

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT ENACTMENT OF EXTRA-STATUTORY
CONCESSIONS ORDER 2018

Thursday 22 February 2018

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The Committee consisted of the following Members:

Chair: PHILIP DAVIES

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|---|--|
| † Champion, Sarah (<i>Rotherham</i>) (Lab) | † Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab) |
| Coffey, Ann (<i>Stockport</i>) (Lab) | † Reynolds, Jonathan (<i>Stalybridge and Hyde</i>) (Lab/
Co-op) |
| † Cunningham, Mr Jim (<i>Coventry South</i>) (Lab) | † Rutley, David (<i>Lord Commissioner of Her Majesty's
Treasury</i>) |
| † Evans, Mr Nigel (<i>Ribble Valley</i>) (Con) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Evennett, David (<i>Bexleyheath and Crayford</i>) (Con) | † Stride, Mel (<i>Financial Secretary to the Treasury</i>) |
| † Freeman, George (<i>Mid Norfolk</i>) (Con) | † Walker, Thelma (<i>Colne Valley</i>) (Lab) |
| † Goldsmith, Zac (<i>Richmond Park</i>) (Con) | |
| † Harrison, Trudy (<i>Copeland</i>) (Con) | Sarah Rees, Rob Cope, <i>Committee Clerks</i> |
| † Kwarteng, Kwasi (<i>Spelthorne</i>) (Con) | |
| Kyle, Peter (<i>Hove</i>) (Lab) | |
| † Maclean, Rachel (<i>Redditch</i>) (Con) | † attended the Committee |

Third Delegated Legislation Committee

Thursday 22 February 2018

[PHILIP DAVIES *in the Chair*]

Draft Enactment of Extra-Statutory Concessions Order 2018

11.30 am

The Financial Secretary to the Treasury (Mel Stride): I beg to move,

That the Committee has considered the draft Enactment of Extra-Statutory Concessions Order 2018.

It is a pleasure to serve under your chairmanship, Mr Davies. As the Committee will be aware, Her Majesty's Revenue and Customs continues to review extra-statutory concessions. This order is another step in that process, and it will put on a statutory footing four concessions that will simplify the administration of the tax system but ensure that minor reliefs continue to be available as before. I am grateful to those who took the time to help the Government to improve the legislation.

The first concession allows directors' fees received by partnerships and companies to be treated for tax purposes as trading rather than employment income. That simplifies the accounting process of those fees for both the payer and the recipient.

The second concession is similar, in that it allows professional practitioners, such as doctors, dentists and solicitors, to treat incidental income from an office or employment as part of their trading or professional income. That, again, simplifies accounting processes for taxpayers.

The third concession exempts from tax certain compensatory payments made to volunteers and voluntary office holders of public bodies. The fourth concession concerns payments from local medical committees to part-time committee members. The order does not make explicit reference to that, but it is covered by the legislation for the other three concessions. The last two concessions mean that public bodies do not have to act as employers for tax purposes when making such compensatory payments.

I hope the Committee can see how valuable the concessions are in simplifying the tax system for employers and for individuals who provide their services and expertise to others. There is no issue of tax loss here, as the sums paid under the concessions are either taxed as part of trading profits or do no more than compensate for loss of income in undertaking public service.

The draft order will come into force on 6 April 2018. I commend the order to the Committee.

11.32 am

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): As the Minister has said, provision for extra-statutory concessions is a well-established part of our legislative

proceedings. Although it is always important that we review and discuss such concessions as we are doing today, particularly as they concern the tax process, cross-party support has always been a feature. That has been referred to in previous discussions, and we do not intend to depart from that broadly supportive approach today.

I note in the explanatory memorandum that the Government's consultation, which was held in September 2017, drew no major objections from stakeholders and the draft order has been updated to reflect the contributions that were received. There are two points that I wish to raise with the Minister pursuant to that consultation. First, might he shed any light on the process for determining the impact of the order on national insurance contributions and the regulation of directors' fees and professional remuneration? Secondly, what monitoring will be in place to ensure that the scope of the concessions remains as proposed? In particular, are the Government confident that the change in wording from "small" to "insubstantial", as decided in the consultation, will be sufficient?

I have no further comments or objections to make on the remaining three concessions. I would be happy to receive clarity from the Minister either in his closing remarks or in writing at a later date.

11.34 am

Mel Stride: I thank the shadow Minister for his contribution, for his support for the order and for his two questions. He is quite right. We consulted fully on this measure between 14 September and 9 November last year.

Sarah Champion (Rotherham) (Lab): The consultation received only four responses. Is that normal? What were the processes for publicising the consultation?

Mel Stride: On those specific questions, which are very relevant and pertinent, I would be very happy to come back to the hon. Lady, if some information does not wing its way to me in the next moment or two. I intend to cogitate on the important point that she has raised.

In the meantime, I shall return to the shadow Minister's two questions. I await some information on NICs and directors' fees. [*Interruption.*] That information has arrived: there is no impact on NICs in respect of his question. He also raised the scope of the concessions, and the change from "small" to "insubstantial". I am fairly confident that that rests in the guidance that HMRC operates on those matters, but I am happy to come back to him on that.

Having answered those two questions, I return to the question that the hon. Member for Rotherham asked. Is it normal to get just four responses? The answer is that that is not unusual, given that the consultation was a very technical one. On that basis, I hope that the Committee will agree to the order.

Question put and agreed to.

11.36 am

Committee rose.