continue.

Those figures show that Iran is not only the world's No. 1 executioner per capita, but, according to a recent Amnesty International report, one of the few countries that continues to execute juvenile offenders, in blatant violation of the prohibition of the use of the death penalty against people under the age of 18 at the time of their supposed crime. Repressions of these contraventions are enforced by the Iranian Revolutionary Guard Corps and its civic unit, the Basij force, with the active support and encouragement of the Rouhani Government. The law in Iran allows girls as young as nine to be executed for crimes or to be subjected to forced marriage to much older men. That is unacceptable by any international standard, and it is more worrying when one considers the barbaric punishments handed down by Iran's judiciary. As Iran seeks greater integration with the international community, it is appropriate that we remember those harsh realities. Amnesty International said:

"The surge in executions reveals just how out of step Iran is with the rest of the world when it comes to the use of the death penalty—140 countries worldwide have now rejected its use in law or practice."

Today, there are those who argue that those abuses are efforts by the hardliners in Iran who control the security organisations and the judiciary to undermine the moderate Rouhani's reform-minded Government, who seek a more open relationship with the world. I reject that view. Such an assessment fails because it suggests that there are more powerful forces in Iran than the President, which, in turn, means that Rouhani's position is merely symbolic and that he is thus incapable of initiating reforms. Most importantly, it ignores the fact that neither Rouhani nor his Government have ever publicly condemned and distanced themselves from executions and the use of public hanging. On the contrary, Rouhani has explicitly supported the use of the death penalty. In a speech in April 2004, he described executions as the enforcement of "God's commandments" and

"laws of the parliament that belongs to the people."

Those comments show that Rouhani's views on executions and human rights abuses converge with those of the Supreme Leader and the judiciary. In addition, they expose the fact that there are no forces inside the current ruling theocracy that want to abolish the use of execution and arbitrary arrests. That comes as no surprise to many of us who recognise the real problems with Iran. One should remember that the notion of a moderate force emerging from within the regime is not a new phenomenon. That illusion emerged during the Khatami era in the late 1990s when a policy of appeasement with Tehran based on incentives and economic interests was proposed.

Mr Mark Williams (Ceredigion) (LD): I congratulate the hon. Gentleman on securing this debate. What he is saying is backed up by what happened to Mr Mousavi in the green revolution. Although he was no great reformer, there were glimmers of hope, and they have been dashed. I think that that gentleman is still under house arrest.

Dr Offord: The hon. Gentleman is absolutely correct. I pay tribute to the work that he undertakes on this important issue; he attends conferences in other parts of the country. He is correct to say that there have been people who were considered reformers, but whose efforts have been dashed and whose activities have been curtailed, and they have not been able to provide any kind of glimmer of hope. I will talk more about that later in my speech.

In the month after the nuclear deal, there was a wave of arbitrary arrests of human rights defenders, union activists, dissidents, journalists and dual citizens on bogus national security changes, based on propaganda. I will highlight three cases in which the victims received long prison sentences and are under severe pressure by the Iranian authorities in prison. Mr Saleh Kohandel was arrested in 2007 and sentenced to 10 years in prison for supporting Iran's democratic opposition, the People's Mujahedin of Iran. His crime was to support a vision of

[Dr Offord]

a free and democratic Iran, where torture and capital punishment is abolished. In a letter from the prison in May, Mr Kohandel wrote:

"My only crime, in their view, are my political activities, and for this reason I have on many occasions been transferred to the Ward run by the Intelligence Ministry and spent months under torture in solitary confinement."

Another case of grave concern is that of Mr Jafar Azimzadeh, a labour activist who has been on hunger strike for nearly two months in Evin prison. He has been protesting against his unjust imprisonment and the suppression of ordinary workers, including the non-payment of their salaries. Mr Azimzadeh's life is at serious risk, as his condition is deteriorating every day. Just last month, the judiciary in Iran sentenced the human rights defender, Ms Narges Mohammadi, to 16 years in prison. According to reports, she has been detained and denied her medication—a necessary treatment—as a means of torture.

Those three political prisoners and prisoners of conscience are at risk of losing their lives in prison if the international community does not intervene to secure their release. In fact, their condition is so serious that a group of UN human rights experts, including the UN special rapporteur on Iran, recently denounced the denial of adequate medical treatment to political prisoners as unacceptable. They said:

"The condition of several prisoners of conscience with serious health problems has been exacerbated by their continued detention and by repeated refusals to allow their access to the medical facilities and treatment they so urgently require."

Mr Alistair Carmichael (Orkney and Shetland) (LD): The hon. Gentleman is making a very measured but highly compelling case. He is absolutely right to highlight the position of those who are, as he puts it, prisoners of conscience and political activists. For many in Iran, it is not necessary to challenge the state, other than to hold one's own beliefs. I bring to his attention the position of the Baha'i community in Iran. In Golestan province, something in the region of 32 Baha'is have been arrested and sentenced collectively to 238 years' imprisonment.

Dr Offord: I am very grateful for that intervention. I did not intend to cover that issue, but I am aware of it. I have received representations from the Baha'i community about the repression and human rights abuses that they face in Iran. I am covering a lot of issues as it is, so I am grateful that the right hon. Gentleman put that on the record.

Those politically motivated arrests occurred in parallel with a series of arrests of women and youths for mal-veiling, posting indecent photographs on social media, and inciting and encouraging others to commit breaches of public decency. Such examples demonstrate the arbitrary character of charges against ordinary citizens in Iran, regardless of faith, which, together with the high number of executions, has no other purpose but to intimidate and to create an atmosphere of fear in society.

In January, the US Secretary of State, John Kerry, who has had a great deal of interaction with Iran, spoke in Davos about that, the activities of the Islamic Revolutionary Guard Corps and, specifically, the effect on finance and resources of the lifting of sanctions:

"I think that some of it will end up in the hands of the IRGC or of other entities, some of which are labelled terrorists to some degree".

The IRGC consists of the people who reinforce the law within the country, and many describe it as not only a revolutionary force but a direct arm of the state. That is of great concern, in particular given Rouhani's remarks:

"The IRGC has always been a pioneer for solving the crises of the country. Today the IRGC is not only responsible for the country's security, but also for the security of the countries that need Iran's help, and it is courageously present in all those scenes",

as I have described. Under the constitution, the IRGC and its various units are tasked with

"defending and exporting the Islamic Revolution",

as defined by the ruling theocracy. Sadly, however, the IRGC is to be the main beneficiary of the billion dollars in sanctions relief promised to Tehran under last year's nuclear deal.

On 8 May, in a speech to the members of the security forces, Supreme Leader Ali Khamenei expressed fright about social discontent and the possibility of popular uprisings in the country, calling for further repressive measures—just as the IRGC were to receive more funds from the Rouhani Government under the current budget.

Mike Freer (Finchley and Golders Green) (Con): I congratulate my hon. Friend on securing the debate, and I pay tribute to his work in representing the Iranian community in north London.

Many of us were encouraged to support the lifting of sanctions in order to see a thaw in the repression of the regime. Given the acceleration in the use of the death penalty, the continued persecution of women and minorities, and the crushing of the opposition, however, does my hon. Friend agree that we have been duped?

Dr Offord: I am cautious about responding, because I believe that the Minister and the Government sought a solution with the best intentions. The Iranian Government did not comply with the agreement or take part in the negotiations in the same spirit, so I am reluctant to condemn the actions of my hon. Friend the Minister, who has worked hard on this—

Mike Freer: To clarify my point, our Government acted in good faith, but the Iranian Government did not.

Dr Offord: I certainly agree with that sentiment. As we have seen in previous negotiations with Mr Rouhani, he did not approach them in the same fashion as our own Government did.

Khamenei described security as a "high priority" for his country, saying that it demanded serious supervision by officials of the security forces, through the

"sound mind, acts and morals of the staff."

He stressed

"providing social and moral security"

for the people. Given such realities, the Supreme Leader's call for more repressive measures should alarm the British Government into reconsidering its policy towards Iran, especially on human rights. Many Iranian experts and human rights activists believe that the domestic repression is an integral part of the ruling theocracy

and its ability to secure its grip on power. I and many of my colleagues in all parties in this House share that assessment.

All politics are local and when the regime carries out appalling atrocities such as public hangings and floggings on a systematic basis, it only alienates and angers the citizens. Surely every Iranian leader understands the benefits of stopping the executions and the boost that such a decision would have for their image globally. Yet the Iranian leaders refrain from such a constructive move and even step up the appalling atrocities, risking an outcry of international condemnation. Iranian leaders, including Rouhani, are shooting themselves in the foot—not because they like it, but because the survival of their theocratic system depends on those actions.

The simple conclusion is that the survival of the ruling theocracy puts Iran's President and leaders in diametric opposition to the interests of millions of Iranians and, in particular, the two thirds of the population who are under 30, trying to overcome repression and dreaming of a free and open society. Our Government's policy on Iran cannot ignore or underestimate those realities, as we have so far under previous Governments. To do so would have severe consequences for the Iranian people, the region and, by extension, our own interest in the region and the wider middle east.

I therefore welcome the Government's serious concerns about Iran's use of the death penalty, as highlighted in the Foreign and Commonwealth Office's corporate report on Iran, published earlier this year. I am encouraged by the fact that the Government recognise that the human rights situation continues to be dire since Rouhani took office, and is worsening in many areas, which is in line with the findings of the United Nations special rapporteur on Iran, Dr Ahmed Shaheed.

I am also delighted that the Government decided to support the latest resolution on Iran in the UN General Assembly's third committee, which criticised the systematic human rights violations in the country. In November last year, Baroness Anelay, in a statement following the resolution, said:

> "Significant concerns remain about Iran's clampdown on some of the fundamental freedoms of its citizens, including freedom of religion and belief and freedom of expression, as well as the increasing number of executions."

I have no doubt that the Government and the Minister will agree that the time for concrete and verifiable improvements in Iran, especially on human rights, is long overdue. We want to see such improvements achieved by the Iranian people, because they would be in our interest. On that issue, we are on the same page and, I suspect, many colleagues will concur with Baroness Anelay that it is time for words to be translated into actions. As such, the UK, given its permanent status on the UN Security Council and its strong voice at the UN Human Rights Council can and should take the lead on the international scene in order to secure the concrete actions called for by the FCO with regards to advancing and promoting human rights in Iran.

Sir Roger Gale (North Thanet) (Con): I have listened carefully to what my hon. Friend has said, in particular on the lifting of sanctions. Is it not the case, however, that in reflecting the obsession with nuclear arms, we have lifted sanctions against providing funding for the IRGC while gaining nothing in return on human rights? The western world has been made to look very stupid. There is a fine irony in providing funds for the IRGC while criticising and contesting the legitimate claims of the National Council of Resistance of Iran and of the People's Mujahedin Organisation of Iran, both of which are working towards democracy.

Dr Offord: I congratulate my hon. Friend on his work with regard to this cause. As I said, I regret the decision of our Government and of overseas Governments, including that of the United States, to decouple the issues of human rights abuses and Iran's support for terrorism from the nuclear negotiations. I remain concerned in particular about the funding of the IRGC and, indeed, where such funding is then heading. Many of us are aware of IRGC funding activities in support of terrorism in countries such as Syria and Lebanon. That remains a huge concern for the overall peace and security of the middle east. I very much concur with my hon. Friend. I have to say that the present President of the United States was keen to gain a nuclear deal at any cost. I also agree with the Prime Minister of Israel, Benjamin Netanyahu, who said it would be better to have "no deal", rather than "any deal".

Another major concern for many Iranians and, in particular, for many of my constituents are the crimes committed against the residents of Camp Liberty—formerly Camp Ashraf—who have suffered seven deadly attacks. On 29 October 2015, Camp Liberty, north of Baghdad airport and the place of residence of Iranian refugees, was attacked by at least 80 missiles, launched by the Iranian regime's agents. Twenty-four residents lost their lives, and a large section of the camp was destroyed. I am grateful to the Minister, and I wish to place my gratitude on the record: I contacted him after that outrage, and he reassured me that he would provide assistance wherever possible. Camp Liberty remains a great concern for many of my constituents, who have relatives and friends in the camp. The issue of the camp is tied to human rights abuses in Iran, and it is also an international tragedy. The international community should take more action.

In my conclusion, I would like to make the following recommendations to the Government—I look forward to hearing from the Minister on how we can help them to implement and promote policy recommendations. First, the UK should publicly name and shame those Iranian leaders who are known to be responsible for the ongoing atrocities and human rights abuses in Iran and impose punitive measures against those leaders and institutions, such as the IRGC and the Supreme Leader. Those people are committing and encouraging repressive policies.

Secondly, the UK should bring Iran's appalling human rights dossier to the UN Security Council for a review so that Iranian leaders committing heinous atrocities can be prosecuted in international tribunals. That is particularly important, because that establishes justice for the millions of people who are victims of the regime's repression in Iran and reminds the Iranian authorities that they cannot blatantly ignore the recommendations of the UN resolutions—their actions include banning the UN special rapporteur for Iran from visiting that country—without consequences.

Thirdly, the UK Government should make relations with Iran contingent on concrete and verifiable improvements on human rights in the country, including

[Dr Offord]

but not limited to an immediate halt of executions, torture and arbitrary arrests, and the release of all political prisoners. Fourthly, the safety and protection of Camp Liberty residents must be guaranteed until they all depart from Iraq, and there should be support for host countries—especially Albania—in making their relocation possible.

The message to the Iranian regime should be simple: the UK stands with the millions of Iranians who want their Government to act in a civilised manner, not to be a backward-striving theocracy that survives on repression, barbaric punishment and terrorism. I and many of my colleagues from both Houses of Parliament have on many occasions urged the Government to recognise and support Iranian dissidents and activists who are advocating a free and democratic Iran. Those individuals struggle against the current theocratic regime in Iran, despite enormous personal sacrifices and threats to their lives, to establish an Iran where capital punishment, torture and persecution are abolished and prohibited by law. I am grateful to those who have come to the Public Gallery to listen to the debate and who play an active part in that. I pay tribute to them.

Sir Roger Gale: Sir Edward, you have been—and I trust will be again—a distinguished member of the Parliamentary Assembly of the Council of Europe, so you will know as I do that the People's Mujahedin of Iran leader, Maryam Rajavi, has appeared at the Council of Europe on many occasions. At present, she is not allowed to meet here in London with FCO representatives. Does my hon. Friend agree that it would be very helpful indeed if the FCO were to agree to meet Maryam Rajavi here in London, to hear what she has to say?

Dr Offord: Sir Edward, you must think that this debate has been co-ordinated because some contributions from other Members have been on issues that I have not touched on but certainly agree with. I would welcome the FCO lifting the ban on Maryam Rajavi to enable her to come to this country, explain her position and illustrate what measures can be taken to promote peace and security in Iran.

In fact, I will go on to Maryam Rajavi's 10-point plan and its benefits. As my hon. Friend said, Mrs Rajavi presented her plan at the Council of Europe in 2006, which is a time I am sure you will remember, Sir Edward. I would be surprised if any Member of this House or the other House could find any point that they would object to in that plan, which, most of all, includes supporting the commitment to abolish the death penalty, which we all agree with. It also supports complete gender equality in political and social rights and specifically a commitment to equal participation of women in political leadership. Any form of discrimination against women would be abolished and women would enjoy the right to choose their clothing freely. It also includes a modern legal system based on the principles of presumption of innocence, the right to defence and the right to be tried in a public court, the total independence of judges and the ending of cruel and degrading punishments.

Those are just three of the points in the 10-point plan and I will not test the patience of the House by going through them all, but I have no doubt that the Minister, and indeed the Government, want to see those values established and promoted in Iran and the wider middle east. Failure to put Iran's human rights abuses and support for terrorism at the centre of our Iranian policy will only harm our interests in the region and destroy our reputation, simply because such a policy will project weakness and advance the terms dictated by the regime in Tehran. I hope that, following this debate on human rights, we will play our part in ensuring that we help and support the Iranian people to establish these democratic values and principles in their country sooner rather than later. I dare to say that such a policy that backs the Iranian people and their democratic aspirations will have strong support from both Houses, the Iranian people and the Iranian diaspora.

9.55 am

Jim Shannon (Strangford) (DUP): First, may I congratulate the hon. Member for Hendon (Dr Offord) on setting the scene comprehensively for us? As he rightly said, the interventions added to that. As Members would expect, I will speak about two particular groups, the Baha'is and Christians. The Minister will know my stance on these issues, but it is important that we make these points clear in this House.

Iran is the powerhouse and major player in the middle east. It is the leading power in the region, yet there is still systematic oppression of minorities, particularly the Baha'i community. Incitement to hatred has been one of the major tactics used to encourage violence against the Baha'is. The regime has attached extraordinary importance to the demonisation of the Baha'i and turning Iranians against their own compatriots.

The incitement occurs at the highest levels of the Government, including the direct participation of the Supreme Leader, Ayatollah Ali Khamenei. The propaganda has become increasingly imaginative, weaving together a broad and often contradictory spectrum of inflammatory accusations in absurd combinations that attribute every conceivable evil to the Baha'is, including but not limited to espionage for Israel, promiscuity, armed rebellion, cult-like practices, opposition to the Government and animosity towards Islam.

An example of just how effective Government oppression has proved to be is the recent simple visit of Hashemi Rafsanjani's daughter Ms Faezeh Hashemi to one of the seven Baha'i leaders, Ms Fariba Kamalabadi, who was on a five-day furlough. That visit generated controversy in Iran second to none. Such a simple, friendly gesture caused a high-ranking figure to describe friendly relations with Baha'is as treason against Islam and the revolution. He stated that

"consorting with Baha'is and friendship with them is against the teachings of Islam".

We cannot and should not stand idly by and such comments happen anywhere in the world, let alone in such a powerful and influential state. We have members of the Baha'i community here today, and we want to make it clear to them that the House will speak as strongly as we can for them. For too long Iran has been let off the hook, but with a thaw in the heated relations with Iran, now is the time to precondition our relations with the state on the basis that it signs up to and implements values that the United Kingdom and the international community can accommodate.

Back on 21 April I asked the Leader of the House in business questions about the nuclear agreement with Iran, one condition of which was that human rights, including religious freedom, would be preserved and protected. It is clear that that has not been the case, and we will make that point in our contributions today. At that time we sought a statement or debate on the subject, and now we have a chance to have that debate. We look forward to the Minister's response.

We need assurance that there will be religious freedom for all in Iran. Some 1,000 religious prisoners detained because of their faith or minority status are currently in prison in Iran on death row. The regime has gone as far as to appoint a death panel to expedite the implementation of death penalties for prisoners on death row, yet the world remains absolutely silent.

There are 475,000 Christians in Iran, which has a population of 80 million. Iran is No. 9 in the 2016 Open Doors world watchlist of the most oppressive regimes. Converting from Islam is punishable by death for men and life imprisonment for women. There are many people in the Public Gallery from Iran or who have Iranian history, with ancestors and family members out there, and we want to make the case for them on behalf of their and our brothers and sisters in the Lord Jesus Christ.

As I said, converting from Islam is punishable in Iran by death for men and life imprisonment for women. Those considered ethnic Christians, such as Armenians or Assyrians, are allowed to practise their faith among themselves, but ethnic Persians are defined as Muslim, and any Christian activity in the Persian language, Farsi, is illegal. Underground churches are increasingly monitored, which makes some people afraid to attend, and at least 108 Christians have been arrested in the past year. Interrogation methods in prison can be harsh and sexually abusive both to men and to women. Acid attacks on women are, at times, a weekly or daily occurrence. Such blatant, direct and indiscriminate attacks on Christians cannot go on. The UN resolution welcomed pledges by Iranian President Hassan Rouhani on

"important human rights issues, particularly on eliminating discrimination against women and members of ethnic minorities, and on greater space for freedom of expression and opinion."

However, we do not see that happening; indeed, we see the very opposite.

The alarmingly high frequency of use of the death penalty is often mentioned. Iran continues to execute minors, in violation of international conventions. It has also been noted that there have been juvenile executions for offences that are not considered the most serious crimes. There is clear and regular violation and discrimination against Baha'is, Christians and young people, so we cannot let things go on as they have.

The regime has at least 60 repressive institutions in the country, including several types of anti-riot agencies, several for torture and at least 12 others for filtering websites and controlling emails. Not only has the regime in Iran meddled in the affairs of Iraq, Lebanon and Gaza, but it has even interfered with the BBC Persian TV service, which experienced deliberate interference from within Iran from the first day of the 2009 Iranian presidential election.

Iran's abhorrent record and contempt for human rights are not just confined to its own state. It exports those things and attempts to implement them beyond its borders. The evil regime in Iran tries to inflict its poisonous ideas on other countries not too far away. Globally, commentary and discourse on the nuclear deal suggests that Iran is joining the civilized world. That was the hope, but the reality is different. The evidence clearly stacks up to suggest the exact opposite. Iran may be seeing an improvement in its relations with the West, but it is not through commitment to human rights or an improvement in the regime's conduct. We must remember that it is a regime, not a Government or a beacon of democracy. It is a regime that is still, in this day and age, oppressing people within and outside its borders.

Despite the election of a so-called moderate as President, the reality is that the regime remains in charge. Our ally the United States of America lists Iran as a state sponsor of terrorism, and Iran is a sworn enemy of Israel and has repeatedly and consistently ignored UN demands that it curtail the nuclear development needed to build weapons of mass destruction—lest we forget its capability in that regard. As the Prime Minister of our strong and indispensable ally Israel put it, the deal

"reduces the pressure on Iran without receiving anything tangible in return, and the Iranians who laughed all the way to the bank are themselves saying that this deal has saved them."

It is with great dismay that we are having this debate and making such clear statements on behalf of Christians and Baha'is, and others who are oppressed in Iran. Our closest allies are worried; minorities in the region or anyone who dares to speak out live in fear; human rights are out the window; and power is all that the regime seems to have any regard for. We need to keep a much closer eye on Iran and put pressure on it. We need deals that are carried out, and we need to make sure that the commitment to human rights is carried out and that equality exists in Iran as it has not so far. We need to up the pressure on the regime for its inexcusable actions if we are we ever to be able to consider Iran a worthy partner within the international community.

I apologise to you, Sir Edward, and to the Minister and Shadow Minister, for the fact that I must attend a meeting of the Select Committee on Defence at a quarter past 10.

10.3 am

Mr Mark Williams (Ceredigion) (LD): It is a privilege to serve under your chairmanship this morning, Sir Edward. I again congratulate the hon. Member for Hendon (Dr Offord) on securing this important debate on the desperate human rights situation in Iran. Like him, I have attended the annual gatherings in Paris sponsored by the National Council of Resistance of Iran. I draw the attention of the House to my entry in the Register of Members' Financial Interests. At those meetings there are always many opportunities to talk to Iranian exiles from around the world. Perhaps 100,000 people go to those gatherings whose families have direct experience of human rights violations. All too often they have been denied the opportunity to communicate with family at home in Iran, for fear of repercussions; and, indeed, we meet people who have experienced persecution themselves.

The central charge made by all those who have spoken so far, and which will no doubt be made by those who speak later, is that the Tehran Government have completely failed to live up to international obligations on the most

[Mr Mark Williams]

basic human rights. In 2013 Hassan Rouhani was elected—a supposed reformer. I use that word loosely, as I do the word "election", because it is worth remembering that candidates are filtered by the Guardian Council. That was also the story of the 2016 parliamentary elections. They are not free, democratic elections as we know them. Despite the election of a supposed reformer, the situation has continued to deteriorate. According to Amnesty, nearly 1,000 people were hanged in Iran in 2015, as we have heard. That is the highest number of executions per capita in the world, and it has led Amnesty to describe the rate of executions as

"a horrific image of the planned state killing machine".

The UN special rapporteur on Iran recently announced the rate of hangings as the highest for 27 years, exceeded only by the period immediately after the 1979 election and the removal of the Pahlavi dynasty.

A matter of particular concern—although everything we have heard is a matter of concern—is the breaches of the convention on the rights of the child, which was ratified by the Iranian authorities in July 1994. Yes, that was a welcome step at the time, if it meant anything; yet since that ratification there have been 81 identified cases—there is a strong, and I think firm, suspicion of many more—of people under the age of 18 being put to death. I reiterate the point about how the situation is escalating: 24 of those juvenile murders have happened since Rouhani came to power, including the case of Alireza Tajiki, who was arrested at the age of 15 and sentenced to death in 2013 on the basis of confessions obtained by torture in the notorious Evin prison. It was notorious under the Shah, but my goodness it is notorious under the present regime as well. Mercifully, through the actions of NGOs such as Amnesty the execution was postponed 24 hours before Alireza Tajiki was due to be hanged. Another instance was the case of Mohammad Reza Haddadi, sentenced for crimes that, again, he committed at the age of 15. He has spent 12 years on death row, and his execution has been postponed six times.

In the spirit of the belief that freedom of religion is the birthright of all of us, of all faiths, wherever we live, it is wholly appropriate to talk about the Baha'i community. As we have heard just now from the hon. Member for Strangford (Jim Shannon) the regime has a propensity to demonise, through the Government-controlled propaganda machine, the peaceable Baha'i community. In 2015 alone there were some 4,200 articles in the state-run media against the Baha'i community—12 to 13 articles demonising them every day. The unjustifiable sentences of 20 years in Evin prison given to seven Baha'i leaders are now in their eighth years. Their only crime was to be members of the Baha'i faith.

Jobs and business licences are denied to the Baha'i community; members are denied Government jobs in the civil service, and jobs in teaching and law. They are denied any position of influence. The security unit of the public places supervision office—a chilling description—decrees that Baha'is

"may not be issued work permits in a wide range of businesses, including hotels and tourism, the food industry, jewellery, publishing, and those related to computers and the Internet."

In other words, they are left to wither at the bottom of an economic heap in that community.

This has not been an orchestrated debate—far from it—but I would like to highlight the cases mentioned by the hon. Member for Hendon. The imprisoned union activist Jafar Azimzadeh has been on hunger strike for nearly two months in Evin prison. His crime was that he wrote an open letter to the regime's deputy Minister of Labour, expressing concerns about workers' rights. We have heard about the families of the Iranian dissidents in Camp Liberty, such as the political prisoner Saleh Kohandel, languishing in jail because of support for loved ones in the camp. That is a day-to-day reality for Iranians. I have been involved in campaigns for human rights in Iran over the past 11 years, and one of the sadnesses has been the extent to which the media in this country are not mindful of the issues and do not publicise them. There was a flurry of publicity when the green revolution supposedly was happening, which I alluded to in my intervention, but the world media are too quiet on these issues. They need to be highlighted.

The violations will be condemned by everybody in this Chamber. Every year, the United Nations General Assembly adopts a resolution condemning Tehran's human rights abuses and making recommendations for improvement. Every year, those recommendations are routinely ignored by Tehran. There has been talk—indeed, more than talk; there is practical evidence—of Iran being brought in from the cold, but I urge the Minister to continue his work. This is nothing new; he has a sound record on championing human rights around the world, but he must continue to ensure that human rights abuses are discussed in the international arena. They should be discussed, as we have heard, at the UN Secretary Council. Those found responsible for the ongoing atrocities—there is a long list—should be referred to the International Criminal Court, to face justice. Will this Government make improvements in our relationship with Iran contingent on the end of well-catalogued human rights abuses, religious intolerance, executions and torture?

Our approach to Iran should include an active and direct dialogue with opposition groups committed to democratic change and the most basic human rights that should be common to any civilised society. The debate has moved on. I hope the Foreign Office is mindful of that; it should be. When I first came to this House, the People's Mujahedin of Iran was a proscribed organisation. The Foreign Office justified that proscription. That proscription was lifted. It has been lifted throughout the world. People understand that the PMOI and Madam Rajavi are fighters for democratic change. That is what she has said, and it is reinforced by the 10-point programme we have heard about.

Sir Roger Gale: That proscription was, of course, only lifted following a High Court action. It is believed that there is an underlying concern in the FCO that, although proscription has been lifted, in fact, technically it is still there.

Mr Williams: I congratulate the hon. Gentleman on that intervention. He is right. I have said in debates in the past that there is a grudging acceptance by the FCO that the proscription has been lifted. I deeply regret that there has been a reluctance from the Foreign Office to rise to the terms of that de-proscription. One way it could rise to that challenge would be, as we have heard,

to allow President-elect Maryam Rajavi at least to come and talk to the Foreign and Commonwealth Office. It was rather strange when a few years ago, a Committee room was booked in the name of the former Crown Prince of Iran, who came and talked to some of us. We listened to what he had to say about his democratic message, and yet Maryam Rajavi—who has a big mandate from many Iranian people in the country and in exile—has been denied that opportunity. I hope the Minister will reflect on what the hon. Member for Hendon and others have called for, with regard to a visit in the future.

Iran was once labelled "the great civilisation" by one of its former leaders. Closer analysis showed that it was not a particularly great civilisation in the years preceding 1979. If it was not a great civilisation then, my goodness, it is not a great civilisation now. Its people are denied the most basic human rights, and that must change. I think we will have the consensus of this Chamber on that, and I hope that that includes the Minister.

10.15 am

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): It is an honour to serve under your chairmanship, Sir Edward. I congratulate the hon. Member for Hendon (Dr Offord) on securing this important debate.

About three weeks ago, I led a debate here in Westminster Hall on human rights in Saudi Arabia. As I return to speak of the record of another middle eastern country, I am mindful that these past few weeks in British politics have not exactly been our finest moments. Present at that debate three weeks past was the late Member for Batley and Spen (Jo Cox), who was a fierce human rights advocate. I have no doubt that she would have joined us today. She and her family are very much in my thoughts.

Practically all political discourse at the moment is consumed with the implications of the vote to leave the European Union. Our place in the world is shifting and is in a period of redefinition. It is important that we do not just spend the next two years navel-gazing. As the United Kingdom—or some of it—exits the EU, it must do so with a clear vision of where it stands in the world and what influence it will be able to exert on other countries, particularly in the middle east. Preparing for this debate was a welcome diversion from Brexit and offered some real perspective on what has otherwise been a rather introspective national discussion.

Whatever issues people have with some sections of our media, we are fortunate to have a free press. The Scottish National party has real concerns that freedom of the press remains heavily curtailed in Iran. As a country, Iran ranks the seventh most censored in the world. It is also ranked 173rd out of 180 countries on the world press freedom index. According to the UN special rapporteur's 2016 report, as of January this year at least 47 journalists and internet users have been imprisoned in Iran. According to reports from Freedom House, journalists are routinely arrested and imprisoned for propaganda against the state and acting against the Islamic republic.

Article 9 of the universal declaration of human rights states:

"No one shall be subjected to arbitrary arrest, detention or exile."

However, that appears to be exactly what is happening in Iran to those who disagree with authorities. Differing opinions are silenced, with incarceration used as a gag. I will stop short of mentioning specific cases today, but I hope that the Minister will inform us of what recent representations have been made to Iran regarding freedom of press and those who find themselves imprisoned for their journalism.

The troubling nature of Iran's repressive policing of the press forms part of our wider concerns relating to human rights in general in Iran. The rights to freedom of expression, association and peaceful assembly are similarly inhibited. According to the October 2015 report of the UN special rapporteur on Iran,

"the judiciary continues to impose heavy prison sentences on individuals who peacefully exercise these rights."

In a report earlier that year, the UN Secretary-General expressed concern at the shrinking space for human rights defenders, who continue to face harassment, intimidation, arrest and prosecution.

Freedoms are being oppressed not only on the streets but online. Amnesty International reports that the Iranian Ministry of Communications and Information Technology has announced the second phase of intelligent filtering of websites deemed to have socially harmful consequences, and arrested and prosecuted those who used social media to express dissent. In June, a spokesperson for the judiciary said that the authorities had arrested five people for anti-revolutionary activities using social media and five others for acts against decency in cyberspace. Amnesty International also reported that three opposition leaders remained under house arrest without charge or trial, and that scores of prisoners of conscience continued to be detained or were serving prison sentences for peacefully exercising their human rights, including journalists, artists, writers, lawyers, trade unionists, students, activists for women's and minority rights, human rights defenders and others.

According to the Amnesty International 2015-16 report, the Iranian Parliament had debated several draft laws that would further erode women's rights, including a Bill to increase fertility rates and prevent population decline, which would block access to information about contraception and outlaw voluntary sterilisation. Even more worryingly, Amnesty reported that women and girls remained unprotected against sexual and other violence in Iran, including early and forced marriage.

The human rights situation in Iran continues to cause the Scottish National party deep concern. When our parliamentary delegation, led by my right hon. Friend the Member for Gordon (Alex Salmond), visited last December, it raised the issue of human rights at every opportunity and in every ministerial meeting with Iranian authorities. I will leave it to the Minister to give us more information today about similar recent efforts from the Foreign Office.

Now that Iran has taken small steps to return to the international community, it must address and take firm action on those grave human rights issues. That will not happen overnight, but only with constant effort and mature engagement and dialogue.

10.21 am

Sammy Wilson (East Antrim) (DUP): It is a great pleasure to serve under your chairmanship, Sir Edward, and to congratulate the hon. Member for Hendon (Dr

[Sammy Wilson]

Offord) on securing this important debate. Many of us will have had this issue drawn to our attention in our constituencies, and I thank the many individual Christians, church groups and members of the Baha'i faith in my constituency for bringing their concerns to the fore. Of course, some of the tireless campaigners we run into almost on a weekly basis here in the House of Commons are in the Public Gallery listening to the debate. They continue to highlight the issues that concern them about the treatment of people in Iran.

I am not going to go over all the grievances that have been highlighted today. Suffice it to say that we have heard about the range of human rights abuses by the Iranian regime not just against minorities but against the majority of the population. We have heard about the abuses and restrictions on women, the restrictions placed on people who hold religious views that the regime does not agree with, and the actions that are taken against those people. They include everything from systematic discrimination in work, employment, education and even their social activities to the increased use of the death penalty, and those of us who live in a society as free as ours find the idea of the public mutilation of individuals who happen to have fallen foul of the regime incomprehensible.

I do not want to go through the details of individual cases, many of which have been drawn to my attention by constituents, or the catalogue of cases that have been well documented in this debate, but I want to raise some issues with the Minister. Given the number of times he has answered questions on the matter in the House of Commons and the responses that we as constituency representatives have received from him, I have absolutely no doubt that the Government are committed to dealing with this issue. However, I am not so sure that that commitment has not sometimes been held back by political reticence, because of the impact that it may have on other dealings that they wish to have with the Iranian regime.

I note the terms used so many times in answers that the Minister has given in the House. They are things like "We have made the strength of our opinion known," "We have made strong representations," "We have made clear to Iran," and "We have repeatedly called on the Iranian Government". All that is fine, but one thing we must learn from dealings with the Iranian regime is that the only time that it really began to engage was when it was being hurt by sanctions and by actions that had an impact on it.

I therefore have a number of things to say to the Minister. By all means make representations and highlight abuses, because official reports from the Foreign Office and so on have an impact, and of course raise these issues in the international bodies of which we are members. Despite what has been said about the Brexit debate and everything else, we still have influence in the world and it is right to use it, but that influence will be effective only if words are accompanied by actions, and I would like to see our Government doing a number of things.

First, as has been mentioned, the human rights abuses are well known and the people behind them have been identified. Surely we ought to make sure that those individuals are named, brought before the international court and dealt with. Whether they are dealt with in their absence or by being brought before the court, a clear message should go out to them: "You cannot hide behind the cloak of the regime. You as individuals will be held responsible, and we will have no reluctance, regardless of how important you are in the regime and how much influence you have, to make sure that you are dealt with for the way in which you have treated people within your own country."

Secondly, we know that sanctions hurt and are important in stopping the Iranian regime not only carrying out abuses in its own country but spreading its malign influence to other countries. The lifting of sanctions has given the Iranian regime the ability to carry out activities in Syria and other parts of the middle east. We therefore ought to make it clear that despite the nuclear deal, there are other issues that concern us. Just as sanctions were imposed because of Iran's dealings and actions on the procurement of nuclear weapons, sanctions can be used if human rights abuses are not stopped. That clear message must go out when we warn Iran against actions such as it is engaged in at present.

Finally, a clearer message needs to be sent out to the Iranian regime that our Government are prepared to have the closest possible relationships with the opposition groups that we believe have the capability to generate internal opposition to the Iranian regime. We should learn from experience that trying to change a regime without building good relationships with those who may replace it in future can leave a vacuum, which is sometimes dangerous. Such relationships would be another clear message to the Iranian Government that regardless of how annoying or embarrassing it is to them, we will be prepared to work with, deal with and encourage those who are opposed to them. I would like to hear the Minister's response to those points.

10.29 am

Dr Philippa Whitford (Central Ayrshire) (SNP): It is an honour to speak in this debate. I congratulate the hon. Member for Hendon (Dr Offord) on securing it because the subject really needs to be explored.

A lot of us—particularly those of us in Scotland—were very positive when Hassan Rouhani came to power in 2013, because he studied in Glasgow and we expected him to have a more balanced western approach. He pledged to improve human rights, and he probably contributed in that the nuclear deal was struck last year. Unfortunately, the human rights side has been bitterly disappointing and, if anything, things have got worse. As the hon. Member for Hendon mentioned, almost 1,000 people were executed last year, which suggests that the number is climbing, not decreasing. Two thirds of those executions were for drug offences, which—under international law—we would not consider to merit the death penalty.

I would particularly like to speak about the laws against women. If half the population are considered subhuman, as Ayatollah Khomeini defined women in 1979, there is no chance of having decent human rights for any other group. Women do not have equality. They are considered half the value of a man when it comes to inheritance and to giving witness. If a man murders a women, the victim's family have to pay half the blood money. That is an incredible approach to women.

There are laws against women. If a women does not carry out her nuptial duties, her food, accommodation and money can be withheld. Her husband can stop her working and he can divorce her at will. It goes on and on. Thousands of women have been executed since 1979 and, as was touched on previously, Iran has no qualms about executing people under 18. A point that was not mentioned is that the legal age for executions is 15 for boys but just under nine for girls. That means that a girl approaching nine could be executed, so can be pushed into forced marriage. For boys, it is 15. It is appalling to allow the execution of anyone under 18—obviously, we believe that execution at all is ridiculous—but there is an imbalance.

As well as laws, there are day-to-day attacks on women. Wearing the hijab has been compulsory since 1979, and it is a daily removal of women's choice. Family planning has not been funded since 2012 and, as my hon. Friend the Member for Rutherglen and Hamilton West (Margaret Ferrier) mentioned earlier, there has been discussion of a law to forbid family planning, in order to increase the population.

In 2014, a law was passed to give impunity to vigilantes who attack women not considered to be wearing a suitable hijab. Shops, restaurants and taxis are advised to refuse those women service. It filters through women's entire daily lives. They have no protection from domestic abuse or being battered by their husbands. When a women steps out in the street, she will be intimidated by the entire population. What chance do any smaller groups have?

I have challenged the Minister and the Government in the past on our relationship with Saudi Arabia, given that country's behaviour—executing or mutilating people. We tend to admonish Saudi Arabia or express our discomfort and disquiet at such actions. We need much stronger action than that, particularly with Iran, or we will never get it to mould into or become a decent, balanced society as it comes to join the west. As part of stronger action, we must support the opposition and push for democracy in Iran.

10.33 am

Fabian Hamilton (Leeds North East) (Lab): It is a privilege to serve under your chairmanship, Sir Edward, in a debate that is important, timely and takes us away from our own concerns about our future in the European Union to look at something that is, in many ways, much more profoundly important to millions of people suffering from such a brutal regime as that which exists in Iran today.

We are all grateful to the hon. Member for Hendon (Dr Offord) for securing the debate and I congratulate him on his opening speech. He reminded us that 2,400 people have been executed under President Rouhani's regime since 2013, and that the numbers have doubled since 2010 and increased tenfold since 2005. That is an appalling record of state-sanctioned murder, which, as the hon. Gentleman said, makes Iran the world's No. 1 executioner per capita. As Member after Member has pointed out, the record of execution of minors—people under 18, who we would regard as children under our legal and other legal systems in the west—is truly appalling and shocking.

Less than 10 years ago, I was privileged to meet Shirin Ebadi, the great Iranian Nobel laureate—a woman who stood up for her nation and who is an expert in not only legal systems, but the laws of her country, including sharia law. Indeed, she can out-argue many of the so-called sharia experts in her country on their own terms. Yet, because she is a woman, she was sacked in 1979, and she has been harassed many times by the regime for speaking her mind.

Shirin Ebadi told us—a group of MPs from the Select Committee on Foreign Affairs—the story of a young courting couple, who were aged over 18 and were caught holding hands in a park. They were unmarried and not related, so they were arrested. A few days after the arrest of their daughter, the parents of the young woman received a call and a visit from the police, saying, "Please come to collect the body of your daughter. She has, in shame for what she has done, committed suicide." In fact, as was discovered through the post mortem, she had been brutally attacked by the prison guards. She was thrown to the floor, hit her head and died of a brain haemorrhage.

The young woman's parents engaged Shirin Ebadi, as an expert lawyer, to try to argue the case that their daughter had been inadvertently murdered while in custody. Through their grief, they had to endure their lawyer being accused of all sorts of crimes. The regime brought up an ancient case of Shirin Ebadi not defending a man—an Iranian citizen—who had been refused a degree by a university in the UK. That was dragged up, although it was completely irrelevant to the case. The justice that those parents deserved for the death of their child in custody—for the crime of holding hands with a boy in a park—was never resolved. No justice was ever given.

I tell hon. Members that story because it is an example of the appalling abuse of human rights that Iranian citizens have suffered since the 1979 revolution. Many of us who are old enough to remember that revolution remember the brutal regime of the Shah of Iran—Pahlavi—and the way he abused and brutalised the population simply for speaking out. But is the current regime any better? In many ways, it is far worse than a regime that was condemned the world over for its brutality.

Iranians are some of the best educated people in the world. Given what the hon. Member for Central Ayrshire (Dr Whitford) said about the treatment of women, it is an irony that women in Iran have some of the best higher education results in the world and some of the highest attendance rates and qualifications, yet they are treated as chattels and second-class citizens.

On my visits to Tehran and Isfahan, I came across many people who were dismissive and disdainful of the regime while living in fear of it, but also had a huge thirst for knowledge and education. To my amazement, they regularly listened to the BBC World Service even though that was perhaps illegal, and certainly frowned upon. Their knowledge of the English and French languages was gained from listening to the BBC World Service. Their thirst for talking to foreigners and people from the outside world was huge, as was their engagement. Iran could be a great ally of the rest of the world, and until recently it was one of the world's most civilised countries—one of the world's greatest nations—in terms of its culture, art, architecture and music. Iran is an

[Fabian Hamilton]

extraordinary, uplifting and wonderful place, but it is spoiled by the appalling regime that its people have to endure.

Domestic oppression, as the hon. Member for Hendon said, is important for the ruling theocracy to keep Iran's people under its thumb and to keep the Iranian revolution going. As he said, the UK needs to address human rights abuses in Iran. The hon. Member for North Thanet (Sir Roger Gale) mentioned the lifting of sanctions, which has not delivered an improvement in human rights. We have done a great favour to the regime, but what do we receive in return?

I think it was the hon. Member for Hendon who suggested that we should prosecute the officials who have carried out such blatant human rights abuses, and the Labour party would certainly agree. Relations with Iran should be based on ending torture and executions. The hon. Member for Strangford (Jim Shannon), who is not able to be in his place, made a plea on behalf of Baha'is for us to have a closer eye on Iran and its equality and human rights records. He is a strong defender of religious freedom in other parts of the world, particularly where Christians and other minorities are persecuted for their beliefs, and long may he continue.

The hon. Member for Ceredigion (Mr Williams) made some important points. He told us, as we knew already, that elections in Iran are not free and democratic. Rouhani was not elected in a free and fair election because of the way that the candidates were filtered—certain individuals were prevented from standing because they do not stand up for the Iranian theocratic revolution. He said that breaches of the convention on the rights of the child have been legion. At least 81 children have been executed, which I hope the whole world will come together to decry. He said that freedom of religion is the birthright of all of us, but it clearly is not for the people of Iran. He asked whether the British Government will make our relationship with Iran contingent on an end to human rights abuses, as did the hon. Member for Hendon.

I am grateful to the hon. Member for Rutherglen and Hamilton West (Margaret Ferrier) for her thoughts on my close friend and neighbour, Jo Cox, who fought so hard for an end to human rights abuses and for equality for women throughout the world. The hon. Lady told us that Iran has the world's most censored press, and we hear many stories of journalists being arrested and, worse, tortured and imprisoned simply for publishing criticism of the regime. Without a free media there can be no free society. We are all deeply shocked by the heavy prison sentences given to human rights defenders.

The hon. Member for East Antrim (Sammy Wilson) made an excellent contribution. He said that he has no doubt that the British Government are committed to addressing the issue but that they are perhaps reticent about forging a strong new relationship with Iran in the hope that President Rouhani is somewhat more liberal than his predecessors, which has turned out not to be the case. The hon. Gentleman said that the regime has engaged only when it is hurt by sanctions. We should make it clear that individuals who perpetrate crimes against humanity will be prosecuted. Several speakers have said that we must ensure that those who have perpetrated such appalling human rights abuses are brought to justice under international law.

Will the Minister make it clear whether Her Majesty's Government will amend their policy on sanctions against Iran? Having been to that country and having seen how sanctions can hurt ordinary people, I have no desire to see such sanctions maintained or reinstituted, but we can institute smart sanctions, as they are called, against those individuals whom we hold responsible for abusing human rights. Will he specifically look at Iran's leadership? That leadership is not just the President; there are many centres of power in Iran that contest with each other for supremacy. Will he look at all of them? We have not debated this issue this morning, but it is important because it relates to human rights abuses in Iran—are the Government concerned that, despite Iran's signing of the non-proliferation treaty and the promises that the Iranian Government have made to the rest of the world and the International Atomic Energy Agency, Iran continues to try to weaponise uranium rather than use it to generate peaceful civil nuclear power, as it is obliged under the non-proliferation treaty?

Does the Minister believe that the UK and our European allies—if we still have any—can address the appalling and barbaric human rights abuses that we have discussed today? It seems to the Labour party that we need concerted action from not only the UK Government but from the rest of the world to show Iran that we are deeply concerned about the abuse of human rights and the barbaric executions and punishments handed out in the name of Iran's faith, which many Muslims would reject. Finally, will the Minister update us on the status of the British embassy in Tehran. We have a chargé d'affaires, but are there plans to reinstitute an ambassador?

Sir Edward Leigh (in the Chair): I understand that Mr Grant wanted to say something—I missed him out.

10.46 am

Peter Grant (Glenrothes) (SNP): Thank you very much, Sir Edward. I apologise for any confusion caused by the late changes that we had to make to our intended speakers.

In the interest of brevity, I will not give a full summing-up speech. I commend the hon. Member for Hendon (Dr Offord) for securing the debate, and particularly on making such positive suggestions about what we might do. It is easy to identify, criticise and condemn horrific human rights abuses in Iran, but much more difficult to come up with ideas that might start to make a difference, although perhaps not as quickly as we might like.

We should identify and target individuals who have clearly committed crimes against humanity, as the hon. Member for East Antrim (Sammy Wilson) said. We should also seek to maintain dialogue with anyone in a position of potential influence in Iran who we think is seeking to modernise and liberalise or can be persuaded to do so. I believe that President Rouhani is in the latter camp, but only just. His rhetoric to date has been encouraging, but his actions have been very discouraging. We need to keep up the diplomatic pressure, as well as the informal pressure that my hon. Friend the Member for Rutherglen and Hamilton West (Margaret Ferrier) mentioned.

We must continue to remind ourselves of why we think we have the right and the responsibility to get involved at all. It is because we are talking about human

rights—the rights of all humanity, regardless of where they live, who they are and what they do or do not believe. We have a responsibility to defend those rights wherever they are being abused, even in countries that spend billions of pounds buying weapons and arms from us and that might be developing the means to threaten us directly—some of the interventions in this debate were possibly pointing to that.

Simply because Iran no longer presents a direct nuclear threat to us, it does not mean that we can ignore the horrific abuses it continues to carry out against the rights of its citizens. Possibly the most chilling aspect of today's debate has been the number of Members who have been able to speak about completely separate and barbaric abuses of the human rights of anyone who follows or converts to the wrong religion, who is born on the wrong side of the gender divide or who dares to express a political opinion. We would consider any one of those abuses to be an abomination in today's society, yet they are all happening every day under the Iranian regime.

Finally, we must be careful about getting on too high a moral horse. Many of the human rights denials and violations in Iran that we are rightly condemning now were fairly common practice in these islands not so long ago. It is only 40 years since race and gender discrimination were made illegal, and neither have yet been abolished in our society. Women still cannot genuinely be regarded as being treated with full equality. In my lifetime, someone mentally incapable of understanding the impact of his actions has been executed for murder, and magazines have been prosecuted for blasphemously printing things thought by some Christians to be offensive. Within the lifetime of all of us here, it has been a criminal offence to have sexual relations with someone of the same gender. Although it is right for us to continue to condemn and keep pressure on the Iranian regime, we should do so from a point of view of humility, accepting that some things that we criticise in others were common practice in our own society within our own lifetime.

If anything, that should give us optimism that however bad things are in Iran just now, they can improve. Five years before the East German regime collapsed, I would never have believed that human rights would return to East Germany. There is optimism for Iran, and we should continue to work on it.

10.51 am

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): I congratulate my hon. Friend the Member for Hendon (Dr Offord) on securing this debate, to which important contributions have been made by Members of all parties. It is a sign of the times that we continue to debate these important matters while keeping in tune with what is happening on the ground in Iran.

As usual, there is not enough time to answer all the detailed questions that I have been asked, as I have only 10 minutes. That is always a frustration for a Minister. However, as I have said in the past, I promise to write to hon. Members with more details on specific questions if I cannot cover them right now.

A couple of hon. Members have enjoyed, or perhaps mocked, the wider picture after last week's events. I want to make it clear that Britain's place in the world is undiminished. We are arguably still recognised as the most effective soft power in the world due to our commitment to international aid and our global legacy, not least in the neck of the woods that we are discussing. Our relationship with the Commonwealth is deep, and we are fully committed to NATO. We are the largest military force in NATO, the fifth largest economy and a member of the G7 and the G20. I want to make it clear that our resolve to participate in the world and influence it for the better continues, despite what happened last week.

Whatever negotiations take place—my views on that are clear—we will continue to work with the European Union on matters such as security and Iran. There were two ways of describing the discussions on the nuclear deal, for example: P5+1—the five permanent members of the United Nations Security Council, including Britain, plus Iran—or E3+3. That reflects the fact that countries want to come together to effect change, and not just because they are part of one club or another. Let me make it clear that Britain's commitment on the international stage, not least in the middle east, continues.

We should reflect on the fact that Iran is a proud and long-standing country with influence in the region. Arguably, it sits at the crossroads of Europe, Asia and the middle east, and it has been the location of successive civilisations. It was the stomping ground of Alexander the Great and Genghis Khan, with each civilisation learning from the next. Britain has its own relationship with Iran, developing from the great game and, more latterly, from the period after the first world war. We should remember the longevity of that relationship, as hon. Members have mentioned. There is a relationship to be had with the people of Persia—of Iran—that is different from the relationship with those in charge. That point is worth mentioning to my hon. Friend the Member for Hendon, who gave a powerful speech.

I see the nuclear deal as a generational opportunity to rebalance the relationship with Iran. It is up to us to decide whether to embrace that opportunity or say, "It's business as usual. We do not trust the Iranians. We think they're going to develop a nuclear weapon." The problem has existed for decades, and this is an opportunity to re-engage with Iran. That is the fundamental point.

We are here to discuss human rights, and this debate has rightly painted a bleak picture of where things are in Iran. We will continue to work together, and I am aware that Iran will be listening to this debate.

Oliver Dowden (Hertsmere) (Con): The Minister mentions Iran listening. I urge him once again to ensure that the Iranian regime listens to the case of Mr Foroughi, a very old man detained on spurious charges, and that of Mrs Nazanin Zaghari-Ratcliffe. I know that he has made many representations, but I urge him to do so again.

Mr Ellwood: I thank my hon. Friend for the work that he has done to allow me to meet the family so that we can do what we can, as we do with other difficult consular cases, four of which we are currently very concerned about. The trouble is that they are cases of dual nationals, and Iran does not recognise the dual nationality. That does not prevent us from engaging, thankfully, because our embassy has now reopened. The Prime Minister has written on behalf of my hon. Friend's constituents, and phone calls have been made.

[Mr Ellwood]

There is now a dialogue, which did not exist before the deal, that allows us to pursue such consular matters with a vigour that we could not before.

To focus again on the human rights situation, Iran continues to be of grave concern. Freedom of religion and belief, freedom of expression, women's rights and the justice system all need improvement. As has been said, the number of executions—almost 1,000 in the past 18 months alone—is at a record high, despite President Rouhani's pledge in 2013 to improve the rights and freedoms of Iranian citizens. Unfortunately, progress has been slow, and in some areas things have gone backwards, as has been articulated in this debate. The UK has consistently pressed Iran to improve its human rights record.

Hon. Members rightly asked what we are doing about the issue. We have designated more than 80 Iranians responsible for human rights violations under EU sanctions and helped establish the UN special rapporteur on human rights in Iran, who was mentioned by several hon. Members. We have lobbied at the UN for the adoption of human rights resolutions on Iran. We regularly raise human rights in our dialogue with the country, with Foreign Minister Zarif and President Rouhani. I assure hon. Members that they will also be a focus of our discussions with Iran when we reconvene at the UN General Assembly.

I believe that the approach is balanced. We need continued engagement with the Government of Iran, and developing our bilateral relationship is key to achieving change, but we do not lose sight of the fact that the proxy influence in Baghdad, Sana'a, Damascus, Beirut and Manama continues. That is not the direction of travel of a country that sees re-engaging with the international community as a worthy cause. We challenge it to recognise that if it wants to be seen as participating on the international stage, it must reconsider its involvement and interference in those countries.

Our embassy has been mentioned. It reopened last year and has facilitated visits not only by businesspeople but by the Foreign Secretary. That has enabled the development of stronger ties and candid conversations, whether about Camp Liberty or the Baha'i community. We can bring up such things far more regularly and have frank conversations, many of which are not necessarily always heard about or—I want to make this clear—mentioned in my written answers to questions.

Time is against me, so I will simply say in conclusion that the relationship with Iran, while not always easy, goes back a long way, but the nuclear deal provides a new opening. It is clear that Iran's future security and prosperity are directly linked to its Government's willingness to engage with the international community, but human rights are an essential part of that engagement. We acknowledge that progress will be slow, but it is progress worth pursuing. In step with international allies, we will continue to work with Iran to improve the human rights situation there. I thank my hon. Friend the Member for Hendon for securing this debate, and I hope that we will continue to discuss these matters in the House.

Motion lapsed (Standing Order No. 10(6)).

Chief Constable of Avon and Somerset Police Force

11 am

Mr Ian Liddell-Grainger (Bridgwater and West Somerset) (Con): I beg to move,

That this House has considered the Conduct of the Chief Constable of Avon and Somerset Police Force.

I am very grateful to have a chance to raise this incredibly important issue. I am also very thankful to the Minister for Policing, Fire, Criminal Justice and Victims for allowing me to go on for slightly longer than usual; he has allowed me to talk at some length on this issue because, as I say, it is incredibly important.

There are some very sensitive questions to be asked about the most senior policeman in my neck of the woods and the matter of his appointment; they deserve to be put before Members for consideration. I would never bring such matters to the Chamber if they were not of genuine public concern.

May I say at the outset that I have not had the opportunity to meet our new chief constable, Mr Andy Marsh. Since he is the subject of fresh investigations of alleged misconduct, to which I will refer, he may prefer to keep it that way for the time being. However, I confess that I am so worried about this issue that I have intervened twice in the main Chamber of this House during business questions. In addition, the Chairman of the Home Affairs Committee, the right hon. Member for Leicester East (Keith Vaz), approached me independently about this issue, as the Minister is aware.

A few days ago, believe it or not, I mysteriously received letters from the chief constable and the police and crime commissioner, both of them complaining about my parliamentary involvement and reporting me to the Independent Parliamentary Standards Authority for doing my job. That was a new twist. They wanted me to apologise and to retract what I had said in the House. Was this a cack-handed attempt to intimidate me? I hope not; it is not their role to intimidate me and it is certainly not my role to be intimidated. I am sure that they would much rather that I shut up and leave them alone, but that is something I cannot do, will not do and should not do.

The integrity of the police service is vital. The public rightly expect the very highest standards of probity from all serving officers, and I am doing my job in making sure that those standards are upheld. What worries me is how and why the appointment of this chief constable was made in the first place. To answer such questions, I am afraid that it is necessary to return to some dreadful events that took place a few years ago at a specialist residential school for children with learning difficulties. Sir Edward, I hope you will bear with me.

The school was near Southampton and Mr Andy Marsh was the deputy chief constable of Hampshire at the time. His force launched an investigation into claims of sexual abuse. Shocking allegations were made by some former pupils; stories of the grooming and rape of vulnerable children emerged. Something rotten seems to have taken place at the Stanbridge Earls school. However, despite investigations being carried out by the local authority, Ofsted and the police, nobody was ever prosecuted. That was back in 2011.

Two years later, the story had not gone away; in fact, the number of allegations had increased and there were questions about how thoroughly the police had examined the case. By that time, Mr Marsh had been promoted. He was Hampshire's chief constable and on his watch Operation Flamborough was launched to try to get to the bottom of matters. Had he done a proper job? Were there grounds for disciplinary action against any officers? The investigation lasted eight months, with inquiries in 10 different counties. More than 1,200 documents containing 20,000 pages were reviewed; 79 witness statements were taken; and 172 officer reports were submitted.

However, all that came to nothing. There was no disciplinary action and there were no prosecutions. At that time, Mr Marsh himself was under scrutiny. The rules for complaints against chief constables are different. A commissioner can deal with a matter internally or, if a complaint is considered to be serious, they can call in another police force to investigate.

Hampshire's commissioner asked Essex police to do the digging. There were nine complaints against Mr Marsh, including failure to undertake a thorough investigation into sexual abuse of vulnerable pupils and failure to protect one vulnerable child in particular. It took almost a year to complete the inquiry and on 10 June 2014 Essex police announced that it had found "no grounds to justify" any allegations. Mr Marsh was formally cleared.

Was that the end of the story? I simply do not know. I am not a Hampshire MP; I can only read about this issue in *Private Eye* and elsewhere, just like anyone else. However, what is quite clear—because there were so many references to them on the internet—is that allegations went on being made, and I am afraid they are still being made. No doubt all chief constables make enemies from time to time, but this chief constable seems to have attracted some very determined foes.

I find it hard to understand why none of this seems to have rung any alarm bells whatever in the office of the police and crime commissioner for Avon and Somerset when she hired Mr Marsh. Of course, the "she" in question is Mrs Sue Mountstevens, and it might be helpful for this House and for the record if I provided a little background information on her. She used to be a big wheel in fast food, running one of Bristol's best known family bakeries; Mountstevens made its name by churning out pasties. However, when Mrs Mountstevens inherited the business, she must have changed the recipe. The customers stopped coming, the shops were shut, 300 staff lost their jobs and a century of tradition went down the pan—probably along with the pasties.

However, Mrs Mountstevens wasn't going to let a business disaster stand in her way. She joined the old police authority, did "good works" and founded a team of life coaches offering business advice. Here is an example of her advice from an interview she gave to that indispensable organ of record, *The Grocer* magazine:

> "A great leader is someone who communicates extensively, is prepared to say what she feels when there's a tough decision to be made and admits when things aren't going too well!"

Down at the Portishead HQ of the Avon and Somerset police force, I suspect that they are chuckling about that comment.

Anyway, by the miracle of democracy "the Pasty Queen", as she is known in Bristol, has held the job of police and crime commissioner since 2012. A dismally small number of people—only 14% of the electorate—bothered to vote the first time round, and the second time only 26% of the electorate turned out to mark a cross on the ballot paper. Of course, we all know that the election process for police and crime commissioners is about as thick and indigestible as the crust on a Mountstevens pasty. However, the end result of that process is that very few PCCs are in their job with genuine, widespread public support, and Mrs Mountstevens certainly does not have such support.

On her very first day in the job, Mrs Mountstevens told the old chief constable, Colin Port, that his services were no longer required—"goodbye". Colin Port was gobsmacked. I would like to believe that she fired him for getting the police saddled with South West One, a joint venture company set up with IBM and two of Somerset's councils, which was an absolute and total disaster. To put it crudely, it was half-baked; in fact, it was not even half-baked because it was never cooked. It cost the taxpayer tens of millions of pounds, saved nothing and, as I say, was a disaster.

I learned today that South West One lost so much money that eventually all the participants in it baled out, including Avon and Somerset police force. I am not sure that Mountstevens sacked Colin Port for any sensible reason; I have a horrible feeling that she might have done it out of pique, or because she had a headache, or because she just did not like him. Her management style gives everybody the heebie-jeebies, in particular her high-speed hire-and-fire policy.

Avon and Somerset is now on its third chief constable in three years, and that does not even include the deputies; including deputy chief constables, all together the force has had six chief constables or deputy chief constables in four years, with three chief constables and three acting constables. Whoever steps in to cover the gaps that exist, I think the office of chief constable is the ultimate poisoned chalice. It is hard to keep up with the musical chairs in the Portishead HQ; Colin Port was hardly out of the door before Nick Gargan was pushed in through it. The rules say that Mrs Mountstevens has the right to clunk chief constables in or replace them, and she did those things.

Mr Gargan was a totally different animal to Mr Port, being much more of a modernising, fast-track copper. He was young, clever and—believe it or not—had a love of opera. The old guard probably thought, "Allo, 'Allo. He's not one of us", but he was the first choice of the Pasty Queen, possibly because he was the only serious candidate.

There is an increasing problem—chief constables do not seem to be falling over themselves to apply for the top jobs. Perhaps they think the pay is not worth it or that the responsibility is too onerous; perhaps they will not apply because they cannot be certain of being successful any more. Or perhaps they do not fancy working alongside a particular police and crime commissioner. Now, there is a thought.

Last year, the Chief Police Officers Staff Association carried out a survey of 25 forces. There were five chief constable vacancies, which attracted only 11 applications. Two of the vacancies had just a single candidate. I say to the Minister that that was not so much a recruitment process as a cosy shoo-in, and I know that he does not like that any more than I do. I am afraid the Home

[Mr Ian Liddell-Grainger]

Affairs Committee has already highlighted this issue and I know that the Minister will probably want to address it when he replies to this debate.

Anyway, let us go back to Nick Gargan. He had been running the national Police Recruitment agency after a stint as No. 2 at Thames Valley police. He had never applied to be a chief constable before, but Mrs Mountstevens reeled him in. Gargan was hired to make changes. He favoured a direct entry scheme to allow non-officer staff to take up jobs at inspector or chief inspector level, thereby skipping the lower ranks. That was in line with Home Office thinking, but the Police Federation called it "half-baked". Honestly, I am not inventing these baking references; they have actually been used by others.

As far as I am aware, Nick Gargan was well thought of by officers, but higher up the ladder there were people out to get him. He had served a mere 14 months when allegations of inappropriate behaviour began to emerge. In came the Independent Police Complaints Commission to investigate and he was suspended, but nobody gave any formal evidence against him; it was more of a whispering campaign. The investigation went on for a year and the verdict was that he had showed "flawed judgment", which is hardly a sacking offence; if it was, there would not be any of us MPs left. By then, however, Mrs Mountstevens was getting twitchy. She set up a fresh inquiry, which took ages to decide that Mr Gargan was not guilty of any gross misconduct at all. He was rapped over the knuckles with eight written warnings and it was recommended that he return to work. I don't think Mrs Mountstevens had a clue. She is not bright; she is, in fact, incredibly thick. She did not know how to react. She dithered, and the lynch mob got busy—not edifying in the police.

The Police Superintendents Association asked its members what they thought, and 24 out of 25 of them said that they had lost confidence in Mr Gargan, which unexpectedly provided Mrs Mountstevens—aha!—with the ammunition she needed. Funny that. Could it have been deliberately orchestrated? Perish the thought. After all, it is very unusual indeed—unprecedented in my experience—for a group of top officers to gang up in public and stab their chief in the back. The whole thing appears to have been arranged by Chief Superintendent Ian Wylie, who happens to be head of the standards, culture and ethics department of the Avon and Somerset constabulary. *[Interruption.]* I hear sirens—they are coming to get me. I do not know what ethical standards were being used when Ian Wylie's letter to Mrs Mountstevens damning the chief constable was leaked, but I could hazard a guess—Wylie by name, wily by nature. That is dirty tricks at the lowest level.

And there was more. Out of the woodwork came three former chief constables, all parroting exactly the same criticism of the chief constable. Dave Shattock, Steve Pilkington and Colin Port wrote to Mrs Mountstevens saying that they thought it was impossible for Nick Gargan to return to work. The dithering baker was forced into a corner—not surprisingly. In desperation, she asked Tom Winsor, chief inspector of constabulary, what he thought. Surprise, surprise: Sir Thomas looked at all the letters and concluded that Mr Gargan had lost the confidence of his staff. Nick Gargan is no fool. There was now more mud flying than at Glastonbury, and it was all being chucked his way. He did quit, but what a dismal, appalling way to run a police force—backstabbing, innuendo and downright dishonesty.

Let us come back to Andy Marsh. Just before Christmas last year, Mr Marsh got Mr Gargan's job. There were only two candidates: Mr Marsh, and the assistant chief constable, Gareth Morgan, who had been holding the fort since Nick Gargan had left. Remember, Mr Marsh had already been a chief constable, over at Hampshire, but he has always had a soft spot for Avon and Somerset where he started as a recruit and where he met his wife, Nikki. Sorry, I should paraphrase that. Mrs Marsh is also a senior member of the Avon and Somerset police force. Believe it or not, she is one of the assistant chief constables, and she uses her maiden name of Nikki Watson. Funnily enough, the Avon and Somerset constabulary website states:

"Andy is married with two daughters and enjoys fly fishing, running and rowing."

Elsewhere, it states:

"Nikki is married and has two daughters."

It does not put the two together. She was there when he came back. That is an unusual situation. It may be unique, but in no way can it be called ideal. Mrs Marsh will have to report to another deputy chief constable to avoid conflicts of interest. Once again, the pasty queen has bent over backwards to get the man she wanted. But has she bent too far?

Andy Marsh took up his new job in February. Three months later, he was back in the headlines because of another complaint against him. Mrs Mountstevens said she received a new complaint relating to Andy Marsh's role in investigating the allegations of rape at Stanbridge Earls school in Hampshire. Her instinct was to clear it up quietly with Mr Marsh himself, but the complainant appealed and here we are again. The pasty queen has called in another police force to look over it again. Remember, last time it took a year to clear Mr Marsh's name.

I am not happy with the situation. It was obvious that the accusations were likely to follow Mr Marsh. They may be vexatious; they may be legitimate. That is for the new inquiry to determine, but their hanging in the air does absolutely no good for the reputation and morale of the Avon and Somerset police force. The police and crime commissioner deserves to take the blame for another expensive fiasco and mistake. According to the Taxpayers' Alliance, the cost of running her office is a fifth greater than that of running the old police authority. That is not surprising—she employs 19 people. How can a police and crime commissioner employ 19 people? What are they all doing? Stabbing the chief constable in the back?

I notice that my right hon. Friend the Minister's Department is giving commissioners, including Mrs Mountstevens, new powers to oversee the fire and rescue service. I beg him not to do that, especially in Avon and Somerset. The Fire Brigades Union has called it a "half-baked idea"—I do not know what this is all coming from. Mrs Mountstevens is no Berry; I am not convinced that she could be trusted to run a police canteen. But the point here is simple. Mrs Mountstevens should suspend Chief Constable Mr Andy Marsh, as she did all the others, until the matter has been cleared up.

These are not trivial fly-by-night allegations; they are serious. We cannot pretend that they have not been made. We cannot pretend that they are not current. Why the chief constable is still there is beyond me. I think one reason may be that if he goes it is his missus who takes over—that could make the breakfast table interesting in the Marsh household. I suspect also that Mrs Mountstevens has once again lost her nerve. She does not know what to do. Like I said, she is not bright—I am being generous.

We need a clear understanding of the roles of the police and crime commissioner and the chief constable. In Avon and Somerset the roles are blurred. Avon and Somerset is becoming a police farce, not a police force. I know there are limitations to what the Minister can say—I understand and agree with that, because of the ongoing investigation—but I know that he has heard my words and I am grateful that he has said he will meet me and talk to me about the matter. We need to come to an understanding of the future roles of these people, because unless we do I strongly believe that people in my constituency and across the Avon and Somerset police force area will lose their faith in the police. They need faith in the police. They need trust in the police. The coppers on the ground are damned good. They do a good job. The role of policemen has not changed in 100 years. They are still vital to law and order, to the safekeeping of people and to looking after the wellbeing of my constituents and those of the other Somerset and Avon constituencies. This is a mockery of all. I ask the Minister: please, give my thoughts a fair wind and see what we can do to change the situation.

11.16 am

The Minister for Policing, Fire, Criminal Justice and Victims (Mike Penning): It is a pleasure to serve under your chairmanship, Sir Edward. At this stage of a speech I normally say, "I thank my hon. Friend for bringing the debate to the Chamber". Although it is right and proper that my hon. Friend the Member for Bridgwater and West Somerset (Mr Liddell-Grainger) has done that today, I am enormously restricted in what I can say, as he mentioned. He made a far-ranging speech but I am here, really, to talk about the chief constable of Avon and Somerset police force. I will touch, however, on some of my hon. Friend's points.

Police and crime commissioners—PCCs—are elected, whether on a 1% or a 100% turnout. The public have the right to decide whether to vote for them, vote for someone else, or not vote at all. Naturally, in the early days people did not know what they were voting for, but the turnout has since gone up substantially, in particular when the elections have been alongside local government elections. The next PCC election should be concurrent with a general election—but nothing is perfect in this place, so we do not really know, what with the events taking place around us as we speak. I hope that this Parliament stays for the full term; the PCC election turnout will then be completely different.

What we have done is to place powers—administrative not operational—with an elected person, who is responsible for their community, and it is for them to decide how much they spend. The public can then see the exact details. The process is not opaque; it is very open. That openness is the reason my hon. Friend has been able to comment in the way he has about how many staff there are and how much is being spent.

My hon. Friend is absolutely right that there is an ongoing inquiry. There is a process in place for that, and it is not for a Policing Minister to interfere in or influence that in any way. The allegations are serious and it is important that they are investigated fully.

I saw some of the commentary about my hon. Friend's previous comments on the Floor of the House. This place has privilege, and it is for my hon. Friend to decide the language he uses and what he says in his speeches. In that way, we have the freedom to represent our constituents in the way we feel we should.

The ongoing investigation means that there is uncertainty and I fully accept my hon. Friend's concerns. I also fully accept that, as in the other 43 forces that I am responsible for, the boys and girls on the beat in his area do a fantastic job, day in, day out. It is, as he alluded to in his comments, deeply unsettling that the force has had so many chief constables over a short period of time, but sometimes there are good reasons for that. I will not go into that: it is very much for the PCC and the local community. However, I know what it is like. My hon. Friend and I have both served in Her Majesty's armed forces. If a soldier does not know who their colonel is from one day to the next, it is very difficult to get that feeling of unity running through the system.

My hon. Friend also commented on the number of people applying for chief constable jobs, and the situation is difficult. South Yorkshire is going through a difficult time and is also advertising for a new chief constable. It is an enormously onerous task to be chief constable of a force. In many parts of the country, the political and management skills are as important as the understanding of day-to-day policing, because of how they have to deal with things—I would not have wanted to take on that task. We have opened the job up, however. There are people for and against the direct entry scheme, but it will open up opportunities for people to come through the ranks in so many parts of the police force. The old saying when we were in the Army was, "Dead man's shoes", but that cannot happen now. We need to ensure that people can aspire to and dream of being chief constables, if that is what they want to do. They may want to go into other specialist areas, but it is crucial that we open things up.

The Policing and Crime Bill has passed through this House and will fairly soon have its Second Reading in the other place. It gives powers to PCCs to put forward to the Home Secretary a business plan to take on the administration of the fire service. I have to declare an interest: I wrote a paper some 30 years ago saying that the emergency services must work more closely together and there is no argument about that. The debate we had in Committee was whether it should be a councillor seconded on to a committee and paid a bit of extra money or someone directly elected to do that role. I freely admit that one size will not fit all. If an agreement cannot be reached locally and a PCC or a metro mayor wants to put forward a business plan to the Home Secretary and me—I am the first ever Minister to have responsibility for policing and fire—we would look at that. One size truly will not fit all.

Mr Liddell-Grainger: May I use the Avon and Somerset force area as an example for clarification? Our fire brigade, as the Minister is well aware, comes under Devon and Somerset fire service. We have an elected

[Mr Liddell-Grainger]

mayor in Bristol. The rest of Somerset is not covered. If the metropolitan mayor of Bristol put forward a case to take over the fire brigade, given that we are slightly skewed, that has merit because of devolution. The Minister is well aware of how we are looking at joining things closer together with devolution in Somerset and Devon, but that does not include Bristol or what we call north Somerset, which covers the constituencies of my right hon. Friend the Member for North Somerset (Dr Fox), my hon. Friends the Members for Weston-super-Mare (John Penrose) and for North East Somerset (Mr Rees-Mogg), and a bit of Bristol. How would that devolution work? That is of some interest, I think.

Mike Penning: I said a moment ago that one size does not fit all, and my hon. Friend raises a classic example of that. In certain parts of the country, it is a very simple procedure: there is a fire authority and a police authority—now the PCC—and they can mesh very closely. If that was the situation across the country, I would have a very simple job in looking at all the business plans and coming to some conclusions, but that of course is not the case. Amalgamations of fire services were taking place right up until the responsibility was transferred from the Department for Communities and Local Government into my portfolio.

It is best not to use Avon and Somerset as the only example. Looking at some of the other models that are being talked about—I freely admit that I do not have the business plans on my desk—chief fire officers from some parts of the country have approached me and said, "Our fire brigade is too small. We do not want to be regionalised. We have seen some of the problems that have occurred with the ambulance service being regionalised, but we would be a better administrative functional body if we were a larger fire service. Does that prevent us from being amalgamated? What if a metro mayor takes over?" There is a little feeling of, "If we grow in size, perhaps that will prevent us being amalgamated with the police."

Other areas are looking at whether they can take over the emergency ambulance service, as well as fire and the police. The ambulance service is commissioned by clinical commissioning groups; the money does not come directly from central Government. I have other areas—Merseyside is probably one of the obvious examples when we look at the introduction of metro mayors—where the boundary goes slightly into another area. For instance, the Merseyside boundary goes into Cheshire. What we have said all along is that that is not a game-stopper and that we would work across Government to come to sensible conclusions about the best way to deliver services and emergency services where they are needed.

There is no simple answer to my hon. Friend's points. During consideration of the Bill, we said that it is vital not to look at things in terms of silos or buildings. Using the analogy of a church, it is about a group of people coming together, and not necessarily a building. We always look at churches as buildings. The London fire service looks at fire stations and headquarters, and it is similar with the police service. I have been pushing hard, as we move from a difficult austerity situation, for us to continue to look at how we spend on capital assets. The police services and fire services around the country have extensive assets, and the situation in Avon and Somerset is no different. I have been saying, "If we are going to have a different kind of policing, why could the police station for that community not be based in the local fire station?" It is difficult to put a fire appliance inside a police station, because a 10-tonne truck does not fit so well in the foyer, but it is very easy to do it the other way around and put a police car in a fire station. We have seen that in Hampshire and Lincolnshire and other parts of the country.

That was a very long answer to a simple intervention, but in short we rule nothing out and we have an open mind. We would prefer to have things agreed locally under devolution and localism, but we are pragmatic enough to realise within the Department that that will not happen every time, so sometimes difficult decisions will have to be made by the Home Secretary with some advice from me.

On the specific points to do with the future and the chief constable's investigations, that is frankly not within my remit, and rightly so. We do not live in that sort of society, thank goodness. The PCC was duly elected. Should my hon. Friend feel that the PCC is not doing her job correctly and has brought the force into disrepute, there are mechanisms in place. PCCs are not exempt from disciplinary action. That mechanism clearly has not been triggered yet, and whether it is has nothing to do with me.

Even though I am not skilful enough to have used some of the language and links to the bakery industry that my hon. Friend used, one thing that is important to me as a parliamentarian is that colleagues from across the House have confidence that they can express their concerns on behalf of the public without the worry that they will lose privilege. Parliamentary privilege is important. So many times in the House, I have heard people say, "If I was not a Member of Parliament and I was not in this Chamber, I would not be allowed to say that, even though I passionately believe it is true, mostly because I could not prove it in law or in fact." That principle keeps this democracy sound.

I congratulate my hon. Friend and encourage him to continue expressing his concerns. There is a process in place. It is clearly not for the Minister for Policing, Fire, Criminal Justice and Victims to interfere in that, but I stress that it would be useful and sensible—it might be a difficult meeting—for my hon. Friend to take up the PCC's offer to meet with her and the chief constable, because at the end of the day they are responsible for wellbeing in the constituency.

Question put and agreed to.

11.29 am

Sitting suspended.

Independent Advocates for Trafficked Children

[Mr Gary Streeter *in the Chair*]

2.30 pm

Fiona Mactaggart (Slough) (Lab): I beg to move,

That this House has considered independent advocates for trafficked children.

It is a pleasure to serve under your chairmanship, Mr Streeter.

I was proud to contribute to the Modern Slavery Act 2015. Although I wanted it to include specialist guardians for trafficked children, I was glad to support section 48, which provides for independent advocates to be available to promote the best interests of those children, advocating for them and accompanying them through the many confusing official processes that they encounter. Section 48 benefited from a series of improvements as it passed through Parliament, and the Minister and the Government are to be commended for listening to the concerns and suggestions of Members and responding with positive changes to strengthen the role of advocates.

Let us just stop to think for a moment about the lives of children who have been brought to this country by exploitative criminal traffickers. They are lonely in a bewildering foreign country where they do not speak the language. The person who brought them here may have sexually exploited them or tried to get them involved in criminal activity to recoup the cost of their horrible and terrifying journey. They may be told that if they do not collaborate their families will suffer. They feel scared and abandoned. Some 982 children were identified as having probably been trafficked last year, and we know that there are more who will never come to the attention of the authorities. That is why Kevin Hyland, Britain's independent anti-slavery commissioner, has said that

"it is essential to ensure child advocates are put in place as soon as possible."

However, a year later, section 48 remains dormant on the statute book. More than a year since the Act was passed, and three months after the Minister promised we would be presented with new proposals, vulnerable trafficked children are still without the specialist support that the Act intended to provide. The delay in establishing the scheme is particularly disappointing in the light of the positive evaluation of the trial schemes produced for the Government by the University of Bedfordshire and published in December, which concluded that

"evidence from the trial suggests that advocates added value to existing provision, to the satisfaction of the children and most stakeholders. The ICTA service"—

—the Independent Child Trafficking Advocates service—

"appears to be important in ensuring clarity, coherence and continuity for the child, working across other services responsible for the child, over time and across contexts…This evaluation's main conclusion is that the specialist ICTA service has been successful as measured in relation to several beneficial outcomes for trafficked children."

David Simpson (Upper Bann) (DUP): I congratulate the right hon. Lady on her fantastic work with the all-party group on human trafficking. During my time on the group, there was an issue with consistency in how police services throughout the United Kingdom deal with trafficked children. Has that improved with time or are there still the same difficulties?

Fiona Mactaggart: I do not think we have evidence about consistency, to be honest, but a comprehensive advocacy service would give us that evidence and could also improve consistency. The advocates were able to help children to orient themselves and navigate complex services; to keep trafficked children safely visible to all authorities—we know that is a problem in some areas—to build relationships of trust with the children and with other professionals; to speak up for children where necessary; to maintain momentum in the progress of their cases, including planning for their future; and to improve the quality of decision making in those cases. The children in the trials who had an advocate felt more secure and supported than those who did not. In the words of the report,

"when an advocate was involved in their life, the children had a sense of being cared for in a 'tight knit' manner. For the comparator group children, a steady impression emerged of more 'loose weave' relationships with intermittent contact with social workers".

As one child put it:

"I can call my social worker and then she tells me OK but I'm busy or something. But if I call [the advocate] then she can make things happen."

Mrs Helen Grant (Maidstone and The Weald) (Con): I, too, congratulate the right hon. Lady on her very good work with the all-party parliamentary group. I declare an interest as a trustee of the Human Trafficking Foundation. The right hon. Lady makes a good case. Does she agree that a close relationship with the advocate often allows the child to feel more comfortable and confident and therefore less likely to take instructions from the trafficker and more likely to trust the local authority?

Fiona Mactaggart: Every human being needs that person they trust and who they know will stand up for them at every point. For so many of these children, initially that person is the one who brought them to this country, often to exploit them. The great thing about creating an independent advocates scheme is that it gives the children that person.

In February 2015, when the Modern Slavery Bill was on Report in the other place, the Home Office Minister Lord Bates said:

"The success of the trial will be measured by assessing the impact of advocates on the quality of decision-making in relation to the child trafficking victims' needs by key professionals—for example, social workers, immigration officials and police officers—the child trafficking victims' well-being; their understanding, experience and satisfaction of the immigration, social care and criminal justice system; and their perceptions of practitioners."—[*Official Report, House of Lords,* 25 February 2015; Vol. 759, c. 1668-69.]

If that is the test, there is no doubt that the pilot was a success.

The evaluation report also recognises significant value in having the advocate role operate independently of local authorities and other agencies that provide services to the children, which enabled advocates to play a co-ordinating role, thereby keeping momentum in a child's case, and to encourage coherence in how they were treated. It also gave the advocate a 360-degree view

[Fiona Mactaggart]

of the child, their life and their circumstances, which helped them to provide more informed and comprehensive support. One professional stakeholder described the benefit of the holistic nature of the advocate's role thus:

"The independent CTA [child trafficking advocate] that I have met had a cross cutting knowledge of the NRM, criminal and immigration proceedings that other professionals working with the child (social services and support workers) openly told me they did not. She made sure that his interests in all…areas were proactively pursued, by remaining in contact with all other relevant professionals working with the child. I thought she was excellent in tying these areas together."

That connects with the point that the hon. Member for Maidstone and The Weald (Mrs Grant) made about those children needing their trusted person. I worry that the Government's unpublished anxieties about the shortcomings of the pilot risk our losing some of those special qualities in whatever is the next iteration of the scheme.

The trials showed that advocates can raise awareness of sexual exploitation, help to address poor legal services provided to a child, and challenge when children are placed in bed-and-breakfast accommodation, where other residents might exploit them, rather than with experienced foster families. They help children to access education and support with many everyday needs such as getting transport passes, opening bank accounts and going to after-school clubs. Sadly, those benefits were overlooked by the Government's response to the trials, which stated that

"the impact of the independent child trafficking advocates…appears to be equivocal"—

a statement so contradictory to the conclusion of the evaluation report that it is honestly difficult to see on what basis it was made.

One sticking point was the failure of advocates to prevent children from going missing from care. Sadly, the Government seem to have a mistaken interpretation of the evaluation's findings on that account. The fact is that seven of the 15 children who went missing from the advocacy group did so before an advocate was appointed; an accurate reflection of the figures would therefore be to say that, of the 27 children who were permanently missing at the end of the trial, only eight had an advocate in place. The failure of the Government so far to acknowledge that is concerning. I know that preventing children from going missing and protecting them from further exploitation must be a priority, and I welcome the Government's concern.

Mrs Grant: On that important point, does the right hon. Lady agree that children go missing for myriad reasons, including the quality of accommodation, the relationship with the trafficker and the level of English? Although the going missing factor is extremely important, it is probably an unrealistic measure of the trial's success.

Fiona Mactaggart: That is exactly the point I was coming on to. *[Interruption.]*

Mr Gary Streeter (in the Chair): Order. We have a Division. The right hon. Lady will have to answer that intervention when we get back. The sitting is suspended for 15 minutes. If there are two votes, please come back as quickly as possible.

2.39 pm

Sitting suspended for Divisions in the House.

3.5 pm

On resuming—

Mr Gary Streeter (in the Chair): We are waiting for one or two colleagues to return, but I think that we are able to get under way, so I call Fiona Mactaggart to answer the intervention that was made 20 minutes ago.

Fiona Mactaggart: Thank you very much, Mr Streeter. The hon. Member for Maidstone and The Weald talked about the complex factors that lead to children going missing. As Professor Ravi Kohli, who led the evaluation team, told a joint meeting of the all-party groups on human trafficking and modern slavery and on runaway and missing children and adults, the circumstances in which a trafficked child goes missing from care are complex. Many factors may be involved and may need to be addressed to provide a solution. An advocate can help to mitigate those factors by raising awareness of the risks among other professionals, pressing for the provision of safer accommodation and building strong relationships with the child, but other action is also needed. As the evaluation report said, the circumstances in which children go missing require further investigation to ensure that we put in place the most appropriate measures to prevent that from happening.

Ann Coffey (Stockport) (Lab): I congratulate my right hon. Friend on securing this important debate. On that issue, the all-party group on runaway and missing children and adults has done work on children who go missing from care and is concerned that a proper risk assessment should be made of what happens to such children and the risks that they may be opened to when they go missing. That relies on the child disclosing what has happened to them. Children will not disclose information unless they trust the person they are giving that information to. The trusted person is key. Does she think that one way forward on this issue might be to look at how we can get more trusted people for children who go missing—they go missing for all sorts of reasons—and possibly developing some kind of voluntary scheme?

Fiona Mactaggart: My hon. Friend, who chairs the all-party group on runaway and missing children and adults, really understands this issue. I believe that children who have lost contact with families can benefit from such an advocacy scheme too. In a way, the Home Office has been more determined to provide support for isolated children than has the Department for Education, which should play a leading role in this area. Local authorities face diminishing resources and increased demand, and cannot adequately support British children who go missing or the unaccompanied Syrian refugee children who will come here. We know from international and indeed Scottish evidence that such children benefit from independent guardianship and that they are at risk of exploitation and trafficking.

My hon. Friend's proposal that we find ways of giving all children a special person may help to make more children resilient to the risks that they face of going missing, being exploited and so on. Although it is beyond the scope of the debate, I hope that in the future

we could extend an independent child advocate scheme beyond trafficked children to lone migrant children and children who have gone missing from their families and so on, because every child needs their person who will help to make them safer. There is no magic bullet, but having a person can make a lot of difference.

On my hon. Friend's question about risk assessment, we know that the risk of going missing is much higher among some groups of trafficked children than others. For example, Vietnamese children trafficked to this country to work as gardeners in cannabis farms are at an almost automatic risk of disappearing. So a robust risk assessment is needed as soon as a child is identified as a victim of trafficking and we need an accelerated programme to connect high risk children to an advocate.

The evaluation illustrates cases where advocates were the only people who enabled a child who had gone missing to be brought back into contact with the authorities responsible for them. There were significant delays in children being referred to the advocacy service by local authorities—a delay of three days or longer in almost 70% of cases. In comparison, once the advocacy service received the referral, 84% of children had an advocate within one day and all within two days. This finding raises important questions about the referral process and—this is key—the level of commitment from local authority staff members to the advocacy provision. That is one of the reasons why I think the Minister must implement section 48 of the Act now so that local authorities have legal duties in relation to advocates.

The evaluation tells us:

> "There were many difficulties associated with advocacy work where speaking up for a child required nimble and diplomatic manoeuvring, rather than being able to draw on a legal authority to contribute"

to meetings about the child's case.

The evaluation identified challenges faced by advocates, and I am glad the Minister intends to look at those and seek to address them in future incarnations of the scheme. However, I do not believe it is necessary to conduct further trials to do so. The Government originally promised to implement the scheme after the trial. The Minister knows that inadequate co-operation from some public authorities, exacerbated by a lack of legal authority, can be resolved only by commencing section 48 of the Modern Slavery Act 2015, which specifically requires public authorities to recognise and pay due regard to the advocates' functions and provide them with access to the necessary information about a child's case. Without bringing section 48 into force, the degree to which public bodies will pay attention to advocates will remain variable, and we will never be able to measure the full potential benefit of the scheme because this depends on statutory recognition, which trials can never give.

In their response to the evaluation report, the Government stated that they would bring proposals about the way forward to Parliament in March. Three months later, the proposals are unpublished, yet since the trials ended nine months ago, vulnerable trafficked children across the country have been left without vital support. Barnardo's, which delivered the trial advocacy scheme for the Home Office, has continued to provide support to children who entered the trial because it is convinced of its value, but this is to rely on charities once again to step in and cover what should be a statutory responsibility. It is now of the utmost urgency that plans are put in place to make this support available on a wide basis.

Earlier this month, various charities wrote to *The Guardian* newspaper calling on the Government to act urgently to make independent advocates available to all trafficked children. The charities know, from their work with children, that the delay means many vulnerable children will lack vital support and will be at risk of cruel exploitation. I trust that the Minister will today set out in full the Government's intentions. I urge her not to proceed with further unnecessary trials, but instead to commence section 48, which provides the best opportunity for acting on the recommendations of the evaluation report and for addressing the challenges it identified, not least that of a lack of legal authority that led to poor collaboration by some local authorities. We must act with urgency to make this provision available and I urge the Minister not to sacrifice the good for the sake of the best, which is what her present course of action risks.

Statutory services can be evaluated and improved when in operation; they often are. As understanding grows about trafficking and the nature of the challenges and risks that children face, there will inevitably be aspects of the advocacy scheme that will need to develop in response. However, the trials have provided sufficient information for the establishment of a permanent country-wide scheme and I hope, although I do not expect, the Minister will put one in place as soon as possible. If she prefers to press ahead with further trials before enacting section 48, I would ask her to heed the advice of the Independent Anti-slavery Commissioner to make every effort to avoid unnecessary delays that would result in beginning again from scratch.

If further trials are to be entered into, they must add to the information and knowledge gained from the first stage of the trials and not be an entirely separate process.

I hope that at a minimum the Minister will confirm today that any new trials and evaluation process will include continued monitoring of the situation and outcomes for the children who participated in the first phase. This will mean we can comprehensively assess the impact of the advocacy provision, particularly in the areas of operation where processes can be lengthy, such as the legal cases that did not reach a conclusion during the first trial period.

I also ask the Minister to build into any future trials the possibility for section 48 to be commenced before the end if interim reports are positive. Doing so would enable very needy children around the country to benefit from this important assistance as soon as possible. I know that the Minister is determined to eliminate trafficking and to protect and support its victims, but the delays that we are experiencing are leaving vulnerable children at sea in a bewildering ocean of statutory agencies, coping with a foreign language and unfamiliar processes, as well as in many cases recovering from trauma and exploitation without the support that Parliament, the European Union and the United Nations have all decided they need. Trafficked and separated asylum-seeking children in Scotland have benefited from similar services for several years and will soon do so on a statutory basis. Northern Ireland is also moving forward on this.

[Fiona Mactaggart]

However, here in England and Wales, where we have responsibility for the majority of trafficked children, we are lagging behind.

I hope to hear today when the Minister plans to commence section 48 of the Modern Slavery Act to make independent child trafficking advocates available for every trafficked child in England and Wales, because vulnerable trafficked children across the country—more than 1,000 kids—have been left without this support. We urgently need to make such support available on a wider basis.

3.17 pm

Angela Crawley (Lanark and Hamilton East) (SNP): It is a pleasure to serve under your chairmanship, Mr Streeter. I congratulate the right hon. Member for Slough (Fiona Mactaggart), who has been an advocate of this issue for many years. This important issue is vital to children, so I do not intend to be political in my contribution today. I intend to enhance the debate and contribute some of the thoughts from Scotland. I want to make it clear that this issue affects vulnerable children and young people.

The issue is fundamentally important because children are at immediate risk of further harm and exploitation. The National Society for the Prevention of Cruelty to Children highlights several reasons why children are recruited, moved or transported. These include benefit fraud; forced marriage; domestic servitude such as cleaning, childcare or cooking; forced labour in factories or agriculture; and criminal activity such as pickpocketing, begging, transporting drugs, working in cannabis farms, selling pirated DVDs and petty bag theft. In this range of small, medium and large crimes, children are exploited. They have no advocate to make a case for them and the exploitation that they suffer on a daily basis is absolutely the reason why we must have this debate today.

Trafficked children experience multiple forms of abuse and neglect, including physical, sexual and emotional violence, which is often used to control trafficked children. We are therefore today giving a voice to those children who have been silenced in this process through the absence of the necessary advocacy that is vital to their needs. The right hon. Member for Slough has done a great deal of work on this issue already through her work on the all-party parliamentary group, and I commend her for that.

As the right hon. Lady has highlighted, the National Crime Agency has already identified 982 cases of child trafficking in 2015, as I am sure the Minister is well aware. That is an increase of 46% from 2014. We could on the one hand link this to the refugee crisis, but that would be too crude. The simple fact is that we know this issue is escalating and ultimately we know that we must respond to it. That picture of child trafficking should surely be enough to convince the Minister that victims are desperately in need of independent advocates—people whose role it is to understand what is going on and to represent and support children believed to be the victims of trafficking. That gives those vulnerable children a voice through the care, immigration and criminal justice systems. We understand all too well that, even for adults, those are bureaucratic and lengthy processes and not something that any child should ever have to contend with.

The need for those vital services has already been recognised by Parliament in the Modern Slavery Act 2015 in a section that received widespread cross-party support, so I am sure I am not telling the Minister anything that she does not already know. That led to the child trafficking advocates pilot project, which is provided by Barnardo's and funded by the Home Office. However, following an independent evaluation of the pilot scheme, the Government have not acted to make independent child trafficking advocates available across England and Wales. That must be done to ensure that young people and children receive the support that they vitally need. I support the calls from various charities, including Barnardo's, Christian Aid, UNICEF and many others, which were outlined in a letter to *The Guardian*.

The EU directive on preventing and combating trafficking in human beings highlights the necessity for England and Wales to extend the pilot, which is especially important now. I do not want to labour the current situation around the EU referendum, but we must ultimately accept that we continue to have a responsibility and that these measures to ensure independent advocates for unaccompanied victims of trafficking have come on the back of an EU directive. The failure to appoint an independent guardian with sufficient legal powers means that the UK is currently non-compliant with the EU directive. Again, I do not say that to be political. I say it simply to state the case: measures to stop trafficking cannot be allowed to fail or fall short of international standards. It is therefore important that the Minister ensures that future revisions of the scheme will adhere to international best practice and guidelines. I urge the Government to commence section 48 of the Modern Slavery Act 2015 and establish a permanent independent advocacy provision as soon as possible.

Turning to Scotland, on which I like to think I have something to contribute, I highlight the work that has been done in Scotland as one model that could be followed by England and Wales. The Scottish Government have made a solid commitment to make provision for independent child trafficking guardians for eligible children. That is part of a wider project to make Scotland a hostile place to trafficking, where it is very clear that child trafficking is not welcome, and to better identify and support potential and confirmed victims. As a result, needless to say, Scotland's provisions outstrip England and Wales at this time, but that does not mean that England and Wales cannot catch up, and I urge them to do so.

New legislation introduced by the Scottish Government last year—the Human Trafficking and Exploitation (Scotland) Act 2015—will protect those subjected to these terrible crimes while punishing those who commit them. The maximum penalty for trafficking was increased from 14 years, as it is in England and Wales, to life imprisonment—a statement of how seriously Scotland takes this.

The Parliamentary Under-Secretary of State for the Home Department (Karen Bradley): The Modern Slavery Act, when it was introduced and commenced in July last year, increased the maximum sentence to life imprisonment for all trafficking offences.

Angela Crawley: I thank the Minister for that intervention. I should have added "as it is in England and Wales" after "life imprisonment", just to be absolutely

clear. Scotland has sent out a message that trafficking will not be tolerated under any circumstances and I urge the UK to do that also. That legislation also underpins the need for independent advocates. It places a duty to ensure protections by making independent child trafficking guardians available and requiring statutory referrals to be made by people who are in a position to do so. Scotland's law enforcement agencies therefore have greater powers to bring those responsible to justice.

I mentioned previously how abhorrent child trafficking is and I think we all share that thought. That approach must be considered for application across the UK to end those practices. I am sure the Minister shares our collective concerns. She has proven always to be reasoned and thorough in her responses, so I therefore simply urge her not to delay further on section 48 of the Modern Slavery Act and to establish a permanent independent advocate without further delay. Lastly, to echo the beautiful words of the right hon. Member for Slough, "every child needs their person".

3.24 pm

Jim Shannon (Strangford) (DUP): It is a pleasure to speak in this debate. I thank the right hon. Member for Slough (Fiona Mactaggart) for setting the scene. We have all said this about her, but we mean it: she has certainly been an advocate for this issue, and it is a pleasure to follow her and add some comments. I will speak about Northern Ireland, including the Northern Ireland legislation that she referred to.

Parliament expressed its view clearly in passing section 48 of the Modern Slavery Act 2015. The Government even accepted Members' criticisms and amended the Bill to make the provision a duty rather than an enabling power, yet they are now choosing to interpret that section as if it were an invitation and not an instruction. That concerns me, and hopefully the Minister will respond to that point. Like the Northern Ireland Assembly, I believe that there is more than enough evidence and best practice available upon which a statutory national service can be based. That evidence comes from a variety of countries, from international organisations, and, closer to home, from Scotland, as the hon. Member for Lanark and Hamilton East (Angela Crawley) said. Consequently, Northern Ireland's statutory independent guardian service is already in development, as has been mentioned, under section 21 of the Human Trafficking and Exploitation (Criminal Justice and Support for Victims) Act (Northern Ireland) 2015.

The Government, however, had a different opinion and felt that they needed to carry out their own trials to establish whether advocates provide a material benefit and add value to the care provided for children over and above existing services. That is perhaps not surprising in the light of their long-held view that existing children's services were sufficient to support trafficked children, which I note they continued to profess immediately following the 2013 publication of the Government-funded "Still at risk" report from the Refugee Council and the Children's Society. That report highlighted the insufficiencies and recommended a new advocate-like role to address them.

I therefore commend the coalition Government for deciding first to establish trials, and then to include child trafficking advocates in the Modern Slavery Act—some good stuff has been done. After the successful completion of the first trials, the Government can now be in no doubt about the beneficial impact of independent advocates, which the right hon. Member for Slough so clearly set out. I simply reiterate that the evaluation report makes clear that

"advocates added value to existing provision, to the satisfaction of the children and most stakeholders."

It seems to me that the trials entirely fulfilled their purpose. They tested a system, demonstrated that the fundamental provision in question produced clear beneficial outcomes on many different fronts and highlighted areas for improvement in a full-scale implementation. Those improvements can and should be integrated into the new statutory scheme. Conducting further trials would be an unnecessary waste of time and resources. There has already been a delay of six months since the evaluation report was published, and longer since the trials ended. We can only expect further delays as procurement protocols, recruitment processes and other preparatory work, presumably including the setting up of a new evaluation mechanism, are carried out to establish further trials.

Many of the findings of the evaluation report were flagged up early in the interim report. They led to key amendments to section 48, including those relating to the legal powers of advocates and the duty of other public authorities to have due regard to advocates' role.

Mindful of those considerations, I argue that rather than entertaining further delays through more trials, the time has come for the Minister to take action and to bring section 48 into force. I very much hope that she will confirm in her response, which I look forward to, that that is now the Government's intention. It cannot be anything less.

If, however, the Minister insists on the expense and delay of yet further trials, I ask her, with respect, to explain how she envisages new trials addressing the gap in authority. How will the Government evaluate the effectiveness of advocates in engaging with local authorities and relevant agencies, given that the trials do not actually trial what is proposed? They deny advocates the statutory status that is central to their being able to deliver their function. It is difficult to see what mechanisms could be used in trials to require local authorities and relevant agencies to give due regard to the advocate's role and responsibilities that would have a similar weight to a statutory duty. Sadly, the consequences of the delay will be that many vulnerable children across England and Wales have to go without much-needed assistance.

Scotland has of course been leading the way in the UK for some time, and I am pleased to say that Northern Ireland will shortly be joining Scotland in providing statutory independent guardians for both trafficked and separated migrant children. We are pleased to be part of that process, as the hon. Member for Lanark and Hamilton East said, and to follow the clear direction that Scotland has taken. It is a matter of great regret that trafficked children in England and Wales will not have the same access to support as those in Scotland and Northern Ireland.

When the lives of vulnerable children are at stake, it is imperative that we act with urgency, and we need urgency in the Minister's response today. Does she really want it to be said that the worst place to be a trafficked child in the UK is in England and Wales, because the statutory

[Jim Shannon]

rights and protections are weaker? I certainly hope not. I urge her to unblock the logjam that is holding up the commencement of section 48 and to act swiftly to enable every trafficked child in England and Wales to have an independent child trafficking advocate as soon as is humanly possible. I also ask her to address how she will ensure that separated migrant children in England and Wales will not be at a disadvantage compared with children in Scotland and Northern Ireland, who will have access to independent guardians.

It is a pleasure to speak on this matter, and it is important that the issues involved are stressed. I believe that England and Wales should follow Northern Ireland and Scotland's examples, and I say in all honesty that it would be remiss of the Minister not to give a clear direction on that today. I look forward to her response, as well as that of the shadow Minister, the hon. Member for Rotherham (Sarah Champion).

Mr Gary Streeter (in the Chair): We now move on to the Front-Bench speeches. It is worth pointing out that the debate can go on until 4.26 pm, but of course it does not have to.

3.31 pm

Richard Arkless (Dumfries and Galloway) (SNP): It is a pleasure to serve under your chairmanship again, Mr Streeter. This is clearly an important and emotive issue—I do not think anything rallies the human spirit quite like looking after children, whether they be our own children or trafficked children, and particularly vulnerable children who need our help.

The right hon. Member for Slough (Fiona Mactaggart) made a vivid and skilled contribution. She clearly has a great deal of knowledge of the issue, and I pay tribute to her for securing the debate and for the work that she has done on the all-party group, which I have learned a lot about in the last couple of days having read up on the subject. I commend you for that very good and sincere work. You provided vivid summaries of the experiences of the trial and put into context how it benefited children.

What came out of your speech was that trust is the central plank of why an advocate is so essential. The role of the advocate creates trust in the system by integrating children into society and giving them hope, and it creates trust in the advocates themselves. The alternative is further overburdening an already overburdened social work department with extra responsibilities, which it clearly would not have the resources to meet. I was interested to hear you talk about the positive feedback from the trials that have already taken—

Mr Gary Streeter (in the Chair): Order. I remind the hon. Gentleman that when he says "you" he is referring to the Chair.

Richard Arkless: Apologies, Mr Streeter. I was commending the right hon. Member for Slough because I was interested to hear about the positive feedback from the trials that she spoke of. That prompts a question, which I hope the Minister can help us with later: why on earth were they pulled, and why has section 48 not been invoked since that happened? I would be grateful to hear some answers to that. It is telling that, as she said, Barnardo's has continued its advocacy policy since the conclusion of the trials. That organisation is dedicated solely to looking after vulnerable children, so if it sees the benefits of advocates, we should all sit up and take note.

My hon. Friend the Member for Lanark and Hamilton East (Angela Crawley) made a point that I would like to echo: this is not about politics. This is not about us in Scotland, Northern Ireland, or any jurisdiction telling another jurisdiction that we are doing a better job. We simply care about the kids, wherever they are; whether they are in Scotland, England, the European Union or the wider world, we want vulnerable children to be protected. It is not to score political points that we say that Scotland is perhaps more advanced in what it is doing; it is to provide a constructive comparison so that we can all look after the children in question. My hon. Friend provided an excellent summary of the position in Scotland, which I am sure the Minister has taken note of.

The hon. Member for Strangford (Jim Shannon) made a powerful point about the need to invoke section 48 immediately. He made the important point that the criterion upon which we should assess the trials is material benefit to children. From what I have heard today and read in preparation for this debate, it strikes me that the trials did have that benefit. If we keep that principle at the forefront of our mind when assessing what happened in the trials, hopefully it will lead us to invoke section 48 so that, frankly, we can get on with it.

I did not think my speech would be complete without hearing from the children themselves. I have a testimony from a child in Scotland who has been through the system there. She says of her advocate:

"I was happy, she was so nice, so nice about everything, we go to different appointments together."

She said her guardian really

"calmed me down when I was upset. After the appointment she and I would meet and talk together about what happened, and she advised me. She was more than a worker for me, because she was someone I could talk to."

She said her social worker was very nice, but she had only met her

"for 3 hours in 9 months. We are like strangers when we talk together. But with my Guardian, I talk to her".

She says that she trusts her guardian and that

"she puts me at…ease".

She feels as if she can now live her life.

3.35 pm

Sarah Champion (Rotherham) (Lab): It is a real pleasure to serve under your chairmanship, I think for the first time, Mr Streeter. I would like to add to the compliments that have been given to my right hon. Friend the Member for Slough (Fiona Mactaggart) for securing this debate, for the campaigning work that she has been doing tirelessly and vigorously around this one issue and for the work that she has done on modern slavery and on the APPG on human trafficking and modern day slavery. That is not just to bolster my right hon. Friend's ego, but because I really hope the Minister takes seriously the weight of her experience and the weight of support from colleagues across the House when she called for this debate.

The scale of human trafficking in the UK and the implications for the victims are far beyond most people's comprehension. As the hon. Member for Lanark and Hamilton East (Angela Crawley) said, last year 982 children were recorded as being victims of trafficking by the UK Human Trafficking Centre's national referral mechanism, but it is accepted—and the Centre accepts—that that is a massive underrepresentation of the true extent of the problem. The Government's own estimate puts the total number of people in slavery in the UK at around 13,000, with approximately 3,000 of those thought to be under the age of 18.

Trafficked children are some of our country's most vulnerable children, often suffering years of abuse and exploitation. Those children are at significantly greater risk of harm. That remains true, to our great shame, even after they are in the care of the state. In its 2013 report, the Centre for Social Justice estimated that 60% of trafficked children in local authority care go missing, and that those who go missing are often highly likely to be returned to exploitation. Often children are so terrified and brainwashed by their trafficker that they will leave at the first possible opportunity and return to that abuser. Trafficked children are the responsibility of us all, yet their suffering is often overlooked and misunderstood, even by the professionals who work most closely with them. It is for this reason that these children need someone independent by their side and on their side as they navigate their way through the immigration, social care and justice systems.

Section 48 of the Modern Slavery Act 2015 sets out provisions for trafficked children to be assigned an independent child trafficking advocate. Their role is to represent and support the child, promote the child's wellbeing, assist in obtaining advice and representation and hold public authorities to account; their sole aim is to support that vulnerable child. As we have heard, a system of independent child trafficking advocates was piloted in 23 local authorities in England from September 2014 and into 2015. The independent evaluation, conducted by the University of Bedfordshire, found that the trial was successful and the service helped to keep children "safely visible". Most importantly, the children themselves overwhelmingly found the role of their advocate positive in their lives and described them as "reliable and trustworthy".

Children's charities such as ECPAT—I thank it for all the help that it has given me on this issue—and Barnardo's, all the UK's children's commissioners, the British Association of Social Workers, and many more have been campaigning for legal guardianship or advocacy for trafficked children for many years. It is a concept that is recognised and valued internationally. The UN Committee on the Rights of the Child, in its recent examination of the UK's implementation of its recommendations, once again urged the UK to adopt:

> "Statutory independent guardians for all unaccompanied and separated children".

Further, both the Northern Irish and the Scottish Governments, as we have heard, have included independent guardians in their new trafficking legislation. Both countries have accepted, without delay, the need for such a system, and are currently drafting regulations to create their own statutory systems, but this Government cannot even keep to their own deadline of March this year to make a simple decision on the future of the scheme.

In the meantime, hundreds, if not thousands, of trafficked children have been denied their right to independent advocacy. The provision for independent child trafficking advocates in the Modern Slavery Act 2015 was the only substantial, dedicated part of the legislation for children, yet it is the only part to not be enacted. Adult victims of trafficking in the UK receive a specialist response from trained organisations used to working with victims, but that is not the case for children who end up in the care system, often supported by social workers and others who may have had no training whatever on trafficking.

Without independent advocates, some of the most vulnerable children in our country, including British children trafficked internally for sexual exploitation, must face the complexities and bureaucracies of our care, justice and immigration systems alone. The pilot was criticised and the evaluation found a complex picture of children going missing, but the Government used this as an excuse for why the trial was not immediately continued and expanded.

Children going missing is a complex issue and not something that can be solved with one simple solution. To expect that advocates could stop children going missing is simplistic and misleading, and is actually not the main focus of the job. There are multiple factors that can lead to a child going missing: being brainwashed to return to their traffickers; inappropriate or unsafe placements; failure to apprehend traffickers; the criminalisation of children who have been exploited; and different agencies failing to communicate. It is, of course, hoped that having independent advocates will help to decrease those issues and, in turn, help to reduce a child's likelihood of going missing, but we must remember that not all trafficked children go missing.

Of the children in the trial that did go missing and had an advocate, more than half had not actually met their advocate due to delays in referrals to Barnardo's by the local authorities. In fact, only 19% of all referrals to Barnardo's by local authorities were on time. Will the Government commit to investigating the causes of the extensive delays in referring children to the advocacy service?

Under the Modern Slavery Act, since November 2015, public authorities have had a duty to notify the Secretary of State if they come across a potential victim of trafficking. How many such reports have been made, in particular for children, and what is being done to ensure that front-line practitioners know they have this new duty? Furthermore, will the Government address the issue of visibility of advocates in their relevant local authorities, immigration channels, local safeguarding boards and the criminal justice process, as highlighted in the evaluation?

It is simply not acceptable, or fair, that children who have been exploited are given such a poor service. The scale of trafficking and abuse in Rotherham highlighted the inability of public authorities to deal with exploitation cases, which left thousands of children disbelieved, disengaged and vulnerable to further exploitation. A system that has been independently shown to benefit these children, to build trust and to increase their visibility to services is not a luxury, but a necessity, if we wish to tackle modern slavery and child exploitation.

Will the Minister clarify how the Government plan to eradicate modern slavery and be "world leading" in their response to trafficking, when they are delaying a

[Sarah Champion]

scheme that is known to benefit and protect children and is already established in many European countries? I agree with the hon. Member for Strangford (Jim Shannon) and ask whether the Minister thinks it is acceptable that children who have been trafficked in Scotland or Northern Ireland will be guaranteed better provision and support than those in England and Wales. Will the Government now act immediately to establish a national scheme of independent child advocates based on the model that was independently evaluated as a success? The Minster has it within her gift to simply tweak, test and modify elements of the scheme throughout its delivery. It is immoral that the Government are procrastinating on the issue and denying trafficked children their right to independent advocacy and the chance to a better, safer future.

3.44 pm

The Parliamentary Under-Secretary of State for the Home Department (Karen Bradley): It is an absolute pleasure to serve under your chairmanship, Mr Streeter. I believe that it is not the first occasion, but I hope it is not the last. I welcome the opportunity for the House to focus on what we all agree is a most challenging and important topic, and for me to set out clearly the Government's position.

I congratulate the right hon. Member for Slough (Fiona Mactaggart) on securing the debate and on her contribution to this country's leading work on modern slavery and human trafficking. Through her position as chair of the all-party parliamentary group on human trafficking and modern day slavery and on the Modern Slavery Bill Committee, she has contributed more than many other people and deserves great credit. There are other Members, both here and in the other place, who have also devoted themselves to promoting the issue of child victims of trafficking and making their lives better. I have been grateful for and impressed by the individual and collective achievements on the issue.

Let me be clear from the outset: supporting trafficked children remains a key priority for the Government. I appreciate how many hon. Members are impatient for progress—so am I. We are talking about a vulnerable group of children, who deserve the utmost support and protection. We must ensure that our response is the right one to best support trafficked children. I value the conversations that I have had with many Members who are here today, with those in the other place and with other key stakeholders including Barnardo's, to which I pay tribute for its work on the trial, ECPAT, UNICEF and the independent anti-slavery commissioner. We have discussed the critical issues and developed better solutions, and I am particularly grateful for all the frankness and honest insights.

The right hon. Member for Slough and others have referred to the delay. It is not a delay to procrastinate; it is about getting it right. She mentioned the Government's commitment to report in March. I had hoped that we could fulfil that commitment but, when her all-party group and others voiced significant concerns, I did not want to make an announcement that we would need to go back on. I wanted to work with her and other stakeholders to ensure that we got it right.

I do not intend to go into the details of the trial but I want to address a few points regarding its effectiveness. I have listened carefully today and in earlier discussions, and although many good things came from the trial, I cannot agree that it was an unequivocal, resounding success. The outcomes were equivocal. The trial showed some benefits—the children felt listened to and other professionals reported that the advocates were able to co-ordinate different agencies effectively—but in other areas, there were severe limitations.

The evaluation raised a number of operational issues that required further work, including the process for referring children to advocates; the high incidence of missing children, which I will come to shortly; the fact that advocates did not have the legal powers that had been invested in them by the Modern Slavery Act; and the fact that, in some areas, the service was not visible to many agencies.

The hon. Member for Lanark and Hamilton East (Angela Crawley) expressed concern about whether the country was compliant with the EU directive. We are already fully compliant with the EU directive and the Council of Europe convention. Existing provisions ensure that the relevant statutory agencies meet the international obligations. With the trials, we are looking to do additional work to support trafficked children over and above those obligations.

I have to disagree that children going missing is just something that will happen. We should not see that as acceptable. I understand that there is a problem, and I have a round-table discussion on missing children later this week. I am determined that we make the police response and other responses to missing children part and parcel of everyday work. Those are the children who are trafficked. They are the adults who have mental health problems and find themselves locked up in police cells when they should not be. They are the children who are sexually exploited. We cannot stand by and say that it is acceptable that children go missing. A child's safety and welfare must be the overriding consideration of any child in the care of the Government, where we are acting as their parent.

Mark Durkan (Foyle) (SDLP): I have not heard anyone suggest today that it is somehow acceptable that children are going missing. What people find unacceptable is that the enforcement and implementation of section 48 of the Modern Slavery Act is missing. There seems to be dereliction in the name of perfection. The fact that the pilot showed a need for improvement does not disprove the need for the provisions of section 48.

Karen Bradley: I assure the hon. Gentleman that I will address the next steps later in my speech.

Fiona Mactaggart: The hon. Member for Foyle (Mark Durkan) has made the point that I wanted to make, which is that no one in this Chamber today has said that it is acceptable that children are going missing. No one has said that the Government are wrong to focus on the needs of missing children. I and other Members have said that the advocacy scheme on its own was never going to be able to prevent children from going missing. The fact that some children went missing should therefore not be used as a reason for delaying the implementation of the advocacy scheme. It might be used as a reason for

taking additional steps, such as the risk assessment to which my hon. Friend the Member for Stockport (Ann Coffey) referred, to help prevent children from being added to the large number who go missing.

Karen Bradley: I apologise to the right hon. Lady if she thinks I implied that anyone in this room had said that it is acceptable that children are going missing—I withdraw any suggestion that that was the case. However, the fact remains that just as many children who had an advocate in the pilot went missing as other children, if not more. I take the point that that might be because they had not met their advocate, so we have to get it right and ensure that children do meet their advocate.

I fully appreciate that the scheme is not the silver bullet to resolve the issue of children going missing, but I am determined to ensure that we find a way to make a difference using advocates, who should be there to help prevent young people from going missing. We must stop children maintaining contact with their traffickers, as I suspect some probably have. It is important that we find a way to get this right. I take the point that we should not let perfection get in the way, but that is simply not what is happening.

There were other equivocal issues in the trial. Some children never met their advocate—some went missing before meeting them and some did not meet them full stop—and others did so only infrequently. There was limited evidence of advocates having an impact by assisting children in navigating and getting a better outcome from the immigration or criminal justice systems; in accessing the right health and education services; or even in getting better referrals to, and receiving improved outcomes from, the national referral mechanism. The fact that not all children who were trafficked and had an advocate went into the national referral mechanism raises concerns.

Fiona Mactaggart: The evaluation highlighted that, in a number of areas to which the Minister is referring, the timeline of immigration administration, for example, did not fit the timeline of the evaluation process, so it was not possible for some of those points to be concluded. I have not heard any reason for not implementing section 48. She wants to improve the scheme, but how will continuing without the legislative back-up of section 48 enable the scheme to improve? I do not understand that.

Karen Bradley: I hope the right hon. Lady will forgive me, but I have a little more progress to make.

I welcome the comments from all hon. Members on the comparison with Scotland and Northern Ireland, but it is important that we reflect on the relative scale and complexities of the problem in England and Wales, where we need to work with many different social services, legal systems and police forces. I assure Members that we have taken on board all the learning from the Scottish Guardianship Service, but the circumstances and the models are different. The service in Scotland is only for children for whom no one has taken parental responsibility, and in such circumstances children in England and Wales will receive support from a social worker and, if there are care proceedings, a children's guardian. We have kept wider criteria for receiving an advocate in the Modern Slavery Act. We have carefully considered what has been done in Scotland, and we have taken much learning from the schemes in Scotland and Northern Ireland, but it is important that we reflect on the differences between the legal systems.

A number of serious questions raised in the model testing tell us that, although the model shows great promise, it is not universally effective. I am convinced that independent advocacy has an important and central role to play in supporting children, but as the Independent Anti-slavery Commissioner has told me in correspondence, further work is needed to get the model fit for purpose. He remains concerned about the lack of evidence from the trial. Although advocates can clearly play a crucial role, we need to consider the whole package, which is centred on each child's individual needs. This is simply too important to get wrong. We need to ensure that all child victims of modern slavery are properly identified and supported.

Turning to what I intend to do, I am pleased to announce a full package of measures that, collectively, will improve the support we offer to child victims of trafficking. I make it clear so that no one is in any doubt that I am fully committed to commencing section 48 of the Modern Slavery Act and to the full national roll-out across England and Wales of independent advocates for all trafficked children. To support that, following the Independent Anti-slavery Commissioner's advice, I also propose two interim measures to improve advocacy now and to prepare for the implementation of the new system as soon as possible.

First, I propose to introduce independent child trafficking advocates at three early adopter sites. The competition for providing those sites will be launched this summer. The sites will enable us to refine the model that was previously tested, including by increasing the speed of referral and the number of people and organisations that can make such referrals; testing the use of quasi-legal powers by advocates and the impact that that will have on their effectiveness and their relationships with statutory agencies; and training and recruiting advocates with specialist skills, such as in certain languages or in dealing with particular forms of abuse, so that they can give more targeted support.

Secondly, in collaboration with the Department for Education, the Home Office will commission a training programme for existing independent advocates, who are statutorily provided to all looked-after children. The training will improve their awareness and understanding of the specific needs of trafficked children and how to support them. But that is not enough. I am also determined to address the other concerns raised in both the trial and the feedback from right hon. and hon. Members.

I am therefore pleased to announce that this year the Home Office will establish and launch a new child trafficking protection fund, with up to £3 million of Government funding initially available over the next three years. The fund will be targeted at addressing two key issues where advocacy alone appears to be insufficient and where alternative and additional approaches are needed. The first aim is to reduce the number of children who go missing or who have contact with traffickers. The second is to support children from high-priority states, from which we continually see high numbers of children trafficked to the UK. I want to explore how we can best meet the needs of such children and disrupt the traffickers who target them. We all agree that a culturally targeted approach is likely to be effective and, having

[Karen Bradley]

listened to stakeholders, we have decided to launch the fund to promote innovation from stakeholders in all sectors who work with trafficked children and know how best to meet their needs. Critically, such discrete funding could support bespoke local and innovative strategies.

[Sir Alan Meale *in the Chair*]

Sarah Champion: Can the Minister provide a bit more clarity? Is this Home Office money? Is it targeted at UK work? What does she mean by "this year"? Is it this academic year, financial year or chronological year?

Karen Bradley: That may be one of the detailed points on which I will have to get back to the hon. Lady. I will talk about some of the other points at this stage, but maybe I will write to her with the specifics.

I want to address the concerns raised about accommodation. We are doing two things about that. First, as the Immigration Minister announced earlier this year, we are taking forward plans to review local authority support for non-European economic are migrant children who have been trafficked. The review will help improve our understanding of specialist local authority provisions for that group as we implement the Modern Slavery Act.

Additionally, the Department for Education is rolling out training for foster carers and support workers that will equip them to understand better the complexities facing unaccompanied asylum-seeking children who have been trafficked, and to gain their trust to prevent them from running away from safe placements. We are already piloting a new way of delivering the national referral mechanism. The pilot is testing new models of identifying victims, processing cases and making effective decisions. It will help ensure that all victims, including children, can access the support that they need. To underpin all that work, we are developing new statutory guidance on identifying and supporting potential victims of modern slavery and trafficking, on which we intend to consult later this year. It includes specific guidance on how best to support child victims of modern slavery.

Looking more widely, many services that trafficked children receive will be the same as for all children, although tailored to them individually. That is particularly true for children in need or looked-after children. Although only part of our approach, incorporating provision for all trafficked children into what is already there, not increasing their isolation, is the way forward. Setting trafficked children apart runs the risk, among other things, of reinforcing their sense of isolation and further increasing their vulnerabilities.

I appreciate that many hon. Members, like me, may be frustrated that establishing independent child trafficking advocates will take some time, as we need to find and train them, and that they may have concerns about how child victims will be better supported in the short term. That is why I have put forward a range of shorter and longer-term proposals and addressed areas where advocacy does not appear to be the only or best solution. We need to get it right. We must strike the right balance between requirements in secondary legislation, statutory guidance and a provider contract, and I need to engage further with right hon. and hon. Members and others to determine how best to do that, including informally via the modern slavery strategy implementation group, with key voluntary and statutory partners and, of course, via a public consultation exercise, followed in due course by the necessary parliamentary processes.

That will happen in step with a public procurement exercise to seek a provider for the national service. We will monitor outcomes for children who have an advocate in the early adopter sites, and look at whether children are generally being helped across a range of key areas including safety, wellbeing, health, education and criminal justice. We will use the learning from the early adopter sites to refine the model for independent child trafficking advocates, which will then be rolled out across England and Wales.

Fiona Mactaggart: One issue that Kevin Hyland and I have both raised is whether the further assessment can build on the learning from the original pilot. Can the Minister assure the House that she will continue to draw on the information from the first round of pilots, so that we do not waste all that work but use it to inform what she is doing?

Karen Bradley: The right hon. Lady makes an important point and is absolutely right. We need to take what we have already learned, look at early adopter sites and trial new and refined ways of working as we roll out the national process.

The point is that we want to do this right. We will start the process for a national roll-out without delay by ensuring that we have early adopter sites, so that we can trial what we know is successful from the first trial as well as new and different ways of looking at the situation. Although it will take time, I assure all hon. Members that I am determined to move as quickly as possible towards achieving those steps, and in the meantime to implement the immediate improvements that I have outlined. I ask for the continued support of all during that process and stress again that we must get it right for the sake of trafficked children.

I reiterate my commitment to providing an independent advocate to all children who have been trafficked within or into England and Wales, and to getting the arrangements for independent advocates right. The most important thing is to support and protect all trafficked children and ensure that the role of advocates is fully effective. We cannot rush it and risk relying on a sticking-plaster approach on the assumption that we think we have the answer. We must implement fully a considered, holistic and proven solution that meets the needs of trafficked children, who are already vulnerable and may, tragically, be subject to future harm, including from their trafficker, even after coming into the protection system.

I thank the right hon. Member for Slough once again for raising this important issue—I know that she will continue to raise it, and I look forward to that—and for giving me the opportunity to set out the Government's work. I look forward to our continued dialogue and meetings on this complex issue. I will write to the hon. Member for Rotherham (Sarah Champion) on her specific points, and I assure all Members that I will reflect most carefully on their considered comments and helpful suggestions.

4.5 pm

Fiona Mactaggart: I thank everybody who has contributed to this debate. It is clear how seriously people from all parts of the House take our duty to protect vulnerable children. I am still worried that the Minister risks making the perfect the enemy of the good. In her concluding remarks, I did not hear a commitment to offer the sites that she calls early adopter sites the backing of section 48, which is the legal power that advocates need in order to be listened to properly by local authorities. It would be helpful to know—

Karen Bradley: I apologise if I did not make this clear: the concern that we had in the trial was that advocates were not using the powers given to them in the Modern Slavery Act. Those legal powers will be available to advocates in the early adopter sites.

Fiona Mactaggart: I hope that that means that section 48 will be in place, even if the Minister does it in a way that enables it to be rolled out in places. It is quite clear that without it, local authorities will treat advocates as just the guy from Barnardo's, which is just not good enough and does not protect children.

The other thing that I did not hear is a response to the point made by my hon. Friend the Member for Stockport (Ann Coffey) about risk assessment. I think I heard a bit of a response when the Minister said that it is not in the interests of trafficked children to put them in a "trafficked children only" box. I felt that that might be a way of resisting proposals to assess, for example, Vietnamese gardeners as being at acute risk of disappearing.

As well as the work that the Minister has described, it is essential to establish a national system of risk assessment that is available to local authorities to protect the children who are at most risk of disappearing. Even if advocates on their own are not sufficient protection, we know that certain groups of children are at particularly acute risk. Designing a scheme that recognises the acuteness of risk to particular groups of children would therefore be sensible, and it would be likely to reduce the incidence of children from those particular groups disappearing.

Karen Bradley: The right hon. Lady's point involves missing children. We are considering fully the points made by the all-party group in the inquiry on missing children, to which I gave evidence and in which I have been very interested. I will respond shortly.

Fiona Mactaggart: Good, except that "shortly" in the Minister's life and my life is "longly" in the life of a 14-year-old. That is the problem that we face. It is not that we believe the Government do not want to do this, or that they have locked the issue in a cupboard and are ignoring it; that is not my accusation. I have a deep concern about the delays that we have faced since we introduced the Act. The Minister, the Home Secretary and many other Ministers have said how wonderful the Act is. It is important legislation, but only if it exists in reality on the ground everywhere. That is necessary if we are to protect children.

I heard the Minister's perfectly reasonable answer about how the civil service does things, how we are going to run the competition for early adopter sites and so on. I realise that this is not a quick process, but I worry that we are in for more months of delay and that there will be more children who do not have the person they need. It is important that the Minister quickly ensures that section 48 is in place, and that she considers what is at risk of being missed out of the process. The risk is that in trying to design a system that is perfect, we will leave too many children without a person they trust, who can help them to negotiate the ghastly bureaucracy that they will face.

Question put and agreed to.

Resolved,

That this House has considered independent advocates for trafficked children.

4.11 pm

Sitting suspended.

Bangladesh

4.15 pm

Simon Danczuk (Rochdale) (Ind): I beg to move,

That this House has considered the current situation in Bangladesh.

It is a pleasure to serve under your chairmanship, Sir Alan, and I thank the Minister of State, Foreign and Commonwealth Office, the right hon. Member for East Devon (Mr Swire), for attending this very important debate.

Let me briefly set out why we are having this debate and explain what I hope to cover in the time available to me. The current situation in Bangladesh has some relationship to the war for independence in 1971, but it is also very much the result of the seriously flawed general election on 5 January 2014. That election was flawed because the Awami League Government were manipulating the results. They refused to consider the creation of a caretaker Government and they put obstacles in the way of the opposition parties; indeed, they made it impossible for the opposition to take part satisfactorily. That is why the opposition rightly and understandably boycotted that election. As we now creep towards the next general election, we see that the same Awami League Government have become increasingly concerned that they will not win it through legitimate means.

In debating the current situation in Bangladesh, I will talk about, first, the consequences of that flawed general election; secondly, what has been happening recently, particularly some of the atrocities that have taken place; thirdly, what we should anticipate happening next in Bangladesh; fourthly, why all this is relevant to the United Kingdom; and finally, what I hope the Government might consider doing in the near future.

There is irrefutable evidence that democracy has now broken down in Bangladesh. I was in the country just a few weeks ago and I spoke with trustworthy non-governmental organisations. I learned that ballot boxes were now being stuffed with ballot papers for the ruling party in advance of local elections taking place; that opposition candidates were not appearing on the ballot paper when they should have been; that opposition candidates were being "persuaded" not to stand or campaign; and that there are also concerns about the politicisation of the electoral commission in Bangladesh. Added to those issues is the restraint on freedom of expression and the pressure being put on the free press.

Dr Rupa Huq (Ealing Central and Acton) (Lab): The hon. Gentleman is making a very powerful speech, even if it has only just begun.

4.18 pm

Sitting suspended for a Division in the House.

4.30 pm

On resuming—

Dr Huq: As I was saying before we were so rudely interrupted, is my hon. Friend aware of the Commonwealth Parliamentary Association and the fact that it is having its annual conference in September, with 200-plus nations gathering in Dhaka, Bangladesh? Can the Minister do anything to assure UK parliamentarians who may wish to attend that conference? If we want to meet secular or atheistic bloggers, can we have some assurances on freedom of association? I am not too sure about that, in light of the terrible recent murders that have shocked the world. The fact that my hon. Friend was talking about the opposition and what may happen next reminded me of that point, which I wanted to make him aware of.

Simon Danczuk: I am aware of the Commonwealth Parliamentary Association conference that will take place in Bangladesh. It is a good forum for British parliamentarians and other parliamentarians from across the Commonwealth. It will allow them to be in Bangladesh and express some of the same concerns as my hon. Friend. The point I was making relates in particular to the press. The murder, torture and harassment of journalists is well known. Many are fleeing to Britain and seeking asylum here because of the threats and attacks.

John Howell (Henley) (Con): I have been to Bangladesh on a number of occasions and once during an election period, and they have always been very violent affairs. What is it about this election that makes it different from those earlier elections?

Simon Danczuk: I completely agree that politics runs passionately high in the country, but it is getting unbearable. Some of the points that I will touch on show that things are moving towards a serious situation of civil unrest, and that needs to be addressed. Tensions are perhaps more heightened than when the hon. Gentleman was in the country.

I met Oli Ullah Numan, who came to the UK for the very reasons I described. He was a journalist who wrote disparagingly about the current Government. He soon started feeling that his life was under threat. Talking to him in Rochdale, I could see the stress and fear that his experience had caused him. Most upsetting for him was not that he was now separated from his wife and children, but that he feared for their lives because they remained in the country. Reporters Without Borders rates Bangladesh at 144th out of 180 countries on its world press freedom index and talks about how journalists there have to be very careful about criticising the Government or religion.

If all that was not bad enough, on 4 May, the Bangladesh Government announced the setting up of a media monitoring centre. They are also taking steps to bring social media under similar forms of regulation to those for print and television. Indeed, the draft Digital Security Act provides for sentences of life imprisonment for anyone spreading negative propaganda about the 1971 war of independence or Prime Minister Sheikh Hasina's father. The Act also provides for the sentencing of anybody who deliberately defames someone or hurts their religious sentiment via digital media to two years in prison, replicating existing provisions in law. Another draft law, the Liberation War Denial Crimes Act, makes similar provisions.

All that is restricting a free press and attempting to quash any criticism of the Government. In addition, we are now seeing attacks on secular bloggers. In 2015, four were murdered: a gentleman called Roy in February, Rahman Babu in March, Bijoy Das in May and Chakrabarti in August. While al-Qaeda takes responsibility for some of the attacks, a group called Ansarullah Bangla Team also takes some responsibility. It has published a hit list that includes UK-based bloggers.

On 6 April, a law student and blogger was murdered by a group linked to al-Qaeda. The Awami League Home Office Minister's response was simply to tell bloggers to be careful what they wrote about. On 23 April, a university professor was hacked to death and Daesh claimed responsibility. On 25 April, two people were hacked to death, including the editor of a lesbian, gay, bisexual and transgender magazine, and again an al-Qaeda affiliate took responsibility. Then, on 30 April, a Hindu man was murdered and Daesh claimed responsibility. Those from the tiny Shi'a Muslim minority have also become prominent targets, with processions and their mosques facing attack. Last month, an elderly Buddhist monk was hacked to death. Religious minorities, writers, bloggers and publishers have continued to be attacked and murdered, and that has had a chilling effect on freedom of expression in Bangladesh.

The breakdown in law and order continues with the gross violation of human rights. Amnesty International regularly reports on what it calls enforced disappearances, and it clearly holds the security forces responsible. It talks of officers in plain clothes arresting dozens of people but then denying any knowledge of their whereabouts. A survey of national newspapers conducted by the human rights organisation, Ain o Salish Kendra, indicated the enforced disappearance of at least 43 individuals, including two women, between January and September 2015. Of the 43, six were later found dead, four were released after their abduction and five were found in police custody. The fate and whereabouts of the other 28 is unknown. Human Rights Watch has also criticised the authorities' use of excessive force, which includes the extra-judicial killings of opposition supporters. In particular, the Rapid Action Battalion is singled out as being involved in the extra-judicial killings and disappearances. Mass arrests are taking place, with experts stating that they are aimed not so much at Islamic extremists or terrorists but more at political opponents.

If all that were not bad enough, the justice system is seen as biased and is being used to silence the Government's political opponents, not least through what is called the International Crimes Tribunal. The tribunal has been condemned by the United Nations because it does not meet international standards. It is clearly politicised and is being used not to serve justice for crimes against humanity during the 1971 war of independence but to provide political results. That is perhaps best illustrated by the fact that both Jamaat-e-Islami and Bangladesh National party leaders have faced the death penalty following flawed trials at the tribunal.

Besides that, allegations are regularly made by the current Government against political opponents, tying them down in legal battles and constraining them through threats of police action and prison. As we steadily move towards the next general election in Bangladesh, the Government appear to be making more allegations, particularly against those political opponents who are particularly popular. Attempts are being made to use the judicial process to thwart the electoral chances of opponents such as Tarique Rahman and Khaleda Zia. It is as though the Awami League is trying to choose its opponents for the next general election. Indeed, the next general election could well be more corrupt and fraudulent than the last. We are observing Bangladesh collapse into chaos. As a consequence, we are also seeing a rise in Islamist extremism. The erosion of civic space, the demolition of democracy and the reduction of human rights are all causing a void that is being filled by fundamentalists.

Unhelpfully, the Bangladesh Government often deny that Daesh has a presence in the country and have criticised foreign intelligence agencies and independent commentators who have suggested otherwise. Such a "head in the sand" mentality helps nobody, but neither does the mentality of Bangladesh's high commissioner to Britain, who recently went on the BBC Radio 4 "Today" programme and claimed, to the astonishment and disbelief of the presenter and audience, that some of the extremist murders are being committed by the Bangladesh Nationalist party. That can be bettered only by Bangladesh's Minister of Home Affairs, who recently blamed Israel for some of the attacks. Let me be clear: it helps nobody to deny that there is a problem with extremism in Bangladesh, but it is deeply corrosive and haunting to play party politics with Islamist terrorism, as the high commissioner did.

Britain and Bangladesh have very strong ties. We trade heavily with each other. We rely heavily on the Bangladesh garment industry. We have the largest Bangladeshi diaspora in Europe. We enjoy the cultural experience that Bangladeshis bring to Britain—indeed, we rely heavily on Bangladeshi chefs to cook our national dish, chicken tikka masala. Bangladesh relies on aid from Britain, and on the remittances that are still being sent home. We share space and understanding within that great institution, the Commonwealth. I have grave concerns for the people of Bangladesh. The problems seem to be escalating. Human rights abuses are increasing dramatically. State violence is becoming extreme. I am worried that the country is steadily slipping towards civil unrest and, potentially, civil war, which is why I suggest that our Government take further action.

What more does the Minister think can be done? I accept that the Foreign Office has recently designated Bangladesh a human rights priority country, but more pressure needs to be applied. What more can the British Government do to press Sheikh Hasina's regime to start holding free and fair elections and to move towards a free and fair general election? Do the Government believe that some of our aid budget for Bangladesh is going into institutions, such as the Election Commission Bangladesh, that are clearly politicised and favour one party over another? If so, what should be done? Does the Minister have any concerns that weapons or equipment from the UK may be used by the security forces to suppress political activists, restrain political liberty and reduce freedom of expression? Does the Minister agree that it is now appropriate to consider sanctions against Bangladesh? Perhaps we should at least refuse entry to the UK for those in Bangladesh who are clearly responsible for some of the abuses we are discussing.

I know that there will always remain a very strong bond between Britain and Bangladesh. Indeed, our relationship allows us to be critical friends. The time has now come for the British Government to be a little more critical and a little less friendly to the current Bangladesh regime.

Sir Alan Meale (in the Chair): I shall call any other Members who wish to participate, but I should indicate to them that there are only around three to four minutes

[Sir Alan Meale (in the Chair)]

before I call the Minister to respond to the mover of the motion, who will wind up the debate at the end. If more than one Member wishes to speak, they should understand that if they are to be fair, there is limited time for them to make a representation. I call Rupa Huq.

4.43 pm

Dr Rupa Huq (Ealing Central and Acton) (Lab): Sir Alan, it was my intention only to make an intervention about the bloggers and the fact that the Charter of the Commonwealth, by which the Commonwealth Parliamentary Association abides, ensures the fundamental freedom of association. I am particularly interested to hear from the Minister whether Her Majesty's Government are making representations to the Government in Bangladesh to ensure that fundamental right when the conference takes place in September.

As you have given me the floor, Sir Alan, I would like to echo some of the comments made by my hon. Friend the Member for Rochdale (Simon Danczuk) about the Bangladeshi diaspora. I am one of three Members of Parliament of Bangladeshi origin in this House. My hon. Friend painted a rather depressing portrait. I believe it was George Harrison who wrote a song about Bangladesh being a terrible mess. Some of the sentiments expressed by my hon. Friend seem to give weight to that opinion, although it was expressed only in popular song. It is a country that has been monitored on many fronts: democracy, human rights and freedom of association. I am looking forward to hearing the Minister's speech.

Sir Alan Meale (in the Chair): Of course the hon. Lady is a senior politician in this place and she knows the rules. Debates in Westminster Hall operate under strict timetables. The mover of the motion has indicated that he wants the Minister to reply to the questions he posed. If any time is left, it can be granted to other Members, but we now have to move on because we are approaching the witching hour, when the Minister has to be called.

4.45 pm

The Minister of State, Foreign and Commonwealth Office (Mr Hugo Swire): I congratulate the hon. Member for Rochdale (Simon Danczuk) on securing this important debate and commend the consistent commitment he has shown to Bangladesh, both as a member of the all-party group on Bangladesh and as an MP representing British nationals of Bangladeshi heritage. I thank the hon. Member for Ealing Central and Acton (Dr Huq) for her contribution. As the Minister with responsibility for bilateral relations with Bangladesh and for the Commonwealth, I will try to address as many of the points raised as I can in the time available.

As the hon. Member for Rochdale said, the relationship between the UK and Bangladesh is strong. That relationship is enhanced, and British society as a whole is enriched, by the diaspora community. As a close friend of Bangladesh and fellow members of the Commonwealth, we care deeply about what happens there, both now and in future. We want Bangladesh to develop into an economically successful country that maintains its Bengali tradition of respect and tolerance for people of all faiths and backgrounds.

In June last year, the House debated Bangladesh against a backdrop of political unrest, the brutal murders of bloggers, and allegations of extrajudicial killings and enforced disappearances. Since then, there have been more attacks against minority groups and those who hold views counter to traditional values and beliefs. Responsibility for many of the attacks has been claimed by Daesh, or by groups affiliated to Al-Qaeda in the Indian Subcontinent. As has been pointed out, there has also been pressure on opposition parties, including the Bangladesh Nationalist party, and on dissenting voices in the media and civil society.

Peaceful, credible elections are the true mark of a mature functioning democracy, and all political parties share a responsibility for delivering them. The UK will continue to engage constructively with all parties in Bangladesh, and with international partners, to work towards that end. It is generally recognised that a shrinking of space for democratic challenge and debate can push some towards extremist alternatives. I am deeply concerned that the recent appalling spate of murders is becoming an all-too-common occurrence. The Prime Minister discussed our concerns with the Prime Minister of Bangladesh, Sheikh Hasina, on 27 May in Tokyo, highlighting the fact that extremist attacks risk undermining stability in Bangladesh. I also raised those concerns with the Bangladeshi high commissioner on 24 May, and our high commissioner in Dhaka regularly discusses these issues in meetings with the Bangladeshi Government.

I welcome the commitment by the Government of Bangladesh to bring those responsible for recent extremist attacks to justice. We have also made it clear, in public and in private, that justice must be done in a manner that fully respects the international human rights standards that Bangladesh has signed up to and which, as a member of both the Commonwealth and the UN Human Rights Council, it has pledged to uphold.

Mass arrests and suspicious "crossfire" deaths at the hands of the police undermine confidence in the judicial system. Investigations must be conducted transparently and impartially, irrespective of the identity of the victim or the alleged perpetrator. Anyone arrested should be treated in full accordance with due process and Bangladeshi law. It is also important to explore the root causes of the attacks involving international links.

We urge Bangladesh, as a vibrant, modern and rapidly growing democracy, to protect and promote freedom of expression as one of its core values. Prime Minister Hasina has repeatedly extolled the secular, tolerant nature of Bangladesh. Her Government must be unequivocal about protecting the rights of all citizens, including those who express different views or lead different lifestyles. The victims themselves should not be blamed.

As recent events in the United Kingdom, France, the US and elsewhere sadly show, Bangladesh is not alone in having to face the scourge of extremist violence. All countries must stand together to combat extremism and terrorism. This is not a challenge to be faced in isolation. We can and will do more to engage with the Government of Bangladesh on areas of shared concern, such as counter-terrorism, counter-extremism and the promotion of human rights for all. At the same time, our development

programme—still one of our largest—continues to address some of the root causes, including poverty and economic marginalisation.

The threat of terrorism and extremism affects us all. It should not be faced alone, and it is incumbent on us all to work together to promote tolerance and acceptance. The protection of human rights is a core value of the UK and of the Commonwealth. The hon. Member for Ealing Central and Acton asked about the CPA meeting later in the year in Bangladesh, and I urge the new secretary-general of the Commonwealth, Baroness Scotland, to visit Bangladesh as soon as she can in order to assess the situation for herself. We will continue to encourage the Prime Minister, Sheikh Hasina, to deliver on her commitments to tackle terrorism, to protect human rights and to do so in a way that is compliant with the rule of law and due process, which is in both our interests. Bangladesh has a long-term vision to be a peaceful, prosperous and developed nation; the UK shares that aspiration and wants to be a friend of a vibrant, stable and economically successful Bangladesh.

I again thank the hon. Member for Rochdale for the opportunity to debate the issues, and I thank all other hon. Members for their contributions.

4.53 pm

Simon Danczuk: I thank hon. Members for their contributions and interventions, and I thank the Minister for his response to the issues that I have raised. Without doubt, we all want to see solutions to the problems that are obviously occurring in Bangladesh, and I am pleased to hear that the Prime Minister spoke to Sheikh Hasina as recently as last month.

I still have some concerns. We are fast approaching CHOGM, the Commonwealth Heads of Government meeting, which will be held in London in a year or two. I hope that more progress will be made in Bangladesh before we get to that stage. Finally, we are left with three questions that the Minister still needs to answer: first, is any British aid being used in a partisan way; secondly, is there use of any weapons or equipment to suppress political opposition; and, thirdly, at what stage would Britain consider sanctions against Bangladesh, if the situation does not improve?

Sir Alan Meale (in the Chair): May I suggest to the hon. Gentleman, when he goes over his deliberations in *Hansard* tomorrow, that he might take the view expressed by Ms Huq and contact the CPA to warn it that this matter came up in the course of his debate? He could ask the CPA to ensure that all precautions are taken in the event of the conference taking place.

Question put and agreed to.

Alcohol Consumption Guidelines

4.56 pm

Byron Davies (Gower) (Con): I beg to move,

That this House has considered guidelines on alcohol consumption.

It is a pleasure to serve under your chairmanship, Sir Alan. I am delighted to have secured this topical and timely debate following the conclusion of the public consultation on the proposed new guidelines on alcohol consumption. Given the scale of public interest and levels of public and industry concern about this important issue, I am pleased to see so many colleagues here this afternoon from across the House to support the debate.

I want to be clear from the outset. I recognise the necessity for sensible and effective guidelines to help consumers—our constituents—to make better informed decisions about the amount of alcohol they consume. Ministers were right to ask the chief medical officer to carry out a review of the guidelines, and it is important that the guidance reflects the most up-to-date scientific evidence that is available across the world and that that is properly communicated to consumers.

I declare an interest as a member of the all-party beer group—unashamedly, given that 30 million adults across the UK drink beer each year and 15 million of us visit the pub each week. But I also know that this issue is a matter of concern for anyone who enjoys a drink and wants to drink responsibly.

We have made great strides in this country in promoting responsible enjoyment of alcohol through a partnership approach with industry. That achieves much more than a draconian approach to taxation or heavy-handed regulation. As a Conservative, I want to treat adults as adults and let them have the freedom to make informed choices about how they live, what they eat and drink and how they enjoy their lives. As a responsible Conservative, I also know that industry has a role to play in promoting responsibility through advertising campaigns, voluntary labelling initiatives and provision of consumer information. We have achieved a great deal, successfully reducing alcohol harm for more than 15 years.

The Office for National Statistics confirms that binge drinking has fallen by 25% since 2007. According to Public Health England, alcohol-related and alcohol-specific deaths have fallen since 2008 by 7% and 4% respectively. The Office for National Statistics confirms that alcohol-related violent crime has fallen by 40% since 2007. The number of children drinking alcohol has fallen by more than 50% since 2003 and is currently at the lowest rate on record. According to Public Health England, under-18 hospital admissions due to alcohol have fallen by 41% in the past six years.

John Howell (Henley) (Con): The statistics that my hon. Friend has produced are absolutely fascinating. Of course, in the popular press, the one place that is singled out for its continuation of the old culture of drinking is the Palace of Westminster. Does he have a view on what role we should play in setting an example and does he agree that over the past few years the Houses of Parliament have been behaving absolutely immaculately?

Byron Davies: I thank my hon. Friend for that intervention. I can only quote my own example, which is one of extreme caution with alcohol, but it has

[Byron Davies]

been thoroughly enjoyable at times in the 12 months since I have been here. Of course, we should not be complacent.

Dr Daniel Poulter (Central Suffolk and North Ipswich) (Con): I commend my hon. Friend for securing this debate. Does he recognise that we have to be wary of some of the statistics on alcohol-related admissions and alcohol-related morbidity and mortality data? Often, data on admissions to mental health hospitals are poorly collected. Indeed, now that public health services are divorced from the NHS and run by local authorities in England, we must be careful in assuming there is a downward trend. In fact, there is still a real problem with the overlap between mental health conditions and alcoholism.

Byron Davies: I am grateful for that intervention. I accept that we have to be very careful on that issue.

We should not be complacent. It is essential that public health advice keeps pace with advances in scientific understanding. Crucially, the communication of any guidance from the state must be seen to be above reproach and carry the confidence of industry and the public alike. However, I felt this debate was needed because I and several other hon. Members are concerned that the process by which the chief medical officer reaches their conclusion is flawed and has, in some ways, been hijacked by a group of campaigners with a clear anti-alcohol, total abstinence agenda.

Views are strongly held on this subject, which divides scientific opinion and the medical community. I recognise that that puts the CMO in a difficult position in making judgments about risk and in communicating sensible guidelines to consumers. We are bombarded with health advice from all quarters in this 24-hour social media age, and it is vital that anything published in an official capacity as advice from the Government's chief medical officer is properly scrutinised and beyond reproach. I argue that the process that has been adopted, the clear conflicts of interest of the panel of so-called experts deployed to deliberate on these matters and the biased presentation of the findings have left a crisis of confidence in the new CMO guidelines among consumers, the media and industry. The Minister needs to address that in her response to the public consultation.

Let me deal with those points in turn. First, on the process adopted to undertake this review, the Department of Health guidance for expert group members states clearly:

> "It is important to avoid any impression that expert group members are being influenced or appearing to be influenced by their private interests in the exercise of their public duties. All members therefore must declare any personal or business interests relevant to the work of the expert groups which may or may not be perceived by a reasonable member of the public to influence their judgment."

Members of the guidelines development group set up to advise the CMO have been active policy advocates during the time in which the guidelines have been developed. Thanks to the investigative journalism of Sean O'Neill, chief reporter at *The Times*, it has come to light that an academic who played a key role in drawing up the controversial new safe drinking limits, Professor Gerard Hastings, did not even declare his links to the Institute of Alcohol Studies, a registered charity that receives most of its income from the Alliance House Foundation, which states that its aim is spreading the principle of total abstinence from alcoholic drinks. That is not quite putting Dracula in charge of a blood bank, but it is not far off.

Policy advocates such as Professor Hastings have taken strident campaigning positions. Many have a temperance or total abstinence axe to grind. They are clearly not neutral or, I argue, objective in their assessment of the costs and benefits of alcohol consumption. Indeed, the chief medical officer for England, when giving evidence to the House of Commons Science and Technology Committee on the proposed new alcohol guidelines, admitted that the experts

> "found remarkably little evidence about the impact of guidelines, but we did not do them to have direct impact so much as to inform people and provide the basis for those conversations and for any campaigns that, for instance, Public Health England and others might run in the future."

One member of the behavioural expert group, Dr Theresa Marteau, writing in the *British Medical Journal*, went further and stated that the new guidelines are

> "unlikely to have a direct impact on drinking…but they may shift public discourse on alcohol and the policies that can reduce our consumption."

Minutes from the guidelines development group meeting of 8 April 2015 state:

> "It would be important to bear in mind that, while guidelines might have limited influence on behaviour, they could be influential as a basis for Government policies".

There we have it. Never mind what consumers think about being told by the chief medical officer to think of cancer every time they hold a glass of wine or pour a can of beer, or that, as someone drinking a pint of beer a day, they are drinking more than they should. The not so well hidden agenda of the temperance activists is to influence Government policy to drive down alcohol consumption across the board. Wales has a strong Methodist and temperance tradition, which I respect, but I take issue with organisations such as the Institute of Alcohol Studies, which is funded directly by the temperance movement, helping to produce biased reports that are then given undue influence over the Government's alcohol policy.

Having raised my concerns with the process adopted in undertaking the review, which I believe may have prejudiced the outcome and has certainly rendered the process lacking in credibility with consumers and the industry, I turn to the presentation of the review's findings and, in particular, to the assertion that there is no safe level of alcohol consumption, the lowering of the recommended weekly levels for men in line with those for women, and the communication of risk. I believe that that assertion is at the heart of the flawed nature of the proposed guidelines and it is, in some respects, clearly deliberate on the part of campaigners. If the Government accept that there is no safe level of consumption, it becomes much easier to argue for more restrictions on alcohol availability,

Graham Stringer (Blackley and Broughton) (Lab): I agree with the points the hon. Gentleman is making, specifically and generally. Does he agree that, not just on these guidelines but right across the board, Governments

of all political colours have made a mistake in involving campaign groups and pretending that they are scientific experts? It is not just on alcohol, but in all sorts of other areas.

Byron Davies: I could not have put it better myself. I thank the hon. Gentleman for that intervention.

As I said, it becomes much easier to argue for more restrictions on alcohol availability, higher taxation of all alcohol regardless of strength, and more alarmist public health advertising to frighten people away from drinking. I am not a medic, but I have been around long enough to understand the old adages of "a little bit of what you fancy does you good" and "all things in moderation"—including international science. Indeed, looking into this further, I have discovered decades of evidence that shows the protective effects of low, moderate drinking.

Patricia Gibson (North Ayrshire and Arran) (SNP): Does the hon. Gentleman agree that new, revised alcohol guidelines will not of themselves necessarily change or reduce drinking, but they will increase awareness of potential harm? That is surely a good thing.

Byron Davies: I am not quite clear on the hon. Lady's point. I genuinely believe that this is a kind of social engineering, which I totally disagree with. A recent survey commissioned by the Campaign for Real Ale showed that a majority of GPs disagreed with the new advice and believes that drinking alcohol in moderation can be part of a healthy lifestyle.

Dr James Davies (Vale of Clwyd) (Con): I congratulate my hon. Friend on securing this debate. As a GP, I can confirm the current lack of faith in the validity of the guidelines. Many feel, for instance, that the social benefits of moderate alcohol intake have not been given sufficient weight. Does he agree that, if they are to be observed, it is vital that guidelines are trusted?

Byron Davies: That is the crux of the matter—my hon. Friend makes a very valuable point, which I am delighted that he, as a practising GP, has made.

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): The hon. Gentleman talks about the alcohol guidelines as social engineering, when they are actually designed to bear down on the health harms from alcohol consumption. How can he call it social engineering when the Government are trying to ensure that our fellow citizens are healthier and live longer?

Sir Alan Meale (in the Chair): Order. Before the hon. Gentleman resumes, it pains me to do so but I have to point out that it is not in order for the Front Bench spokesperson to participate in questioning. The hon. Member for Hackney North and Stoke Newington (Ms Abbott) will get time to sum up for the Opposition at the end.

Byron Davies: I am grateful for that guidance, Sir Alan. The proposed new guidelines do not reflect the full international evidence base on alcohol and health, and actively downplay decades of epidemiological evidence that shows the protective effects of low to moderate drinking against cardiovascular disease, stroke, type 2 diabetes and cognitive—

Mr Alistair Carmichael (Orkney and Shetland) (LD): Will the hon. Gentleman give way?

Byron Davies: If the right hon. Gentleman will forgive me, I really need to move on.

To quote a no less august body than the Harvard T.H. Chan School of Public Health in the United States:

> "More than 100 prospective studies show an inverse association between moderate drinking and risk of heart attack, ischemic (clot-caused) stroke, peripheral vascular disease, sudden cardiac death, and death from all cardiovascular causes. The effect is fairly consistent, corresponding to a 25 percent to 40 percent reduction in risk."

The US Government's National Institute on Alcohol Abuse and Alcoholism supports that position.

One crucial point is not scientific, but about responsibility. I am a proud Conservative. Therefore, like most sensible people, I believe that, by and large, people can make their own decisions about their lives. I am not advocating that people go out and smoke 100 cigarettes, drink heavily, eat mountains of butter or consume mounds of sugar. However, if people want to enjoy the company of their friends with a fine pint of British beer that has been brewed using British ingredients following a fine art that has been honed carefully over our history, who are we to stop them? The medical advice I have listed remains clear indeed.

Curtis Ellison is professor of medicine and public health at Boston University School of Medicine, and director of the International Scientific Forum on Alcohol Research. He says:

> "Statements suggesting abstinence is better than light drinking in terms of health and mortality are erroneous and do not reflect current scientific literature, with well-conducted studies showing that mortality is lower for light-to-moderate drinkers than for lifetime abstainers."

As a nation, we have always believed in the fundamental good sense of the British people and, although my confidence was shaken by last week's events, we have allowed people to decide what is best for their own lives. The pub is a crucial part of the social and cultural fabric of the UK. There are few things that are as crucial a part of our identity and history as the casual, relaxed pub culture that Britain has enjoyed over hundreds of years. Indeed, the importance of the pub—casual and social drinking—to people's mental and physical wellbeing is marked.

The Oxford University and CAMRA-instigated report, "Friends on Tap" acknowledges the benefits of pubs to wellbeing. By telling people there is no safe level of drinking, we could be denying millions the positive social effects of going to the pub and the positive effects on the community. The results from the pub surveys suggest that people who go to small community pubs have more close friends and feel that their communities are better integrated. Indeed, small community pubs are now vital in supporting community services.

Pub is The Hub has supported many pubs across the length and breadth of the UK to stay open, become community owned and offer vital services. The services on offer include internet lessons and provisions, restaurants,

[Byron Davies]

post offices and shops. The pubs have been transformed into a social hub and are providing services that are vital to communities' very survival. I fear that alarmist advice threatens not only pubs but the threads with which our communities are weaved together.

To further support my case, the findings of Oxford University suggest that pubs in general, and local community pubs in particular, may have unseen social benefits. Pubs provide us with a venue in which we can serendipitously meet new and, in many cases, like-minded people. They offer an opportunity to broaden our network of acquaintances, which has advantages. There is a potential to translate acquaintances into new friendships and to widen our contact with a greater diversity of cultural groups by bringing us into contact with people from other walks of life and other cultures, whom one might never otherwise meet.

Pubs allow us to engage in conversation with, and get to know better, other members of our local communities. By extension, they allow us to mix, meet a wider range of community members, and interact with a greater diversity of social classes and cultures than would otherwise be the case if our social world was confined to work and home.

Closer to home and on the benefits of moderate alcohol consumption, Dr Richard Harding was a member of the Government's 1995 inter-departmental working group on sensible drinking. In written evidence submitted to the Science and Technology Committee in 2012, he outlined the changes in available evidence since 1995, including the strengthening of the evidence base around the range of health benefits of moderate alcohol consumption. He said that the key findings are:

"Clear evidence that the frequency of drinking is as important as, or even more important than, the amount of alcohol consumed. All epidemiological studies show that the more frequent drinkers, including daily drinkers, have lower risks for many diseases than do individuals reporting less frequent drinking… Firmer evidence for the protective effect of moderate alcohol consumption for coronary heart disease, as well as further clarification of the mechanisms for the protective effect…Evidence for an approximately 30% reduction in risk for type 2 diabetes for moderate drinkers…Evidence that moderate drinkers have less osteoporosis and a lower risk of fractures in the elderly compared to abstainers…Evidence that light to moderate drinking is associated with a significantly reduced risk of dementia in older people…Increasing evidence that moderate drinking should be considered as an important constituent of a 'healthy lifestyle'".

Dr Alexander Jones of the University College London Institute of Cardiovascular Science says:

"There have been a couple of studies which showed that if they were randomised to either just eating a Mediterranean diet or eating a Mediterranean diet and drinking a glass of red wine a night, that those who drank a glass of red wine a night had better cardiac function over time."

That international consensus is rejected at a stroke by the CMO's proposed new guidelines in favour of a "no safe limits" narrative. The statement of no safe levels sends out confusing and contradictory messages to consumers and will serve only to generate public mistrust in the health service.

David Shaw, senior researcher at the Institute for Biomedical Ethics at the University of Basel says that

"the 'no amount is safe' message undermines the new recommended limit for men and the retention of the limit for women. Why should people attempt to adhere to the new limits rather than the old ones if they are also being told that the new recommended levels are not safe? Giving such a mixed message further increases the likelihood that the guidelines will not be taken seriously."

Dr Augusto Di Castelnuovo, professor of statistics and epidemiology at the Institute for Cancer Research in Italy says:

"The new recommendation that there is no 'safe' alcohol limit is misleading: low to moderate consumption up to one-two units a day in women, up to two-three in men of any type of alcohol—with the possible exception of spirits—significantly reduces the risk of cardiovascular disease. Moderate drinking is associated with a modest excess risk of oral and pharyngeal, oesoph"—

I will forget that word—

"and breast cancers. But the balance between these two different effects is in favour of drinking in moderation."

As well as concerns about the language of "no safe level", considerable concern has been expressed about the communication to consumers of the level of risk associated with alcohol consumption. It is really important that we put risks in context so that consumers can make informed choices.

Ignorance of the international evidence has been heavily criticised by the Royal Statistical Society. In the key points in its response to the consultation, it states:

"We are concerned that, in their recent communications about alcohol guidelines, the Department of Health did not properly reflect the statistical evidence provided to the Expert Guideline Group, and this could lead to both a loss of reputation and reduced public trust in future health guidance…We are concerned that scepticism concerning the guideline process might apply to future pronouncements concerning arguably much greater health risks associated with inactivity, poor diet and obesity that, unlike alcohol consumption, are increasing problems. Once public trust has been lost, it is extremely difficult to win back, and you will have lost a key tool in managing future behavioural change."

Those key points are on not just alcohol consumption but how we will view future medical advice from the Department of Health. The public must have confidence in our great institutions and be of the belief that they are serious and sober in their analysis while also realistic about people's life choices and lifestyles.

We have worked so hard as a nation, with industry and Government working hand in hand to reduce serious problem drinking. Do not misunderstand me: I know there is some way to go on this matter and I am fully supportive of the efforts to curb problem drinking and tackle its health effects, but we must not remove industry from this process and we cannot let serious medical advice be tainted by alarmist and prescriptive guidelines that threaten to undermine the whole process we have embarked on.

Let me turn to the new CMO 14-unit weekly prescription for men and women, which would effectively make 2.5 million more of our male constituents problem drinkers overnight, classed as increasing risk from low risk by virtue of the fact that they might drink more than one pint a night in the pub. Immediately following this announcement, we saw *The Guardian's* front page article asserting that as we now have in excess of 10.5 million people "drinking harmfully", further regulatory interventions were needed. That was backed up by members of the Guidelines Development Group, including the chief executive of the Institute of Alcohol Studies. Job done—they moved the goalposts and scored straight away. But the established international precedent in 30 countries worldwide is that men and women are set

different guidelines reflecting differences in alcohol metabolism due to body size and weight as well as the lower body water content and higher body fat content of women. Aside from the UK, there are only five other countries that recommend the same guidelines for men and women: Australia, the Netherlands, Albania, Guyana and Grenada.

Dr Erik Skovenborg from the Scandinavian Medical Alcohol Board and board member at the European Foundation for Alcohol Research said:

"I am surprised to see the same limits for weekly alcohol consumption for men and women, in spite of the well-established greater susceptibility of women. The danger is that the new guidelines will give women the false impression they are on a par with men in their ability to tolerate alcohol."

The CMO told the Science and Technology Committee that the guidelines were primarily informed by new evidence on alcohol and cancer:

"the science has moved on...we know a lot more about the impact of alcohol on the development of cancer and on the risk of cancer",

yet guidelines for women have remained the same, while guidelines for men have been reduced based on modelling of acute harms such as accidents and injuries. I simply cannot concur that that is sound medical advice on a number of levels.

Those of us who favour a partnership approach to these matters are very concerned that this triple lock—of proceeding with the language of "no safe level" in the face of international evidence to the contrary, of promoting the notion that men and women have equal tolerance levels to alcohol and of Britain needing to have the most stringent alcohol guidelines in the world, despite the positive recent developments in tackling alcohol harm—is a triple whammy that threatens to undermine the significant recent progress we have made, with industry and Government working together to tackle alcohol harm.

5.21 pm

Sitting suspended for Divisions in the House.

5.50 pm

On resuming—

Byron Davies: I had about 20 seconds left when the Division bell rang, so I will bring my speech to a close by saying that a triple whammy threatens to undermine the significant recent progress made by the industry and the Government working together to address alcohol harm. The triple whammy also threatens to do significant harm to our communities. We cannot afford to threaten the key bonds and relationships that tie many local communities, particularly rural ones, together.

I fear that this advice will take us down a dangerous path. As we have heard, the advice is not medically sound, and it is certainly not in the best interests of these vital community assets. I call on the Minister to act. Unless she rejects the "no safe level" narrative, the new alcohol guidelines will lack credibility, carry no authority with consumers and potentially cause the industry to rethink its voluntary commitments, all of which will be retrograde steps. I am sure that that is not her intention, as she has worked tirelessly on this issue.

Several hon. Members *rose—*

Sir Alan Meale (in the Chair): I have a few guidelines for Members before we continue. We have overrun quite a bit, and we are now scheduled to conclude at 6.27 pm. It is normal practice to give a couple of minutes to the mover at the end to wind up, with the Minister getting 10 minutes and the two Opposition spokespeople five minutes each, which takes us to 6 o'clock. We do not have much time left for Back Benchers, but there is sufficient time for Members to get their message across.

5.51 pm

Jim Shannon (Strangford) (DUP): I congratulate the hon. Member for Gower (Byron Davies) on securing this debate. I am conscious of the shortness of time, but I will try to bring some balance to the debate. I have great respect for the Minister, but we have to consider the guidelines. The guidelines are based on the recommendations of the advisory group, which asked the Sheffield alcohol research group to publish a report, and they are very clear: men and women should not regularly drink more than 14 units a week and, if they drink as much as 14 units, it should be spread evenly over three or four days. The Royal College of Nursing, Cancer Research UK and the National Institute for Health and Care Excellence support the guidelines. There is a clear link between alcohol and cancer. Those are the medical facts on which the Minister will respond.

The Campaign for Real Ale has raised many concerns, and it alleges that there is overwhelming evidence that moderate alcohol consumption can be part of a healthy lifestyle. The hon. Gentleman made that point clearly in his introduction. It is about balance and people knowing their limits. He also mentioned promoting social wellbeing, and for many people modest alcohol consumption in pubs enables us to build friendships and create a sense of community.

The industry was thought to be dying, with literally dozens of pubs closing each week, but pubs have now become vital community facilities that bring local people together. Pubs have increasingly diversified to provide much-needed services such as village shops, post offices and even housing for defibrillators. We have seen a beer revolution, and there is no constituency anywhere in the United Kingdom that does not have its own local beers and local gins. Alcohol sales are worth some £40 billion, which does not factor in the associated income from activities and events involving alcohol. Wines and spirits directly and indirectly support 512,000 jobs, 69% of which are directly dependent on the industry's stability and success.

The issue of problem drinking has to be addressed. The industry points to the fact that most people in this country are moderate drinkers. Research shows that 60% of alcohol sales are made either to those who are risking their health or to harmful drinkers who are doing themselves potentially lethal damage. More than 1 million hospital admissions a year are related to alcohol—double the number 10 years ago.

The UK has an alcohol problem, but as with many policy areas, striking a balance, while incredibly difficult, is essential. We cannot harm those who want to enjoy a drink—not to the point that they end up in A&E—but at the same time it is right to warn people of the perils of excessive drinking. The solution lies in education from as early an age as possible. We still have teen

[Jim Shannon]

drinking; despite existing education and awareness campaigns, the reality is that teen drinking continues. People need to be made aware why they need to watch what they drink, rather than simply being told to do so.

I will conclude, because I am very conscious that other Members want to speak. Recommendations seem to be continually ignored by all age groups, which is regrettable. To see real change—the change we want—there needs to be more awareness, and that awareness needs to be created in a positive manner, so that drinkers manage their own intake because they want to and not because they are being coerced into doing so.

5.55 pm

Andrew Griffiths (Burton) (Con): It is a great pleasure to serve under your chairmanship, Sir Alan, and to address the issues raised by my hon. Friend the Member for Gower (Byron Davies). They are hugely important issues and he got into the detail of them.

I am also pleased to take part in a debate with the Minister, because she has worked really constructively with the industry during her time in office. The work that she has done in lowering the alcohol by volume in drinks, as a result of working closely with the industry, has taken a billion units out of consumption. That shows that constructive working can have a huge impact on the nation's health and the nation's drinking habits.

I should declare an interest as the chairman of the all-party group on beer, and colleagues should see my entry in the Register of Members' Financial Interests; I am also the patron of a drug and alcohol rehabilitation centre in my constituency. I want to see a healthy drinks industry and a healthy population, and those two things are not mutually exclusive.

In Government, we used to have something called "the nudge unit", to try to persuade people and help them to make the right choices. However, we are seeing "Project Fear" in this approach and we saw in the referendum that that approach simply does not work. At a stroke, we have made 2.5 million people problem drinkers. Let me tell the tale of my auntie, Irene. She died at the age of 88. Before she died, she used to enjoy a bottle of Mackeson Stout every evening. According to these guidelines, she was a problem drinker. That is what we have done. These guidelines are so against the grain of the way that people live their lives that we risk people ignoring them and ignoring other advice, and going on regardless, so that the guidelines become absolutely pointless.

For instance, Sir Alan, you will be surprised to know that according to these guidelines the Minister can drink exactly the same amount of alcohol as my right hon. Friend the Member for Brentwood and Ongar (Sir Eric Pickles). I have never been drinking with the Minister, but that does not seem to make any sense at all. Size, and the way in which men and women absorb alcohol at different rates—none of that is being taken into consideration.

It is interesting that in a written answer to my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton) the Minister said that, although we have specific guidelines on calorie intake for men and for women—that guidance is differentiated—we do not have them for the intake of alcohol. That just shows that there is absolutely no sense in the way this guidance is being proposed.

My hon. Friend the Member for Gower referred to the concerns that exist about the way this report was drawn up and about the organisations that took part in the research, including those involved in the temperance movement. I am also concerned that in a written answer to my hon. Friend the Minister wrote that

> "The National Institute for Health Research has awarded funding to The University of Sheffield… to evaluate the new drinking guidelines."

That is a case of people marking their own homework, and we should all be very concerned about that. There are real concerns about the rigour with which this information has been compiled and we risk people turning off and not taking any notice, which could damage the health of the nation.

I realise that other Members wish to speak and that time is pressing. I appreciate the efforts that the Minister has made to work with the drinks industry, but this guidance came as a bolt from the blue. The industry knew nothing about it. There was no consultation. Nobody from the alcohol industry was involved in peer-reviewing the evidence, so I hope that we will reconsider. I realise that it is an independent report, but I urge the Minister to reconsider the validity of the evidence, because it just does not stack up.

Sir Alan Meale (in the Chair): Before I call the last two speakers, I should inform you that, as I said before, we will have to start the winding-up speeches at five minutes past 6, so if you can, please share the time remaining.

6 pm

Patricia Gibson (North Ayrshire and Arran) (SNP): I will be as brief as possible, Sir Alan. I thank the hon. Member for Gower (Byron Davies) for securing this debate. The main point that I want to make is that this entire debate must be viewed in the context that we across the United Kingdom have a problematic relationship with alcohol. We know that the new guidelines will not automatically change how people drink or their relationship with alcohol, but if they do anything at all to raise awareness of the risk of harm and the newly discovered and developing link between cancer and alcohol intake, I for one think that that is a good thing.

In the Scottish Government, we are considering minimum pricing for alcohol as one tool in a whole host of tools to redefine our relationship with alcohol, but to call a revision of the guidelines for consumption "social engineering" is a step too far. I do not think that over-the-top comments are helpful in this debate. I speak as somebody who has a great affection for a glass of wine at the end of the evening. We all want the same thing; we want people to enjoy moderate, healthy drinking. We do not want to demonise alcohol. Most people do not have a problematic relationship with alcohol, but we cannot ignore the fact that it is a blight on too many families and communities. If we can raise awareness of risk and harm and educate the public, not dictate to them, so that they can make informed choices, I genuinely cannot understand why anybody would have a problem with that. I will conclude my remarks on that note.

6.2 pm

Mike Wood (Dudley South) (Con): We as Members should question the credibility of alcohol advice, but our primary role is surely to consider the wisdom and effectiveness of such guidance from a public policy viewpoint. The guidelines fail to acknowledge the decades of research demonstrating that moderate alcohol consumption is compatible with a healthy lifestyle. Multiple studies since the 1970s show that light to moderate alcohol drinkers have a lower mortality rate than non-drinkers or heavy drinkers. When plotted on a graph, the relationship between moderate consumption and total mortality appears as a J-shaped curve, demonstrating the benefits of light to moderate alcohol consumption compared with both abstinence and heavy drinking.

I would not presume to argue with the chief medical officer's opinion that any alcohol is damaging, but I do not believe that as a matter of public policy, an abstinence approach is either wise or effective. We recognise that recommending abstinence is a counterproductive policy in tackling teenage pregnancies, yet we are asked to imagine that saying that there is no safe amount of alcohol is an effective way of tackling alcohol abuse. The previous unit limit might have been an arbitrary figure, but it was a realistic target for most people and helped reinforce the message that alcohol needs to be kept to light and moderate levels. The guidelines threaten that.

As well as significant evidence about physical health, there is growing evidence about the benefits of moderate alcohol consumption in a safe and social environment for mental health. In particular, a recent study commissioned by the Campaign for Real Ale from Oxford University found that people who regularly visit a community-type pub tend to have more close friends on whom they can call for support, and that they are happier, healthier and more trusting of others. A moderate amount of alcohol improves wellbeing and some social skills, just as it has been shown to improve other cognitive abilities and health.

Any future guidance must, of course, be cautious, but it should also recognise the protective effects of moderate alcohol consumption. I also advocate withdrawing the advice that there is no safe level of alcohol consumption so that we can concentrate on the social and medical benefits of limiting alcohol consumption to moderate levels.

6.4 pm

Alison Thewliss (Glasgow Central) (SNP): It is a pleasure to be able to speak in this debate. I congratulate the hon. Member for Gower (Byron Davies) on securing it.

This debate has highlighted the fact that statistics can be used to prove just about anything. It is important that people out there have confidence in the statistics and the guidance that they are given, and I am concerned that the Royal Statistical Society seems to have a bit of a worry about the guidance that has been put forward—particularly on the issue to do with intake for women and men. There is evidence to suggest that women's and men's bodies absorb alcohol slightly differently, and that really ought to be acknowledged so that each individual gets the best advice possible.

The hon. Member for Burton (Andrew Griffiths) talked about the differences between people. My brother is 6 feet 4 inches and his girlfriend is about 5 feet 2 inches, and there are obviously stark differences between them. Having said that, unless people are going to have a personalised alcohol prescription, it is quite difficult to be specific. We have to have general guidelines that give people an idea of what they can expect. People have to know their limits, as the hon. Member for Strangford (Jim Shannon) said. He also said that 60% of alcohol sales are to problem drinkers, which is an issue that we have had in Glasgow and the west of Scotland. As my hon. Friend the Member for North Ayrshire and Arran (Patricia Gibson) said, alcohol consumption significantly blights families.

Organisations such as the Glasgow Council on Alcohol, through their community work, seek to get people talking about the impact that alcohol has on communities. As the Glasgow Centre for Population Health has found, inequality has a significant effect. In Glasgow, the most deprived communities have five times more of a problem with alcohol than the least deprived communities.

Alcohol guidelines are not just about pubs, as the hon. Member for Gower seemed to be suggesting. I very much support the real ale industry, and CAMRA does really good work and has transformed the way people look at alcohol—they go for quality rather than quantity in some cases—but the fact remains that many people, particularly in deprived communities, are not going to a nice, cosy real ale pub; they are going to the local shop on the high street and buying large volumes of alcohol, which will do them significant damage.

Andrew Griffiths: I agree with much of what the hon. Lady is saying. Does she share my concern about telling people that alcohol can cause them to misjudge risky situations, cause accidents and cause them to lose self-control, and giving them advice about drinking alcohol before going up a ladder? That is not the kind of advice about alcohol that people expect, and the risk is that the general public will have no confidence in the guidelines.

Alison Thewliss: We need to be aware of the impact of alcohol generally. The hon. Member for Henley (John Howell) spoke earlier about alcohol in the House of Commons, which is still a concern for me. I was at an event earlier celebrating tennis—a nice, healthy activity—and there was booze. I could get a drink at lunchtime. I do not think that is acceptable. The House of Commons should consider whether it is appropriate for people to have a drink with their lunch at events that take place during a working day. I am not convinced that it is.

The Scottish Government have a framework for action on alcohol. We pursued the Alcohol (Minimum Pricing) (Scotland) Act 2012, which, due to the alcohol industry, has been bogged down in a legal dispute. Importantly, it is about trying to cut down the number of people buying large volumes of alcohol. We are trying to change that behaviour and get people to think about how their drinking is affecting their health.

Evidence that organisations such as the Glasgow Centre for Population Health have looked at suggests that we need a change in attitude. There are people who are damaging their health severely every day. This is not about an auntie who drinks a wee drink before she goes

[Alison Thewliss]

to bed or anything like that. It is about people who are drinking more than they should and drinking in unhealthy ways, which has an impact on their health and their ability to go about their business safely.

I saw a study from the Glasgow Centre for Population Health a few years ago that suggested that, in the most deprived areas of Glasgow, people who drink quite a lot end up in hospital more than people who drink an equivalent amount in better-off areas, because their lifestyles and the things around them do not keep them safe. Someone in a well-off area might be having a bottle of wine every night, whereas someone in a poorer area having something else is far more likely to come to harm. There are serious considerations not only about public health but about how we think about alcohol in general, and about the guidelines that are put in place to get people to think about how much they are drinking and what they can do to reduce their intake, be healthy and happy and have a good role in their families and communities.

6.10 pm

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): I congratulate the hon. Member for Gower (Byron Davies) on securing this very important debate. The most important thing to stress is that this is not a moral issue—hon. Members have talked about abstinence and so on—nor is it about pubs, many of which are reinventing themselves by serving food and providing craft beer. I welcome the social haven provided by pubs. This is about the health of the nation, and it is interesting that Members have skirted around the health issues. That is why we have guidelines; it is not because the chief medical officer wants to stop people having fun. At the end of the day, any Government must have care and concern for the health of the population, and particularly of young people.

Let us spell it out: alcohol is one of the most well established causes of cancer. It increases the risk of mouth, throat, voice box, food pipe, breast, liver and bowel cancers. It astonishes me that Members who I suspect know those things are still standing in this Chamber criticising Government attempts to bear down on alcohol consumption.

This is about not just the scientifically proven contribution of alcohol consumption to ill health, but its contribution to social disorder. In 2014, the University of Bath estimated that the annual cost of binge drinking was about £4.6 billion. That includes A&E attendances, road accidents, alcohol-related arrests and the number of policemen involved. If someone goes into any A&E department almost anywhere in England or Scotland on a Saturday night, they will see disproportionate numbers of people who are there because of alcohol abuse. It astonishes me that hon. Members show no concern about the billions that that is costing our health service, or about the life chances and quality of life of people who engage in binge drinking. Of course, the abuse of alcohol is also very closely related to domestic violence. If Members are not concerned about the link to cancer and ill health, or about what alcohol is costing our health service, or about social disorder or domestic violence, I wonder what it will take.

Andrew Griffiths: Can the hon. Lady tell me of just one sentence today in which any Member has said that they are not concerned about the effects on health, or about domestic violence or alcoholism? This is a ridiculous speech—I realise that she is new in her position, but I suggest that in future she does a little more research before she comes to the Chamber.

Ms Abbott: I have to advise the hon. Gentleman that I was a spokesperson on public health for three years for the Labour party. Not only did I do research on the health issues around alcohol, but I visited other countries—notably Scandinavian countries—to see what they had done. My point is that if hon. Members are willing to come here without spelling out the issues that I am describing, it must suggest to anybody listening to or reading the debate that they put them below the interests of the pub trade.

Patricia Gibson: Does the hon. Lady agree that as well as health issues, social disorder and domestic violence, there is a huge impact on the economy from lost productivity and work days caused by people phoning in sick because they had too much to drink the night before?

Ms Abbott: I thank the hon. Lady for that. We can only look at the guidelines in the context of the social harm of alcohol abuse, and the guidelines are designed to bear down on alcohol abuse. It is too early to say how effective they are, but the principle of the Government acting to bear down on the social harms and costs of alcohol abuse must be correct. Like some other Members, I have visited hospital wards that have to deal with people whose health has been ruined by binge drinking. If hon. Members had seen what I have seen—

Byron Davies: Will the hon. Lady give way?

Ms Abbott: I am afraid I have to complete my remarks. If some hon. Members really understood the social harms and costs to the nation of alcohol abuse, they could not have made the speeches they made this afternoon.

I welcome the guidelines. It will take time to decide whether they are exactly right and what their effects are, but we need a holistic strategy on alcohol abuse. When I was public health spokesperson for my party, I believed in a minimum price for alcohol. There is more that we can do on classroom-based education, but I have no doubt that the thinking behind the alcohol guidelines is correct. I also have no doubt that as Members of Parliament with a responsibility to our communities, we should do everything we can to bear down on problem drinking.

6.16 pm

The Parliamentary Under-Secretary of State for Health (Jane Ellison): I thank colleagues for bearing with our rather interrupted debate. I am fairly confident that I will not have time to discuss all the issues in my response, but as some colleagues are aware, my door is always open, and I have a proposal towards the end of my speech for how we might continue the discussion.

First, I congratulate my hon. Friend the Member for Gower (Byron Davies) on securing this debate and on opening it so authoritatively. We are all aware of the

impact of alcohol misuse, which was well summed up by the shadow Minister, who is knowledgeable about that. She reminded us of some of the pressure it puts on our vital public services. It is right that we give this issue our attention.

I know that people have asked why we need new guidelines when alcohol consumption is falling. My hon. Friend, in introducing the debate, talked about some of the areas in which we have had welcome improvements in the statistics. The majority of people drink alcohol in an entirely responsible way. In 2014, 59%—just over 25 million adults—drank within the new guidelines, so it is important to stress that quite a lot of people drink that amount or less at the moment.

As a Government who believe in informed and empowered consumers, we have a responsibility to provide clear information to help people make informed choices about their drinking. The guidelines are not about preventing those who want to enjoy a drink from doing so. Goodness knows, as a passionate remainer, I can certainly say that guidelines of all sorts have been suspended in my household for the past week or so. This is about ensuring that people get common-sense advice and practical information, and some of that will be about things like taking days off from drinking. There is an appetite for that; we know that from the research we have done with people.

The new low-risk drinking guidelines are the means by which the four UK chief medical officers, working together, provide the public with the latest and most up-to-date information about the health risks of different levels and patterns of drinking. Let me clarify at the outset, in case I run out of time, what the guidelines are not. Nobody has said that more than 14 units is considered harmful or problem drinking. It is just not recommended as low risk. To be clear, there is no public policy on abstinence. The guidelines are not about the rate at which alcohol affects men and women in terms of intoxication, but how it affects their long-term health.

Andrew Griffiths: Will the Minister give way?

Jane Ellison: If colleagues will forgive me, I have very little time. I will not even have 10 minutes. I will give way, but it means I will not get through my speech.

Andrew Griffiths: I have a very simple question. Does the Minister think there is no such thing as safe drinking?

Jane Ellison: I will come on to deal with some of the issues, but I will also make a suggestion for how we take this discussion forward. The issue outlined was about the extent to which alcohol affects people. The second part of the consultation, to which a response has not yet been published—I will come on to talk about that—is about how we express and communicate the new guidelines. That is slightly different from the science that sits behind them. I want to try to pull those two things apart. Clearly we have a job of communication to do, because we want to be helpful to the public.

Perhaps it would be useful to remind Members how we arrived at this review. It was not Ministers who asked the chief medical officers to do it but Parliament. The previous guidelines came out in 1995, and in 2012 the Science and Technology Committee recommended that they should be reviewed because they had not been for so long. It is fair to say that there are a lot of places around the world where such guidelines have not been looked at for a long time, so the evidence base is not as up to date as it could be. There was a lot of parliamentary interest, especially in the previous Parliament, in guidelines—for example, in the harmonisation of the pregnancy guidelines when we had debates about foetal alcohol syndrome.

At the request of the four UK chief medical officers, three independent groups of experts have met since 2013 to look at both the scientific and the behavioural evidence of the health effects of alcohol. Those groups were made up of international experts in the field of epidemiology, public health, liver disease, behavioural science, science communications and evidence-based alcohol policy. None of those people were members of the temperance movement.

To ensure that the guidelines are as practical as possible, after their publication the Government held a public consultation to gather views on their clarity, expression and usefulness. I should clarify something that is important: the Royal Statistical Society supported the evidence review and the conclusions. It was very specific in its challenge about how the Department of Health presented it in the launch. That is exactly why there was then a consultation about how we express and discuss the guidelines. To be clear, though, the RSS did not question the evidence review or its conclusions.

As part of the consultation process, Public Health England has undertaken market research to test understanding and acceptance of the guidelines—just the points that colleagues have asked about. Overall, the results were positive, showing that the language was understood and accepted and the tone appropriately informational. That is the tone we are trying to achieve: informational, not hectoring or nannying. The expert group has now reviewed the consultation responses and market research and has put its final recommendations to the four CMOs for their consideration. We intend to publish the final guidelines and the Government response to the consultation as soon as possible.

We of course recognise that industry has a key role in communicating the new information to consumers, particularly through labelling. I thank my hon. Friend the Member for Burton (Andrew Griffiths) for his remarks. As he knows, as a Back Bencher in the previous Parliament I was an active member of the all-party groups on pubs and beer. I had the honour of being the guest judge of the pale ale category at the Battersea beer festival on more than one occasion. To declare an interest, I am a member of the Campaign for Real Ale. I could not agree more that a well-run pub or bar can be a great way to help people to drink responsibly while maintaining social contact.

Nevertheless, the industry needs to enable those who want to moderate what they drink to do so. It has done some really good work on that. The work with the industry in the previous Parliament on alcohol units was very useful. I always have a further challenge for the industry. One thing we can do to reduce the number of units people consume and to develop that wider choice is to put more emphasis on lower-alcohol products. When I have spoken to them, I have always been very honest with industry spokesmen that greater promotion of lower-alcohol drinks can help people to get into healthier habits. Simple switches can help. I want to put

[Jane Ellison]

on the record that just by swapping from a pint of beer or lager at 6% strength to a pint at 4% strength, people could cut their units by a third—that is, they could take out 1.1 units. They could still enjoy their pint but cut their alcohol intake by a third.

The chief medical officer had a successful meeting with the Portman Group yesterday, confirming willingness on both sides to continue to work constructively together and to deliver benefits to the public and good information to our constituents. There are reasons for optimism in some of the alcohol statistics, but the shadow Minister is right that there are some significant and often highly concentrated problems. We need to give people the best and most up-to-date advice. We recognise that it is not for the Government to tell adults what to do in their private lives, but we do have a role in enabling the public to make informed decisions about their health based on up-to-date guidelines and the best science.

I am grateful to the chief medical officer, who has confirmed that she is happy to hold a parliamentary drop-in briefing for colleagues to discuss the matter further. It simply is not possible to pick up many of the detailed points that have been made on the various international studies in the time available. For the record, the review scrutinised all the available high-quality evidence and covered the findings of 63 systematic reviews from the evidence worldwide. It was a major undertaking. I think it would be useful for colleagues to be able to come along and discuss some of the studies that have been cited. Some of them are in different countries and some, it must be said, are based on different situations in terms of the nature of the national health service and the health support in those countries. I do not have time to go into that factor, but it is relevant for some of the comparative remarks that were made.

I hope I have reassured colleagues that we want to move forward in a sensible way. We want to give people the best information and we want to communicate it with clarity. Change will not happen overnight, but we want to raise awareness of the health risks, particularly around some of the links, such as between breast cancer and alcohol. We have a vastly better understanding of that than we did in 1995, and that has come through in recent years. It is important that we reflect that and continue to communicate it. I hope we can move forward constructively from here. I will set up the meeting that I offered. I sense from the Chamber that there is an interest in having further constructive dialogue. I leave a couple of minutes to my hon. Friend the Member for Gower to close the debate.

6.26 pm

Byron Davies: This has been an interesting debate. I am most grateful to everyone who has taken part. I particularly thank the Minister for her remarks at the end. I just want to mention one thing, which relates to a point that the shadow Minister made. I spent 32 years as a senior Metropolitan police officer, and choosing to blame alcohol for just about everything is quite ridiculous. The issue is about personal responsibility, and the debate is about encouraging moderate and responsible drinking. That is what we are here to discuss. The points have been well made, and I am grateful to everybody, but particularly grateful to the Minister for responding and to you, Sir Alan, for your chairmanship.

6.27 pm

Motion lapsed, and sitting adjourned without Question put (Standing Order No. 10(14)).

Written Statements

Tuesday 28 June 2016

BUSINESS, INNOVATION AND SKILLS

Contingencies Fund

The Minister for the Cabinet Office and Paymaster General (Matthew Hancock): The Cabinet Office has sought an advance in the amount of £100 million from the Contingencies Fund to cover pension payments for which net cash requirement has been sought in the main estimate 2016-17 but the amount voted on account is forecast to be insufficient. The reason for this is that the forecast income has been lower than predicted and there has been a higher than expected level of lump sum payments in this first quarter of the year. The Supply Bill which authorises the balance of the expenditure is not due to be voted until late July 2016.

An amount of £40 million is required to fund the pension payments and an amount of £60 million is required to fund the payment to HMRC in respect of the tax due for pensions paid.

Parliamentary authority for resources of £7,905,416,000 has been sought in a main estimate for the Cabinet Office: Civil Superannuation. Pending that approval, urgent expenditure estimated at £100 million will be met by repayable cash advances from the Contingencies Fund.

[HCWS46]

ELECTORAL COMMISSION COMMITTEE

Contingencies Fund

Mr Gary Streeter (South West Devon): The Electoral Commission has sought an advance on the resources requested in its main estimate 2016-17 from the Contingencies Fund to enable it to deliver the commission's planned services. Details of these services are set out in the commission's main estimate, which was laid before Parliament in April 2016. This is a temporary cash advance which is required as the Supply and Appropriation Bill 2016 will not receive Royal Assent until July 2016. The commission is not seeking any additional funding in this financial year.

Parliamentary approval for resources of £950,000 will be sought in a main estimate for the Electoral Commission. Pending that approval, urgent expenditure estimated at £950,000 will be met by repayable cash advances from the Contingencies Fund.

The advance will be repaid upon Royal Assent of the Supply and Appropriation (Main Estimates) Bill.

[HCWS47]

Ministerial Correction

Tuesday 28 June 2016

DEFENCE

Topical Questions

The following is an extract from Topical Questions to the Secretary of State for Defence on 27 June 2016.

T2. [905499] **Mr David Hanson** (Delyn) (Lab): Will the Minister undertake an urgent review of the awards of the Légion d'Honneur? I have many constituents who were awarded the Légion d'Honneur by the French authorities and who notified the Ministry of Defence more than a year ago, but have still not received their medals. Will the Minister look at that urgently?

Mark Lancaster: I am more than happy to do so. The right hon. Gentleman will be aware that there was a review. It is fair to say that the French authorities have simply been overwhelmed by the number of applications, but we have a system in place now whereby 200 are sent each week to the French. Of the original applications that were made, I understand that all have now been awarded.

[Official Report, 27 June 2016, Vol. 612, c. 17.]

Letter of correction from Mark Lancaster:

An error has been identified in the response I gave to the right hon. Member for Delyn (Mr Hanson) during Topical Questions to the Secretary of State for Defence.

The correct response should have been:

Mark Lancaster: I am more than happy to do so. The right hon. Gentleman will be aware that there was a review. It is fair to say that the French authorities have simply been overwhelmed by the number of applications, but we have a system in place now **whereby 100 are sent each week** to the French. Of the original applications that were made, I understand that all have now been awarded.

ORAL ANSWERS

Tuesday 28 June 2016

WRITTEN STATEMENTS

Tuesday 28 June 2016

MINISTERIAL CORRECTION

Tuesday 28 June 2016

No proofs can be supplied. Corrections that Members suggest for the Bound Volume should be clearly marked on a copy of the daily Hansard - not telephoned, and *must be received in the Editor's Room, House of Commons,*

not later than
Tuesday 5 July 2016

STRICT ADHERENCE TO THIS ARRANGEMENT GREATLY FACILITATES THE PROMPT PUBLICATION OF BOUND VOLUMES

Members may obtain excerpts of their speeches from the Official Report (within one month from the date of publication), by applying to the Editor of the Official Report, House of Commons.

Volume 612
No. 16

Tuesday
28 June 2016

CONTENTS

Tuesday 28 June 2016