

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### FINANCE (NO. 2) BILL

**(Except clauses 5 and 6, 7 to 9, 10 to 15, schedule 1, clauses 18 to 25, 27, 47, 48, 50 to 60, schedules 7 to 9, clauses 121 to 264, schedules 14 to 17, clauses 265 to 277, schedule 18, clauses 278 to 312 and any new clauses or new schedules relating to the subject matter of those clauses and schedules.)**

*Fourth Sitting*

*Thursday 18 May 2023*

*(Afternoon)*

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CLAUSE 321 TO 324 agreed to, one with an amendment.  
SCHEDULE 22 agreed to, with an amendment.  
CLAUSE 325 TO 331 agreed to.  
SCHEDULE 23 agreed to.  
CLAUSES 332 TO 345 agreed to.  
SCHEDULE 24 agreed to.  
CLAUSES 346 TO 352 agreed to.  
NEW CLAUSES considered.  
Bill, as amended, to be reported.  
Written evidence reported to the House.

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**not later than**

**Monday 22 May 2023**

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**The Committee consisted of the following Members:**

*Chairs:* ESTHER McVEY, †GRAHAM STRINGER

- |   |   |
|---|---|
| † Atkins, Victoria ( <i>Financial Secretary to the Treasury</i> ) | Mangnall, Anthony ( <i>Totnes</i> ) (Con)                                   |
| † Bailey, Shaun ( <i>West Bromwich West</i> ) (Con)               | Moore, Robbie ( <i>Keighley</i> ) (Con)                                     |
| Baynes, Simon ( <i>Chwyd South</i> ) (Con)                        | † Murray, James ( <i>Ealing North</i> ) (Lab/Co-op)                         |
| † Bell, Aaron ( <i>Newcastle-under-Lyme</i> ) (Con)               | † Oppong-Asare, Abena ( <i>Erith and Thamesmead</i> ) (Lab)                 |
| Blackman, Kirsty ( <i>Aberdeen North</i> ) (SNP)                  | † Stephenson, Andrew ( <i>Lord Commissioner of His Majesty's Treasury</i> ) |
| † Butler, Rob ( <i>Aylesbury</i> ) (Con)                          | Tarry, Sam ( <i>Ilford South</i> ) (Lab)                                    |
| † Chapman, Douglas ( <i>Dunfermline and West Fife</i> ) (SNP)     | Tolhurst, Kelly ( <i>Rochester and Strood</i> ) (Con)                       |
| † Dalton, Ashley ( <i>West Lancashire</i> ) (Lab)                 | † Twist, Liz ( <i>Blaydon</i> ) (Lab)                                       |
| † Davies, Gareth ( <i>Exchequer Secretary to the Treasury</i> )   | Vaz, Valerie ( <i>Walsall South</i> ) (Lab)                                 |
| † Dixon, Samantha ( <i>City of Chester</i> ) (Lab)                | † Vickers, Matt ( <i>Stockton South</i> ) (Con)                             |
| † Eagle, Dame Angela ( <i>Wallasey</i> ) (Lab)                    | † Whittaker, Craig ( <i>Calder Valley</i> ) (Con)                           |
| † Gibson, Peter ( <i>Darlington</i> ) (Con)                       | Tom Healey, Kevin Maddison, <i>Committee Clerks</i>                         |
| † Jenkinson, Mark ( <i>Workington</i> ) (Con)                     | † <b>attended the Committee</b>   |

## Public Bill Committee

Thursday 18 May 2023

(Afternoon)

[GRAHAM STRINGER *in the Chair*]

### Finance No. 2 Bill

(Except clauses 5 and 6, 7 to 9, 10 to 15, schedule 1, clauses 18 to 25, 27, 47, 48, 50 to 60, schedules 7 to 9, clauses 121 to 264, schedules 14 to 17, clauses 265 to 277, schedule 18, clauses 278 to 312 and any new clauses or new schedules relating to the subject matter of those clauses and schedules.)

#### Clause 321

NEW BANDS AND RATES

2 pm

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

**The Chair:** With this it will be convenient to discuss clause 322 stand part.

**The Exchequer Secretary to the Treasury (Gareth Davies):** Clause 321 introduces a new domestic air passenger duty band for flights within the UK to bolster connectivity within the Union and a new ultra-long-haul band to further align the tax with the Government's environmental objectives. The clause also sets the 2023-24 rates for both the new bands and the two existing bands that are operated by the retail price index.

Clause 322 enables the Northern Ireland Assembly to set the rate for the new ultra-long-haul band for direct flights departing Northern Ireland. The primary purpose of air passenger duties is to ensure that the aviation sector contributes to public finances, since tickets are VAT-free and aviation fuel incurs no duty.

Following a consultation on aviation tax reform in 2021, the Government announced a package of APD reforms at the autumn Budget 2021. First, the reforms will bolster air connectivity within the Union through a 50% cut in domestic APD. Some of the nations and regions of the UK are separated by sea so aviation has a critical role to play in facilitating the necessary links across our Union.

Secondly, by adding a new ultra-long-haul distance band, the reforms further align APD with the Government's environmental objectives, recognising that aviation is responsible for 8% of the UK's greenhouse gas emissions. In particular, emissions from international aviation have more than doubled since 1990, and we were responsible for 96% of the sector's greenhouse gas emissions in 2019.

The new ultra-long-haul band, which covers flights that are greater than 5,500 miles from London, will ensure that those who fly furthest and have the greatest impact on emissions incur the greatest duty. The annual uprating for APD rates in line with RPI to the nearest

pound is routine and has occurred every year since 2012. To give airlines sufficient notice, the Government announce the rates at least one year in advance.

The changes made by clause 321 implement the APD reforms and the 2023-24 rates announced at autumn Budget 2021. APD for domestic flights, except private jets, will be reduced by 50%, from £13 to £6.50 for passengers flying economy class. Overall, the Government expect that more than 10 million passengers will benefit from the reform.

The new ultra-long-haul band will be set at £91 for passengers flying in economy—a £4 increase compared with the existing long-haul band. That is expected to affect less than 5% of passengers. For the remaining 2023-24 rates where the standard uprating applies, the clause increases the long-haul rate by a nominal increase of just £3 for economy class. The rounding of APD rates to the nearest pound means that short-haul rates will remain frozen in normal terms for the 10th year in a row. That benefits more than 70% of passengers.

Clause 322 enables the Northern Ireland Assembly to set the rates for the new ultra-long-haul band for direct flights departing Northern Ireland. The rates for direct long-haul flights from Northern Ireland are already devolved. The reforms to air passenger duty will bolster Union connectivity and further align the tax with our environmental objectives. These are a routine uprating of existing rates, which represents a real-terms freeze and ensures that airlines continue to make a fair contribution to our public finances. I therefore move that the clauses stand part of the Bill.

**James Murray (Ealing North) (Lab/Co-op):** As we heard from the Minister, clause 321 will introduce a new domestic band for flights within the UK and a new ultra-long-haul band covering destinations with capitals located more than 5,500 miles from London. Until the end of March 2023, there were two destination rate bands for air passenger duty: band A included those countries whose capital city is less than 2,000 miles from London, with band B covering all other destinations. From 1 April, there have been four destination bands: the domestic band for flights within the UK; band A for non-domestic destinations whose capital is up to 2,000 miles from London; band B for destinations whose capital is between 2,001 and 5,500 miles from London; and band C for all other destinations.

As the Minister explained, clause 322 makes consequential amendments to the provisions that devolve to the Northern Ireland Assembly the power to set the direct long-haul rates of APD. I understand that the changes in the clause do not impinge on the devolved powers, and the devolved rates are not affected. Rather, it updates the provisions to reflect the introduction of clause 321 and the ultra-long-haul band.

Before I address our concerns about this measure, I would be grateful if the Minister could help the Committee to understand what the situation would be if the clause passed by confirming what rates of air passenger duty would apply in a few specific instances. First, if someone were to travel by helicopter around the UK—for instance, from London to Southampton—would that be subject to air passenger duty? Secondly, if someone travelled on a private jet around the UK—say, from London to Blackpool—that was, for argument's sake, a Dassault Falcon 900LX, what rate of air passenger duty would

apply? Finally, if someone lives in the UK but was travelling to another home of theirs—say, in Santa Monica, California—what rate of air passenger duty would apply? I would be grateful if the Minister could answer those three questions.

I turn to our concerns about the clause. As the Minister might know, when this measure was first announced at autumn Budget 2021, we raised our concerns about it during the debates on the subsequent Finance Bill. We pointed out then—it is even truer today—that it could not be right for the Government to prioritise a tax cut that would be of greatest benefit to people who are able to be frequent flyers in the UK at a time when working people across the country have been hit again and again by tax rises.

As well as being the wrong priority for public money, the Chancellor announced the cut in air passenger duty just days before COP26. What is more, as the Institute for Fiscal Studies pointed out at the time, the cut in air passenger duty would in fact flow through the UK emissions trading scheme and push up electricity prices for people at home. The Government have pointed out that the introduction of a reduced domestic rate of air passenger duty has been accompanied by the introduction of an ultra-long-haul rate. However, when taken together, all the changes in the clause are still set to cost the taxpayer an additional £35 million a year. We cannot support this as a priority for spending public money, so we will oppose the clause.

**Dame Angela Eagle** (Wallasey) (Lab): Will the Minister tell us how clause 322(4), which devolves these issues to the Northern Ireland Assembly, will work, given that the Assembly is not sitting at the moment? Does it mean that this will be decided centrally at Westminster? What arrangements are made for that, since, if there was no change in these areas, in the absence of the Assembly sitting, there would be a divergence between air passenger duty in one place and the other? How has the Treasury modelled that divergence, given that air passenger duty is a devolved issue, even though the devolution settlement is not working at the moment because the Assembly is not sitting?

Will the Minister update the Committee on where we are with the aviation treaties that zero-rate aviation fuel? It is an ongoing issue, given the nature of the environmental damage that is done—particularly by aviation fuel—in the higher atmosphere when airplanes fly at higher levels, which they normally do on long-haul flights. How will private jets be treated and affected, if at all, by the reduction in domestic air passenger duty, since we have a Prime Minister who seems to think that public transport is chartering a private jet for short-haul flights?

**Craig Whittaker** (Calder Valley) (Con): May I declare a loose interest?

I have an elderly mother who lives in Australia. As she is elderly, I am spending more and more time going down there. That aside, has the Minister done any evaluation of air passenger duty and the economic competitiveness of the UK versus our European partners?

I ask that because I know from previous years travelling down to Australia that it has been much more viable for me to catch a flight to Amsterdam, Oslo or wherever

and pick up a flight from there, because the cost of flights from the UK has been phenomenally more expensive than those from our European partners. From speaking to people, I know that more and more people are doing that. APD has the adverse effect of making us uneconomical and perhaps at some future point even taking a reduced rate because more and more people will be doing that. Has the Minister or anybody in the Treasury done any evaluation of our air passenger duty versus those of our European counterparts?

**Gareth Davies:** Let me try to answer those questions in order. Just to clarify for the Committee, there is no APD other than on fixed-wing aircraft. Private jets pay a higher rate than any other flight domestically, and they are not, to answer the hon. Member for Wallasey, subject to the 50% cut that we are talking about here. Any ultra-long-haul flights will face a new band, as I described in my opening remarks.

To answer the excellent and reasonable question from my right hon. Friend the Member for Calder Valley (Craig Whittaker), I understand there was a review in 2021 of the economic impact of APD. As I said in my opening remarks, all factors are considered as part of that process, but I am happy to provide more detail in due course if that is warranted.

The point on Northern Ireland that the hon. Member for Wallasey raised is a good one. It is a devolved matter, as she points out, and Northern Ireland has the ability to set the rate for ultra-long-haul flights. Let me look into the matter of the arrangements we are putting in place, given the specific circumstances that we find ourselves in with the Executive. It is a fair question, and it deserves a fair answer, so I will come back to her.

**Dame Angela Eagle:** I thank the Minister for undertaking to let us have that information, given the particular circumstances that prevail in Northern Ireland. Can he say a little bit about whether there is any progress with the aviation treaties? I know how difficult it is, but it is a complete anomaly that there is no taxation of aviation fuel simply because most flights pass through an international area, given the worse damage that use of aviation fuel does when aeroplanes are travelling at high altitude. Something that we aspired to do when I was in the Treasury was to get some kind of agreement in international treaties to bring that matter into tax. Has any progress been made in the ever-elongated period between when I was in the Treasury and the present day?

**Gareth Davies:** First, let me apologise to the hon. Lady. I had that in my notes to address, and I did not. She is referring to the Chicago convention, which basically is an international agreement whereby we have agreed not to tax aviation fuel. That was, as I understand, enacted in the 1940s. I was told in a briefing yesterday that it may have been updated some eight times since then, but she raises an interesting point. We are committed to all current international agreements, but it is certainly something that I will look into. I still regard myself as fairly new in this job, but I commit to look into it in due course.

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

*The Committee divided: Ayes 10, Noes 7.*

**Division No. 1]****AYES**

Atkins, Victoria	Gibson, Peter
Bailey, Shaun	Jenkinson, Mark
Bell, Aaron	Stephenson, rh Andrew
Butler, Rob	Vickers, Matt
Davies, Gareth	Whittaker, rh Craig

**NOES**

Chapman, Douglas	Murray, James
Dalton, Ashley	Oppong-Asare, Abena
Dixon, Samantha	
Eagle, Dame Angela	Twist, Liz

*Question accordingly agreed to.*

*Clause 321 ordered to stand part of the Bill.*

*Clause 322 ordered to stand part of the Bill.*

**Clause 323****RATES OF VEHICLE EXCISE DUTY**

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

2.15 pm

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

Government amendment 9.

Clause 324 stand part.

Government amendment 10.

That schedule 22 be the Twenty-second schedule to the Bill.

Clause 325 stand part.

**Gareth Davies:** Clauses 323 to 325 and schedule 22 provide for the 2023-24 vehicle excise duty rates and the new, reformed heavy good vehicle levy from August 2023.

The clause sets the 2023-24 vehicle excise duty rate. Since 2010, rates of VED have changed only in line with inflation, which means that drivers have not seen a real-terms increase. The clause will result in nine in 10 car drivers seeing a change to their VED liability of £20 or less next year. The Government continue to support drivers who will benefit from the extended cut and will freeze fuel duty in 2023-24, worth £100 to the average driver.

Clause 324 and schedule 22 introduce the new, reformed HGV levy from August 2023, following the end of the levy suspension period. The reforms are a further step towards reflecting the environmental performance of heavy goods vehicles. Given that the HGV levy suspension period is coming to an end, HGV VED will remain frozen for 2023 to 2024 to support the haulage sector. Finally, clause 325 removes certain circumstances in which the levy suspension period for a given HGV is extended longer than intended.

I will now go through the measures in detail. A long-standing feature of VED is that it is uprated in line with inflation, using a measure based on the retail price index. Since 2010, rates for cars, vans and motorcycles

have increased only in line with inflation. The standard annual rate of VED for cars first registered since April 2017—the most common annual rate—will increase by £15, from £165 to £180. Drivers will continue to benefit from the extended cut and freeze to fuel duty in 2023-24, which taken together represent a saving of £100 per average motorist.

As for the HGV levy, which applies to all HGVs of 12 tonnes or more, it was introduced in 2014 to ensure that all hauliers, both UK and non-UK, make a contribution when they drive on UK roads. The levy was suspended in August 2020 to support the haulage sector and aid the covid-19 pandemic recovery efforts. The suspension is due to end in August 2023.

In June 2022, the Government consulted on HGV levy reform options. The consultation sought views on proposals to align a reformed HGV levy with the environmental performance of the vehicle, ensuring that levy liability is as closely aligned as possible to when a foreign vehicle is used on a major road. Having considered views on the subject, the Government decided to take forward the proposals, as announced at the Budget.

Clause 323 will result in changes to some drivers' vehicle excise duty liabilities. That includes changes to first-year rates of VED for cars. The most polluting vehicles will pay up to £2,605, while those with lower emissions will pay nothing. Rates for vans, motorcycles and motorcycle trade licences will also change in line with RPI.

Clause 324 and schedule 22 will increase the new reformed HGV levy. That is effective from August 2023. On average, UK HGVs will pay around 20% less than under the previous HGV levy, with both UK and non-UK hauliers benefiting from a much simplified levy structure based on weight proxying CO<sub>2</sub>. The number of rates will reduce from 22 to 6, which will make administration easier. For non-UK hauliers, the reforms also ensure that the levy is focused on road usage and is more clearly aligned with the Government's international obligations. The most common type of HGV hauliers will pay £576 per year. The second most common type will pay £150—less than the cost of a tank of fuel. For many types of HGVs, operating costs are more than £100,000 a year; the HGV levy represents a small fraction of that.

Clause 325 is a technical anti-avoidance change. In the final year of the three-year levy suspension period, each vehicle should benefit from only up to 12 months of levy-free period. The clause ensures that by providing for a transitional payment where a vehicle has benefited from additional months of levy-free period.

The Government have tabled amendments 9 and 10 to those clauses, which address minor legislative errors to ensure that vehicle excise duty for rigid HGVs pulling trailers continues to apply as intended following the introduction of the new reformed levy. Where VED was partly set according to the vehicle weight bands of the previous HGV levy, the amendments specify the same weight bands independently of the new reformed levy. As a result, the VED due for HGVs pulling trailers does not change, in line with the Government's policy intention.

In conclusion, a new reformed HGV levy will ensure that all hauliers continue to make a contribution when they use UK roads after the levy suspension period

ends. VED has been frozen for HGVs, and for other vehicles it is rising in line with RPI only, so drivers will not see a real-terms increase in their VED liabilities. I therefore commend the clauses, the schedule and amendments 9 and 10 to the Committee.

**James Murray:** As we have heard from the Minister, clause 323 provides for changes to certain rates of vehicle excise duty by amending schedule 1 to the Vehicle Excise and Registration Act 1994. As we know from announcements in the spring Budget, vehicle excise duty rates for light passenger and light goods vehicles and motorcycles will increase in line with inflation, based on RPI. We understand that the changes to rates will take effect for vehicle licences taken out on or after 1 April this year.

Clause 324 and associated schedule 22 change the HGV road user levy; they amend, as the Minister said, how it is calculated and the rates. They also remove the requirement to provide a register of HGV levy paid. The HGV levy was introduced in 2014, and is payable by both UK and non-UK HGVs when using UK roads. The Government suspended the levy in August 2020, and it will return in August this year. The Department for Transport consulted on changes to the HGV levy in June 2022. The reforms implemented by the clause and the accompanying schedule move the levy towards better reflecting the environmental performance of vehicles.

On a minor point of clarification, the explanatory note to the clause states:

“For non-UK HGVs, the reforms also ensure that the levy is...more clearly aligned with the government’s international obligations.”

Could the Minister explain what international obligations the note refers to, and how the reforms better align the UK with them? Finally, clause 325 operates alongside clause 324. It deals with circumstances where the levy’s suspension period for a given HGV is extended longer than the Government intended. As the explanatory notes on the clause make clear, in the final year of the three-year levy suspension period, which ends in August this year, each vehicle should benefit from only another 12 months of levy-free period. I understand that the clause ensures that that is the case by providing for a transitional payment where a vehicle has benefited from additional months of levy-free period, so Labour will not oppose the clause.

**Gareth Davies:** I am grateful to the Opposition for not opposing clause 325. The hon. Member rightly asked about the international aspect of the provisions on international hauliers. Perhaps I can offer additional clarification. The measures will apply only to A roads and motorways, which is in line with what happens in many other countries. On the specific international obligations that he asked about, I do not have the exact detail to hand, but I am happy to follow up on that. However, what we propose is in line with what is done by many other countries around the world.

We are often asked why the levy is restricted to certain roads. It has been assessed that rerouting to avoid the levy would not be cost-effective for hauliers. We have every confidence that the Driver and Vehicle Licensing Agency, the police and our extensive automatic number plate recognition technology will enable us to enforce this measure. On the question about international

obligations, I understand that the obligations may be those under the trade and co-operation agreement. I will confirm that to him later.

*Question put and agreed to.*

*Clause 323 accordingly ordered to stand part of the Bill.*

**Clause 324**

REFORM OF HGV ROAD USER LEVY

*Amendment made:* 9, in clause 324, page 245, line 34, after “provision” insert “(including consequential provision)”.—(*Gareth Davies.*)

*See the explanatory statement for Amendment 10.*

*Clause 324, as amended, ordered to stand part of the Bill.*

**Schedule 22**

REFORMS OF HGV ROAD USER LEVY

*Amendment made:* 10, in schedule 22, page 449, line 25, at end insert—

‘10A “(1) In consequence of the amendments made by paragraph 10, in Part 8 of Schedule 1 to VERA 1994 (annual rates of duty: goods vehicles), paragraph 10 (relevant rigid goods vehicles) is amended as follows.

(2) After sub-paragraph (2) insert—

“(2A) In this paragraph, references to “the tables” are to the tables mentioned in sub-paragraph (6).”

(3) In sub-paragraph (3)—

(a) in the opening words omit “following”;

(b) in paragraph (c), for “appropriate HGV road user levy band” substitute “vehicle excise duty band”.

(4) For sub-paragraph (5) substitute—

“(5A) The “vehicle excise duty band” in relation to a vehicle is determined in accordance with the following table—

<i>Revenue weight of vehicle</i>	<i>2 axle vehicle</i>	<i>3 axle vehicle</i>	<i>4 or more axle vehicle</i>	
<i>Exceeding</i>	<i>Not exceeding</i>	<i>Band</i>	<i>Band</i>	<i>Band</i>
<i>kgs</i>	<i>kgs</i>			
11,999	15,000	B(T)	B(T)	B(T)
15,000	21,000	D(T)	B(T)	B(T)
21,000	23,000	E(T)	C(T)	B(T)
23,000	25,000	E(T)	D(T)	C(T)
25,000	27,000	E(T)	D(T)	D(T)
27,000	44,000	E(T)	E(T)	E(T)

(5) In each of the tables after sub-paragraph (6), in the headings to column 1, for “Appropriate HGV road user levy band” substitute “Vehicle excise duty band”.—(*Gareth Davies.*)

*This amendment and Amendment 9 would make consequential amendments to ensure that vehicle excise duty remains chargeable on certain HGVs on the same basis, and in the same amounts, as it is chargeable before the amendments to the HGV road user levy in the Bill have effect.*

*Schedule 22, as amended, agreed to.*

*Clause 325 ordered to stand part of the Bill.*

**Clause 326**

## RATES OF LANDFILL TAX

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

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

Clauses 327 to 329 stand part.

New clause 5—*Assessment of impact of the Act on compliance with the climate change target*—

“The Chancellor of the Exchequer must, within one year of this Act coming into force, publish an assessment of the impact of this Act on the Government’s ability to meet—

- (a) the duty under section 1 of the Climate Change Act 2008 (the target for 2050), and
- (b) its obligations and commitments under the Paris Agreement of 2015.”

*This new clause would require the Chancellor to publish an assessment of the impact of the Act on the UK Government’s ability to meet its duty to achieve Net Zero by 2050 and its obligations under the Paris Agreement.*

**Gareth Davies:** Clauses 326 to 328 make changes to the rates of several taxes to support our environmental and climate change objectives. Clause 329 makes technical changes to ensure that the aggregate levy is fairer and simpler for businesses. I will talk through the clauses in turn.

Landfill tax aims to encourage the diversion of waste away from landfill and towards more environmentally friendly waste-management options, such as recycling. Clause 326 maintains the real-terms value of the price incentive to divert waste away from landfill by increasing the lower and standard rates of landfill tax in line with the RPI. The clause increases the lower rate from £3.15 per tonne to £3.25 per tonne and increases the standard rate from £98.60 per tonne to £102.10 per tonne, with effect from 1 April 2023.

2.30 pm

Turning to clause 327, the climate change levy is a tax on non-domestic energy. The levy encourages energy efficiency. Clause 327 delivers on our Budget 2016 commitment to equalise main rates on gas and electricity by 2025 by increasing the rate for gas and freezing the rate for electricity for a third year in a row. The main rate on solid fuels will rise in line with the increase to the main rate on gas, and the main rate on liquefied petroleum gas will be unchanged for a fifth year.

The clause also adjusts the reduced rates on solid fuels and gas paid by those energy-intensive businesses covered by the climate change agreement scheme that meet their energy efficiency targets. Reduced rates on electricity and liquefied petroleum gas remain unchanged from 2023 to 2024. The changes made to climate change levy rates will raise £370 million by 2027-28 and remove the tax incentive for businesses to use gas, rather than increasingly clean electricity. That is expected to result in greenhouse gas savings equivalent to 300,000 tonnes of carbon dioxide between April 2024 and March 2028.

Turning to clause 328, the plastic packaging tax aims to provide businesses with a clear economic incentive to use more recycled plastic in packaging. That will increase demand for recycled plastic and stimulate recycling and

collection of plastic waste, diverting it away from landfill or incineration. The clause maintains the real-terms value of the price incentive to use more recycled plastic by increasing the plastic packaging tax rate in line with the consumer prices index. The clause increases the rate from £200 per tonne to £210.82 per tonne, with effect from 1 April 2023.

Finally, turning to clause 329, the aggregates levy aims to encourage the efficient use of aggregate, which is rock, sand and gravel used as bulk infill in construction. During a review of the aggregates levy in 2019, stakeholders raised concerns about a lack of consistency in the tax treatment of aggregate extracted on construction sites. The clause addresses those issues by consolidating and extending exemptions from the tax for aggregate unavoidably extracted as a by-product of construction. That will reduce the administrative burden for some businesses operating in the construction, utilities and infrastructure sectors, and will future-proof the tax by removing some anomalies. It also ensures that aggregate deliberately extracted for construction use from temporary extraction sites, known as borrow pits, will be taxable in the same way as commercially produced aggregate. That will restore the intended scope of the tax and ensure a level playing field for the aggregates industry.

In conclusion, these clauses make valuable changes that incentivise greener choices and maintain efficiency, and will help progress the Government’s climate and environmental objectives. I therefore commend clauses 326 to 329 to the Committee.

**The Financial Secretary to the Treasury (Victoria Atkins):** Again, out of an abundance of caution, I refer hon. Members to my entry in the ministerial register of interests. I am recused from any consideration, in a ministerial capacity, of this levy.

**James Murray:** As we have heard, clause 326 increases both rates of the landfill tax in line with inflation, rounded to the nearest 5p. The increased rates apply to any disposal of relevant materials made, or treated as being made, at a landfill site in England or Northern Ireland on or after 1 April.

The landfill tax was introduced in 1996. It increased the cost of waste disposal at landfill to encourage waste producers and the waste management industry to switch to a more sustainable way of disposing of waste material. The tax was originally UK-wide, but it was devolved in Scotland from April 2015 and in Wales from April 2018. We will not oppose the clause, but I ask the Minister to fill us in on the wider context of the landfill tax, and specifically landfill tax fraud. In a Backbench Business Committee debate on landfill tax fraud in January, my hon. Friend the Member for Cambridge (Daniel Zeichner) said:

“Landfill tax fraud is a blight on communities across the country. It causes lasting damage to the environment and, of course, deprives the Exchequer of revenue.”—[*Official Report*, 12 January 2023; Vol. 725, c. 793.]

As Members discussed during that debate, according to His Majesty’s Revenue and Customs’ most recent annual estimate of the tax gap, the gap between landfill tax due and revenue collected in 2021 is £125 million. That is a gap of 17.1%—much higher than the overall tax gap for that year. According to HMRC’s report, the uncertainty rating for the landfill tax gap estimate is high. The then Exchequer Secretary, the hon. Member for South Suffolk



(James Cartlidge), conceded in the debate that “non-compliance is high.” In responding to the debate, he set out some details of the operational resource dedicated to landfill tax non-compliance; however, I do not think that he directly answered a question that the shadow Minister, my hon. Friend the Member for Cambridge, put to him: how much of the £125 million tax gap identified in 2021 has been recovered by HMRC? I would be grateful if the current Exchequer Secretary could address that point.

Clause 327 amends the main rates of the climate change levy on gas and other taxable commodities, and the reduced rate percentages on those commodities paid by participants in the climate change agreement scheme from 1 April next year. The climate change levy is a tax on the non-domestic use of gas, electricity, liquefied petroleum gas and solid fuels. Energy-intensive businesses that participate in the climate change agreement scheme run by the Department for Energy Security and Net Zero pay reduced rates expressed as a percentage of the four main rates of the climate change levy on the taxable commodities supplied to them.

We understand that the changes introduced by the clause were announced in the 2022 autumn statement, which froze the electricity rate, and in which it was confirmed that the climate change levy rate for LPG will continue to be frozen until 31 March 2025. It was further announced that the reduced rates of the levy for 2024-25 on gas and other taxable commodities paid by qualifying businesses in the climate change agreement scheme would be amended, so that participants will not pay more under the levy than they would have if the rates had increased in line with the retail price index.

Clause 328 increases the plastic packaging tax in line with the CPI. The plastic packaging tax was introduced in April 2022 to provide an economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging. That was expected to create greater demand for the material, which would in turn stimulate increased recycling and collection of plastic waste, diverting it from landfill or incineration. I understand that the new rate maintains the real-terms value of the incentive to include 30% or more recycled plastic and plastic packaging components in a product by increasing the rate of tax in line with the CPI. As that tax has now been in place for a year, what evaluation have the Government made of it? In particular, can the Minister tell us what impact the tax had in 2022-23, in terms of fulfilling its stated aim of stimulating increased recycling and collection of plastic waste?

Clause 329 makes changes to the aggregates levy exemptions for some types of aggregate from construction sites. We understand that it replaces four exemptions for by-product aggregate arising from certain types of construction with a broader and more general one. The explanatory notes state:

“Following a review of the levy in 2019, some concerns about the operation of the levy were raised by different stakeholder groups.”

I understand that the changes were consulted on in 2021. Draft legislation was published in July 2022 for technical consultation, which has now concluded. On that basis, we will not oppose the clause.

**Aaron Bell** (Newcastle-under-Lyme) (Con): It is a pleasure to serve under your chairmanship, Sir Gary. I will confine my remarks to clause 326. I am grateful to

the hon. Member for Ealing North for raising landfill tax fraud and the debate on 12 January, which I contributed to at some length. As Members may know, I have the worst landfill in the country in Walleys Quarry in my constituency of Newcastle-under-Lyme. The Opposition Whip, the hon. Member for Blaydon, also has some experience in this area, because her constituents have suffered at Blaydon Quarry. She contributed to that debate, too.

The hon. Member for Ealing North mentioned that the tax was introduced in 1996. The differential between the rates for regular waste and inert waste has grown immensely. Now, they are £3.25 and £102.10 respectively; back in 1996, they were £2 and £7. Just as the hon. Member for Wallasey said earlier in relation to tobacco, that has increased the incentive for people to break the rules, and unfortunately, many people in the waste industry are breaking the rules. What goes on at Walleys Quarry causes misery for my constituents, as fly-tipping and everything else that goes on in the waste industry does for people around the country.

The responsibility falls primarily on the Environment Agency, which I continue to press to do more about Walleys Quarry, as well as about Staffordshire Waste Recycling Centre, which is just over the border in the constituency of my hon. Friend the Member for Stoke-on-Trent North (Jonathan Gullis), who mentioned it just yesterday at Prime Minister’s questions. Will the Minister focus on the role of HMRC in helping the EA to do its work, because prosecutions for fraud may ultimately have more effect than prosecutions under environmental regulations?

**Liz Twist** (Blaydon) (Lab): It is a pleasure to speak with you in the Chair, Mr Stringer. As the Opposition Treasury Whip, talking about landfill tax is becoming an annual ritual for me.

Landfills are a blight on our society. It is not pleasant to live near one—even a well-regulated one—and it is good that we are considering how to pursue landfill taxes. My particular concern is, as it was previously, about the effectiveness and enforcement of the rates and the recovery of the taxes. As we heard from my hon. Friend the Member for Ealing North, there is still a considerable gap in collection rates, and that must be addressed if we are to treat people properly and minimise the impact of landfill sites.

The Minister may know about Operation Nosedive, which HMRC pursued with great fanfare in my constituency only to drop it quietly six years later. Earlier this year, on 12 January, we had a debate to consider that operation and the wider implications of landfill tax fraud. The joint unit for waste crime was established following the failure of Operation Nosedive, which, incidentally, cost HMRC £3.5 million in public money. There are huge tax implications here. Will the Minister comment on what is being done to close that tax gap?

As I said, landfill sites are not good, and it is good that we do all we can to reduce their environmental impact, but there is also the matter of reducing the gap between what is collected and the expectation, by ensuring that those moneys are recovered. Will the Minister comment on that and on how many enforcement actions and prosecutions have resulted from the work of the joint unit for waste crime on landfill tax?

**Douglas Chapman** (Dunfermline and West Fife) (SNP): New clause 5 would require the Chancellor of the Exchequer to publish an assessment of the impact of the Bill on the Government's ability to meet their duties under the Climate Change Act 2008 and commitments under the 2015 Paris agreement. The UK Government need to walk the walk as well as talk the talk on climate change. We had an extremely successful conference of the parties in Glasgow in 2021. The UK Government COP President secured the historic inclusion of coal in the climate pact, even if that commitment was not quite as explicit as he originally wished.

Scotland is taking that very seriously. We have ambitious climate change targets to become a net zero greenhouse gas-emitting nation by 2045, with interim targets of 75% by 2030 and 90% by 2040. We are taking positive action to realise those goals. The UK Government's action has stalled, however, and has not been helped by the series of changes of Prime Minister, each of whom has had a wholly different attitude to the urgency of climate change.

In reality, the UK Government talk about climate change when they are forced to do so, but they do not take the action required to meet their obligations. Is the Minister confident that the measures in the Bill will get targets back on track? In every single policy that comes from the UK Government and every piece of legislation enacted by this Parliament, the climate change impact should be evaluated, and this Bill is no exception. We should be leading from the front and considering the impact of each policy on the targets that have been set.

2.45 pm

The UK's own climate tsar identified the enormous, historic environmental and economic opportunity offered by net zero in his recent "Mission Zero" review. He stressed the necessity of helping business to invest in decarbonisation through a tax system and incentives, and creating an environment conducive to such investment. Last year, the Climate Change Committee estimated that an additional £13.5 billion of investment was needed, rising to £50 billion to £60 billion per year by the early 2030s, to meet the UK's net zero goals.

The Government's climate tsar notes:

"Investing now is cheaper than delaying. Office for Budget Responsibility (OBR) analysis suggests in their delayed action scenario that public sector debt could be 23% higher than in their early action scenario by 2050, thus doubling the fiscal impact of achieving net zero."

Has the public sector debt been factored into the Bill's assumptions, and is taking the option of early action reflected in the Government's thinking?

"Mission Zero" makes 129 recommendations to Government, including on regulation and on tax and spend, to reduce delivery risks and costs and to help to drive growth. With that in mind, it makes enormous sense economically and environmentally to get our tax measures right in the here and now, for our journey to the 2050 climate targets in the rest of the UK and the 2045 targets in Scotland.

That begs the following questions. Will the measures in the Bill take us closer to or further away from those targets? Without an evaluation, how can we decide whether these tax measures are the right ones? In my view, taxation has two purposes: first, to raise funding to spend on public services, and secondly, to encourage

or discourage behaviour. Do the tax measures in the Bill encourage behaviour that will cut carbon emissions, and are the climate measures in the Bill fit for purpose?

On the SNP Benches, we believe that new clause 5 is essential if the focus on climate change is to be reflected not only in energy and environmental policy, but in Treasury matters. Economic policies can be the real driver for necessary change.

**Dame Angela Eagle:** This is a group of clauses on environmental taxes, and the Minister has taken us through some of the technical changes and some of the upratings that are required by law. There is a gap on the landfill tax, as my hon. Friend the Member for Ealing North pointed out from the Front Bench, which implies that people are avoiding it rather than paying it. What comfort can the Minister give us that HMRC and the tax authorities are on to that issue? We have heard from both sides of the House, particularly on landfill tax, about the fraud that is perpetrated. I suspect that all of us in this room regularly spend our time as constituency MPs phoning various authorities to try to get the evil effects of fly-tipping in our constituencies dealt with.

The Minister has not said anything about enforcement of the tax and anti-fraud measures. He has said a little about how some of the taxes will be redesigned to try to design out some fraud, and I suspect he has done that particularly with the aggregates levy and his attention on so-called borrow pits. Perhaps he will correct me if I have got that wrong, but, having listened to what he had to say on that, I suspect it is about avoidance issues, focusing the aggregates levy on taking away the incentives to use virgin aggregate rather than recycling existing aggregates, and filling in other loopholes.

We all know from our constituencies that the landfill tax is not working as well as it should. Many of us have closed and managed landfill sites in or close to our constituencies. Not all of us have quarries, with the difficulties that occur there, but we all see the baleful effects of fly-tipping and people who save money by dumping rubbish, and sometimes far worse things, into the environment.

Clearly, HMRC and those who collect taxes have a role to play in dealing with fraud, but so has the Environment Agency. Perhaps the Minister will give us some comfort on this, but the weakening of enforcement authorities over the past few years is a real problem. We could have the perfect law, with the perfect text, designed perfectly so that incentives are fantastic, but if it is not enforced properly, it fails. We are certainly seeing that happen with the landfill tax.

Can the Minister give us some comfort that he is on to the issue and that the Treasury knows that it has to spend to save? The Treasury has to enforce the taxes that it levies, but it also has to empower other regulators and agencies that have a policing role, such as the Environment Agency and local authorities, to ensure that enforcement on these very important issues, which have a huge bearing on quality of life in all our constituencies, is properly resourced. Will the Minister give us some guarantees on that? At the moment, particularly with respect to the landfill tax, it is failing.

**Gareth Davies:** First, let me acknowledge that the landfill tax has been an overarching success, with local authority waste into landfill down by some 90% since

1990. I think we can all agree that that is a very good thing for England. I want to emphasise that, because it is a great success story.

A number of questions have been asked about waste crime. I completely agree that any type of waste crime is a blight on all our communities. As constituency MPs, we see the damage that it does, whether it is fly-tipping or other waste crime. That is why we have the joint unit for waste crime.

There have been questions about the effectiveness of the unit and the actions it has taken. I can tell the Committee that the unit is actively engaged in seeking to tackle waste crime. In particular, a special operation was undertaken from April 2020 to November 2022, in which some 100 partner agencies were engaged with the JUWC, and some 2,500 illegal waste sites were closed and a number of criminals engaged. But this is an ongoing problem and something we take very seriously. Of course, the Environment Agency has a role to play. The Government are engaged with all the agencies, not least the joint unit for waste crime, and we will continue to be so for some time to come.

There was a series of questions about the tax gap. For clarity, that is the difference between the amount that should be paid in theory and the amount that is collected by the Exchequer. The overall tax gap was 7.5% in 2005. It reduced to 5.1% in 2020-21. Any percentage of tax gap is too much, so it is important that we keep pressing HMRC to do everything that it can. I am confident that HMRC is tackling businesses that it suspects of waste crime that are not registered with it but could be liable for tax. The Government have given powers to HMRC to compulsorily register those businesses and, if necessary, issue penalties.

**Dame Angela Eagle:** I am fascinated by the work of the joint unit for waste crime. I am slightly horrified that 2,500 illegal waste sites were closed. It is good that they are closed, but it is horrifying that there were so many of them to begin with. I wonder what estimates there are for how many remain. Could the Minister give us some information about what fines were levied and what prosecutions have been successfully undertaken by the joint unit for waste crime?

**Gareth Davies:** I am grateful for the question. I can tell the hon. Lady that in the period I referenced with the 2,500 waste units, 51 arrests were made as a result of that action. I apologise that I do not have further details to hand, but I am happy to provide them later.

As I was saying—this goes back to what my hon. Friend the Member for Newcastle-under-Lyme talked about—HMRC does have powers to intervene and issue penalties if necessary.

**Liz Twist:** I have two points for the Minister. First, my specific question was whether any prosecutions had taken place as a result of the work of the joint unit for waste crime. Like my hon. Friend the Member for Wallasey, I am pleased to hear that a number of sites have been shut down, although it is worrying that there were so many.

Secondly, will the Minister comment on the landfill tax gap? The issue was discussed in the Public Bill Committee on what became the Finance Act 2022. The then Exchequer Secretary to the Treasury, the hon.

Member for Faversham and Mid Kent (Helen Whately), wrote to me following the Committee with an estimate of £200 million—22.7%—for the landfill tax gap for England and Northern Ireland in 2019-20. That was a decrease from the previous year.

If I heard him correctly, the Minister—

**The Chair:** Order. Interventions should be brief and to the point. The hon. Lady and other members of the Committee will not have any difficulty catching my eye if they want to make another contribution.

**Gareth Davies:** I completely understand the hon. Lady's passion. I know that she is a long-standing campaigner in this area, so it is no surprise that she wants to discuss the issue; I completely understand why that is. I can tell her that the tax gap has fallen, I believe, in the period that I talked about by £125 million, from £200 million in 2019-20. To reiterate, in 2005 the tax gap stood at 7.5% and in 2020-21 it stood at 5.1%. As I say, we are not complacent. We must tackle the issue, and we continue to make great efforts to do so. I put on the record my thanks to HMRC for all the work that it does to get the number down, but it is a live issue.

Let me mop up the question asked by the hon. Member for Ealing North about a review of the plastic packaging tax. He is right to raise that. We will be conducting a review very soon, but we are clear that we would like a decent period in which to conduct it so that we can see a clearer picture of the impact the tax is having. I can assure him that a review will be conducted very soon.

**Liz Twist:** I apologise for my previous lengthy intervention, Mr Stringer. May I return to the issue of the tax gap? As the Minister himself said, it was £200 million in 2019-20, a 22.7% gap. I am interested to hear the Minister say that it has reduced so much. If it has, I am hugely pleased, as it means that enforcement action is being taken. *[Interruption.]* Would he care to comment on the huge gap in the figures and how it might have reduced?

**Gareth Davies:** I apologise, but will the hon. Lady make that last point again? I did not hear her because of the noise in the background.

**Liz Twist:** I was just asking the Minister to explain how the Treasury has managed to reduce the tax gap from 22.7% in 2019-20 to 5% in the latest figures, which is what I believe he said. That seems to be a great difference.

3 pm

**Gareth Davies:** I am grateful for that clarification. As I mentioned, HMRC is actively targeting businesses and is able to tackle businesses that are not registered but that it believes are liable. In addition, HMRC has powers of compulsory registration.

I should clarify that those figures give the overall tax picture. The most recent figures for the landfill tax gap for England and Northern Ireland are estimated at 17.1% for 2020-21. I was giving figures for the overall tax picture, but the hon. Lady makes a very good point of inquiry. I hope that that clarifies the situation.

**James Murray:** I thank the Minister for his commitment to a review of the effectiveness of the plastic packaging tax and for his clarification of some of the statistics around the tax gap. Comparing the figures that he cited with the figure of 17.1% for landfill tax fraud shows just how big the tax gap is for landfill tax fraud, and how important it is that specific action be taken. Will he explain what specific action, rather than just talk about generalities, is being taken on landfill tax fraud, which we all agree is a problem that must be tackled?

May I also remind the Minister about a question I asked earlier? I am sorry if I missed it, but I do not think he responded to my question about the £125 million tax gap identified in 2020-21 and what has been done to recover that money.

**Gareth Davies:** As I have laid out, the Joint Unit for Waste Crime is a very effective organisation. It works with more than 100 agency partners to tackle all types of waste crime, including the type that we are talking about. HMRC is targeting businesses and has the powers to compulsorily register and to issue penalties. That action is being taken by not just HMRC, but by the JUWC.

I will get back to the hon. Member on his last point; I do not have the information in front of me right now.

*Question put and agreed to.*

*Clause 326 accordingly ordered to stand part of the Bill.*

*Clauses 327 to 329 ordered to stand part of the Bill.*

### Clause 330

#### DESIGNATION OF SITES

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

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

Clause 331 stand part.

That schedule 23 be the Twenty-third schedule to the Bill.

**Victoria Atkins:** Clauses 330 and 331 will make changes to ensure that tax sites in investment zones can benefit from an optional single five-year offer of tax reliefs, identical to those available in freeports. That will mean that businesses within the tax sites can benefit from tax and national insurance reliefs to incentivise investment and reduce the cost of hiring employees.

The Government have set out an ambitious plan for growth and prosperity, rooted in boosting the UK's potential as an innovation nation, growing strengths in key industries to support national priorities and levelling up communities across the country. At the spring Budget, the Chancellor confirmed that the investment zones programme will catalyse 12 high-potential, knowledge-intensive growth clusters around the UK, including four across Scotland, Wales and Northern Ireland. Each investment zone will bring together local partners to drive the growth of our key future sectors, bringing investment into areas that have traditionally underperformed economically. Each English investment zone will be able

to benefit from access to interventions of £80 million over five years, which can be used flexibly between spending and a single, optional five-year tax offer. The changes made by clauses 330 and 331 will enable special tax sites in English investment zones to have access to that single, optional five-year tax offer.

Clause 330 will amend existing legislation to allow investment zone tax sites to be designated via secondary legislation in the same way as freeport tax sites. Clause 331 will allow the sunset date for the investment zones, tax reliefs and special tax sites to be set in that secondary legislation. Businesses investing or hiring new employees in investment zone tax sites will have access to the following tax reliefs: first, a full stamp duty land tax relief for land and buildings bought for commercial use or development for commercial purposes; secondly, a 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in investment zone tax sites; and thirdly an enhanced capital allowance, a 100% first-year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.

Furthermore, there is an enhanced structures and buildings allowance, which provides accelerated relief to allow businesses to reduce their taxable profits by 10% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of investment over 10 years. *[Interruption.]* It is always delightful to hear from the Speaker.

Finally, there is employer national insurance contributions relief—zero-rate employer national insurance contributions on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £25,000 per year, with employer NICs being charged at the usual rate above that level. The relief applies for 36 months per employee. The precise costs of tax sites will vary by site; however, the estimated value of 600 hectares of tax reliefs is £45 million, to be deducted from the overall £80 million funding envelope available to an investment zone.

These clauses will help to enable the investment zones tax offer to operate in special tax sites in England. That will drive private sector activity in investment zone tax sites, which will be key to catalysing the agglomeration of businesses in high-potential, knowledge-based sectors in investment zones across England.

**James Murray:** As we have heard, clause 330 and its associated schedule, schedule 23, will extend the power to designate special tax sites to allow designation of such sites in or connected with investment zones located in Great Britain, while clause 331 makes provision related to the sunset date for tax reliefs available in special tax sites.

We know that these provisions are being introduced effectively to extend the tax reliefs available in freeport tax sites to such sites in or connected with investment zones. We know that those tax reliefs include an enhanced capital allowance for qualifying expenditure and plant machinery; enhanced structures and buildings allowance for qualifying expenditure on non-residential buildings and structures; and a stamp duty land tax relief for certain acquisitions of land. Furthermore, a secondary class 1 national insurance contributions relief for eligible employers on the earnings of eligible employees up to

£25,000 per annum, which is available in freeport tax sites, is also being extended to special tax sites in or connected with investment zones.

It is worth being clear that the investment zones with which the Government are currently proceeding are different from the investment zones that the right hon. Member for South West Norfolk (Elizabeth Truss) announced when she was Prime Minister. A significant number of councils put in bids for investment zones when they were announced under her premiership. According to the Association of Local Authority Chief Executives, councils had to spend an average of £20,000 to £30,000 on each bid, and may well have lost staff hours to work on preparing the submissions. Since then, investment zones have been relaunched, but it seems clear that the process for proceeding with the relaunched investment zones is entirely separate from the bidding process in operation for their former incarnation.

I would be grateful if the Minister confirmed how much money is estimated to have been wasted by councils, and indeed by central Government civil servants, on the now-abandoned bidding process for the original incarnation of investment zones. I assume that councils will be left out of pocket with respect to any money that they have spent on bids, and that the Government will not be considering refunding any of those costs, but I would be grateful if the Minister at the very least apologised to taxpayers for the money wasted as a result of this aborted policy.

I know that apologies can be hard to come by. Just last night, in fact, we heard the former Chancellor, the right hon. Member for Spelthorne (Kwasi Kwarteng), brazenly denying the harm that the mini-Budget last autumn caused to family finances. He refused to take responsibility for the impact of soaring rates on mortgage payers across the country and on renters, who are seeing higher costs passed on to them. However, I urge the Minister to do the right thing and take this opportunity to apologise more generally for the harm caused by the mini-Budget last autumn, and indeed by Conservative failures over the past decade.

**Mark Jenkinson** (Workington) (Con): Would the hon. Gentleman like to clarify whether it is Labour party policy to intervene in Bank of England decisions?

**The Chair:** Order. I did not realise that that was an intervention; I thought the hon. Gentleman wished to make a speech. The shadow Minister had sat down. If the hon. Gentleman wants to make a contribution, I will be happy to call him, but otherwise I will call Angela Eagle.

**Dame Angela Eagle:** There is an ongoing issue in this country, and in our economy, with investment and with the ability to ensure that we can remake our prosperity as a country and make our way in the 21st century as we did in previous centuries, thereby maintaining our position in the G7, perhaps, as the rise of other economic powers in other parts of the globe puts that under pressure. *[Interruption.]* Everybody cheers for that, Mr Stringer. Everybody on this Committee wants to see positive progress in this area.

This Bill is enacting some of the Budget—that is why we are in Committee, considering this legislation—but the OBR report on it had a pretty grim picture to show us of how investment has stalled in our country. On page 48, at chart E, it states that

“business investment stalled...after the EU referendum”.

By the time this document was published, investment was at fully 16.2% below the OBR’s pre-referendum expectations. Those who have sat in the main hot seat in No. 10, and those who have been progressing all too rapidly through the Chancellor’s hot seat, have been aware of that and have tried to do something about it. Most notably, there was the current Prime Minister’s super deduction, which paid people to invest in plant and machinery. It not only deducted the entire cost, but gave even greater tax incentives for them to invest. Effectively, it failed: it made no difference whatever to the stalling levels of investment in plant and machinery in our economy. That has now been replaced.

**Craig Whittaker:** It is interesting to hear what the hon. Lady says about levels of investment in plant and machinery. From the point of view of my patch, Calder Valley, where we have 19.2% of people working in manufacturing, the super deduction has been a huge boost to manufacturing. Will the hon. Lady acknowledge the huge investment of £17.7 billion that has been achieved only this week by the Prime Minister’s trip to Japan? That is an amazing boost to our economy.

**Dame Angela Eagle:** I am glad that there are positive examples of investment, but what I am talking about is the macroeconomic levels, which demonstrate that we are not where we should be. Essentially, investment has “stalled”—that is the OBR’s word, not mine. That stalling is not disproved by individual examples of investment in particular places. I congratulate the right hon. Gentleman and all the people who have been involved in doing whatever has happened in Calder Valley—no problem—but I am talking about the macroeconomic effects. The investment zone policy that we are discussing is presumably designed to kick-start investment in particular areas where the zones are marked out, which hopefully will create local prosperity. That is my understanding of what the Minister said.

3.15 pm

Unfortunately, there is not an awful lot of historical evidence that this kind of zoning system particularly works in terms of the overall levels of investment. It may move investment from one place to another. There is an entire debate that we could have about regional policy and trying to focus investment in particular areas, but I will not have it now, Mr Stringer, because you would call me to order. There have been many attempts to do that over the years, some of them more effective than others, but there is no real evidence that the freeport innovations that happened in the ’80s were an example of that.

Could the Minister tell us why the Government seem so certain that this policy, which takes away and gives up tax revenue, will lead to an overall increase in investment, rather than shuffling investment around from one place to another, which may or may not be a good thing in itself? Ministers often assume that this is a good thing overall that will lead to a net benefit, but it is not clear from historical evidence that that is the case. Will she explain that? Some very, very generous tax reliefs for investment have been tried in the near past and have not delivered the policy effect intended.

**Samantha Dixon** (City of Chester) (Lab): To illustrate to the Minister why I support the request of my hon. Friend the Member for Ealing North for an apology from the Government, I draw attention to my borough of Cheshire West and Chester, which made a bid for an investment zone last year. That zone would have been a real game changer for our region. It was in the constituency of my hon. Friend the Member for Ellesmere Port and Neston (Justin Madders), and the business case specifically referred to a company called Stellantis—hon. Members may have heard of it. Unfortunately, that investment zone bid, into which council officers put a considerable amount of time and energy, has vanished like Scotch mist.

The right hon. Member for Calder Valley is fortunate that his investment zone was taken forward, but in my borough, the fact that the bid was not successful may have prompted some difficult decisions for the companies that were going to be located in the proposed investment zone. The leader of the council, Councillor Louise Gittins, wrote to the Chancellor asking for an explanation of why the investment zone was not taken forward. I am not aware that she has received a response.

**Shaun Bailey** (West Bromwich West) (Con): I will keep my comments incredibly brief. There is a running theme to the debate. I thank my hon. Friend the Financial Secretary to the Treasury, because my area of the west midlands and the fantastic advocate that we have in Mayor Andy Street secured significant investment as part of the Budget. I put on record my thanks for the £22.5 million investment in Tipton town centre that the Chancellor announced in his Budget statement.

I appreciate what the hon. Member for Wallasey said about the broader parts of this discussion, and I defer to her much more considerable knowledge of the issue. But in terms of the more regional aspects of investment, it is a really important part of the investment package and strategy that we put confidence into our communities and that we say to those who want to bring inward investment into our areas—particularly post-industrial areas such as mine—that there is a case to do so. That £22.5 million, combined with the £60 million transport investment that my right hon. Friend the Chancellor also announced in the Budget as part of his broader package of resources, shows the confidence we need to see. Let us not forget that the west midlands has had a tough time, particularly post pandemic, and our productivity is still 3% down on pre-pandemic levels, so what this investment means for bringing in the inward investment that secures support for industry will be key to addressing the challenges that we face.

The efficacy and efficiency of this investment is key. We need to make sure that we set out tangible metrics of success so that not only the public, but industry can measure the effect of this important investment. As we go forward, particularly on the regional investment front, I ask the Minister and her officials to make sure that dialogue continues so we can make sure that areas such as the west midlands can see the money's true benefit. It is all well and good talking about abstract figures of billions and millions of pounds, but we need to get across the real-life, tangible results for our constituents. We see that in the increased productivity, increased employment opportunities and upskilling in our areas.

We are very grateful for the investment that we have seen in our region, and I agree somewhat with the broader points raised by the hon. Member for Wallasey, but the key point in this broader debate is tangible, real results on the ground. We can have all the economic debates we want, but it is about delivery for real people.

**Victoria Atkins:** I thank my hon. Friend for his comments, with which I agree. I will not pretend that the Labour party is in politics for different reasons from us. I genuinely believe that most Members of Parliament are in politics to do good for their local residents and for the country as a whole. The point of contention is on how we achieve that.

I am interested in the contrast between the submission of the hon. Member for Ealing North and the submission of the hon. Member for Wallasey. She represents part of Liverpool, and I grew up in the north-west, so I know Liverpool and Manchester very well. I think we would all agree that Liverpool and Manchester have seen a revitalisation over many decades. It takes a village to raise a child, as the old saying goes, and I fully accept that the previous Labour Administration may have done a great deal to help those areas. Going back a long way—a little before my time, perhaps—Lord Heseltine played his part in helping both Liverpool and Canary Wharf. We are trying to revitalise areas in the same way that Liverpool, Manchester and Canary Wharf, and indeed many other areas, have been revitalised.

**Dame Angela Eagle:** The Minister would be very, very unpopular in my constituency if she referred to it as Liverpool. I represent the Wirral, which is over the river, where the Mersey ferry goes when it ferries across the Mersey. People can still listen to Gerry singing “Ferry Cross the Mersey” on the ferry as it goes from Liverpool to the Wirral. I appreciate her comments, but the people of the Wirral regard themselves as a bit different from those in Liverpool.

**Victoria Atkins:** I apologise to the hon. Lady. I meant to refer to the wider area. I thoroughly respect the independence of the good people of the Wirral.

We saw the regeneration and revitalisation of the great city of Liverpool in the wonderful displays at last weekend's Eurovision celebrations. The regeneration of that great city has, of course, had a much wider ripple effect.

We want to channel the focus and private sector investment to which the hon. Lady rightly refers in revitalising these areas. We want to do that in a way that takes notice and full advantage of the opportunities of the 21st century. The Chancellor set out the sectors that we will concentrate on, because we want to build that investment for the future. There is some extraordinarily good news in our economy in terms of innovative technologies, life sciences and advanced manufacturing. Indeed, I saw in a WhatsApp group only this morning that Rolls-Royce has just unleashed its latest aircraft engine, to great acclaim, here in the UK. That is an extraordinary achievement, which we want replicate across the country. That is the thinking behind investment zones.

When the shadow Minister talked about these exciting proposals, he said nothing about the principles of the investment or the enormous opportunities for communities

outside London. I know that he is a Member of Parliament for London, so perhaps he does not have the natural affinity with constituencies outside London that Conservative MPs have, and which I certainly have as a proud Lincolnshire MP. We really want to focus on the excitement for what we can achieve around the rest of the country. The shadow Minister, however, just focuses on process.

**Samantha Dixon:** The point I want to make to you—*[Interruption]* Sorry, the point I want to make to the Minister is that the areas that have been referenced have mayoral combined authorities. My borough sits in a sub-region of Cheshire and Warrington, which, despite strenuous efforts, has not managed to get those powers devolved to it. Under this Government, it appears to have lost out on an investment zone. Upper-tier authorities were encouraged to submit bids. They did so, but none of them were successful and they have not been given an explanation of why.

**Victoria Atkins:** The work on the new investment zones is ongoing. The Department for Levelling Up, Housing and Communities has begun discussions on hosting investment zones with local partners and the Treasury. That is because we want those areas to operate at a regional level, as has happened in the past with other examples. We want them to be regional examples, as I said. We are looking forward to Scotland, Wales and Northern Ireland having their investment areas. From that, many other measures will flow. Investment zones will also sit alongside freeports. Some investment zones may include freeports, but some freeports may stand independently of them. We want to ensure that we spread innovation and a drive for growth across the country.

**Shaun Bailey:** I want to add to the Minister's response to the hon. Member for City of Chester. I do not necessarily disagree with some of the hon. Member's frustrations. However, as a Member who sits within a combined authority area, I know that even when the combined authority is involved in those bids, the upper-tier authority does not just vanish from the picture; it is very much involved. The investment we had come from upper-tier authority submissions that went into the Government. I appreciate what the hon. Member said about the assistance that a combined authority might give, but it is still very much on the upper-tier authority to be in the game with some of this stuff. It does not just vanish with the creation of a combined authority area.

**Samantha Dixon** *rose—*

**The Chair:** Order. I call the Minister.

**Victoria Atkins:** I am grateful to my hon. Friend for his intervention. This is about teamwork across the various authorities, and working with local businesses. We are very open to the idea that different investment zones will focus on different sectors and specialisms. We want them to be driven at a local level by people who know their areas best. For example, they know what

their local university specialises in, what local manufacturing there may be and so on. This must be driven from local areas.

**Samantha Dixon:** At the risk of repeating myself, the bid put in by my local authority, in partnership with two other upper-tier authorities, was fully cognisant of both the business interests in the sub-region and the HE factor. It was an excellent bid. It vanished, and no explanation has been given. It is extremely frustrating.

3.30 pm

**Victoria Atkins:** I will commit to our trying to get an answer to the hon. Lady's local authority about that. She will appreciate that other bids are run by other Departments. I am not intimately involved in what happens after a bid has been announced, but I will certainly try to get some answers for her. For the future, that is how we can ensure that the investment zones and other investment opportunities best work for local people. I am happy to commit to trying to get her an answer, although it will probably come from another Department.

*Question put and agreed to.*

*Clause 330 accordingly ordered to stand part of the Bill.*

*Clause 331 ordered to stand part of the Bill.*

*Schedule 23 agreed to.*

### Clause 332

#### RIGHT TO REPAYMENT OF INCOME TAX TO BE INALIENABLE

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

**The Chair:** With this it will be convenient to discuss clauses 333 to 337 stand part.

**Victoria Atkins:** I hope that clause 332 will be of real interest to hon. Members and their constituents. In recent years, there has been a growth in what are commonly called repayment agents. Hon. Members may have received a great deal of correspondence from their constituents about such agents. They are paid tax agents who specialise solely in making claims for income tax relief on behalf of their clients.

Repayment agents can provide a useful service to taxpayers by helping them to claim reliefs or allowances to which they are entitled from HMRC, but last year HMRC received around 2,800 complaints about repayment agents from taxpayers who were unclear about the terms or conditions to which they had signed up. Those taxpayers were unaware that they were claiming through a third party and that they would be charged a fee of up to 50% of the repayment, and they were unaware of the use of assignments. Clause 332 prohibits the assignment of income tax repayments and, where such rights have been assigned, renders the assignment void. It is a consumer protection measure that is aimed at ensuring that taxpayers have better control over their income tax repayments, and I hope that hon. Members will advertise the measure to their constituents.

[Victoria Atkins]

I turn to clauses 333 to 335. New late payment penalty and interest legislation was approved by Parliament in 2021. The new system is built on fairness and proportionality. In implementing penalty reform and interest harmonisation for VAT, we have identified some minor defects in the legislation that the clauses seek to correct. Clause 333 ensures that, for customers who use the VAT annual accounting scheme, late payment interest will not be charged on interim instalments of VAT that are paid late. Clause 334 ensures that late payment penalties do not apply to instalments payable under the VAT annual accounting scheme, and clause 335 makes a minor technical change to repayment interest on VAT to ensure that the rules operate as intended.

Clause 336 gives HMRC a power to move insurance premium tax administration forms out of secondary legislation and into a public notice. Currently, whenever administration forms need to be updated, a statutory instrument needs to be passed. Moving administration forms out of that regime will enable them to be updated without the need to pass legislation each time an update is required. That will simplify the administration of tax and support HMRC in keeping pace with developments in tax policy and insurance industry practices.

Finally, clause 337 relates to the plastic packaging tax. Currently, late payments in respect of plastic packaging tax by liable businesses and businesses that are held secondarily liable or joint and severally liable incur the same penalties. In contrast, late payments of assessments made by HMRC where a business has failed to submit a return incur different penalties. Clause 337 addresses that anomaly and amends schedule 56 to the Finance Act 2009, so that all late payments of plastic packaging tax incur the same penalties.

**James Murray:** As we heard, clause 332 introduces a new provision that renders void assignments of income tax repayments. We understand that the clause removes the ability of a taxpayer to legally transfer their entitlement to an income tax repayment to a third party such as an agent. It enables HMRC to disregard assignments when issuing income tax repayments, although we understand that it does not remove a taxpayer's ability to use a non-legally binding nomination where they wish their repayment to be made to a third party. The decision to prohibit assignments seems to have been driven largely by the practices of Tax Credits Ltd, which ultimately led to HMRC having to issue tax refunds directly to 60,000 affected taxpayers.

The changes in the clause have been broadly welcomed by groups including the Low Incomes Tax Reform Group, which pointed out that they mean that taxpayers will no longer be able to assign their rights to an income tax repayment to a third party repayment agent, and that includes taxpayers who have been tricked or misled into doing so by an unscrupulous agent. However, LITRG highlights that issues remain around the nomination process—the alternative way that I mentioned of enabling an agent to receive a payment. It is concerned that the provisions in the clause will not stop taxpayers being tricked or misled into nominating an unscrupulous agent to receive an income tax repayment. LITRG also raised its concern that responsible repayment agents, who were not misusing assignments, may exit the market,

given the risk of non-payment for their work. LITRG therefore suggests that HMRC carefully monitors the impact of the provision on taxpayers and their ability to obtain refunds.

I am sure that the Minister will try to assure us that HMRC carefully monitors all its operations, but I would press her to give a more specific commitment in response to LITRG's concerns. In particular, will she commit to publishing certain metrics proposed by LITRG, such as the total number of refund claims made and the total number made by third party companies?

Clauses 333 to 335 amend legislation governing a new penalty regime and rules on interest for VAT, which the Government announced at spring Budget 2021. As we heard, clause 333 makes two technical changes to the late payment interest rules. The first change ensures that late payment interest does not apply to instalments payable under the VAT annual accounting scheme. The second change means that when HMRC is recovering a VAT payment, the late payment interest start date is the date from which HMRC paid that amount. Clause 334 amends the Finance Act 2021 to ensure that late payment penalties do not apply to instalments payable under the VAT annual accounting scheme. Clause 335 amends the Finance Act 2009 to remove a restriction on the accrual of repayment interest on VAT paid by HMRC to the taxpayer. We will not oppose these clauses.

We understand that clause 336 will broaden existing powers, thereby enabling HMRC to move insurance premium tax forms from secondary legislation and into a public notice by way of a statutory instrument. As the Minister outlined, these technical changes are intended to reduce the administrative burden and make it easier to make administrative updates to the forms without the need for legislation. We also understand that this provides a necessary step for future legislation allowing HMRC to further digitise the insurance premium tax forms. We will not oppose the measure.

Finally, clause 337 amends schedule 56 to the Finance Act 2009, to align inconsistent late payment penalty provisions and ensure that all businesses liable for a late payment penalty in respect of the plastic packaging tax are charged the same penalty, however that liability arises. As we discussed earlier, the plastic packaging tax was introduced from 1 April last year to provide an economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging, which was intended in turn to create greater demand for that material. The clause introduces a technical, administrative change and we will not oppose it.

**Victoria Atkins:** We are pleased that LITRG is one of the many groups that we work closely with. We listen to them very carefully. Indeed, I met the head of the group only last week, I think, to listen to their concerns or thoughts about the tax system.

Just to reassure hon. Members, some people want to nominate tax agents to reclaim their taxes, and we do not want to shut down that route if people want to use it and do so in a fully informed and consenting manner. That is why we are moving from the assignment process through to nominations, and taxpayers will be able to withdraw easily from nominations. The point is that nominations are not permanent; they can be changed if taxpayers should wish to do so.



That is a really critical consumer protection. It is why we have put it in the Bill. It took immediate effect, because we wanted to apply it as soon as possible to prevent taxpayers from being tied into agreements that they could not rescind. Repayment agents were made aware of the Government's intentions to legislate in January and we would say that they will have had time to adjust to the new forms, if you like, by the time that this Bill receives Royal Assent.

In relation to the other matters, I understand that the Opposition are not challenging them, so I will stop there.

*Question put and agreed to.*

*Clause 332 accordingly ordered to stand part of the Bill.*

*Clauses 333 to 337 ordered to stand part of the Bill.*

### Clause 338

#### APPROVAL OF AERODROMES

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

**The Chair:** With this, it will be convenient to discuss clauses 339 and 340 stand part.

**Victoria Atkins:** These clauses make changes to strengthen HMRC's framework for approving aerodromes and excise businesses. Clauses 338 and 339 deal with aircraft carrying passengers or goods into and out of the United Kingdom. These aircraft are required to land at or depart from a designated customs and excise airport, unless permitted by HMRC to use an aerodrome.

There are approximately 540 aerodromes in the UK, which may handle small private jets with passengers and goods under a duty allowance, with very limited movements of freight. The typical requirements placed upon customs and excise airports are not appropriate for these smaller locations.

The Government currently agree the certificate of agreement with aerodrome operators and that provides the permission required to land at these locations. The changes made by these clauses will strengthen the legal basis for the aerodrome approval process. First, clause 338 will allow HMRC to issue approvals to aerodromes for customs purposes, to attach conditions and restrictions to these approvals and to vary or revoke approvals where necessary. Secondly, this clause provides a power to allow HMRC to make regulations about approval conditions for aerodromes and civil penalties for non-compliance with approval conditions and restrictions. Finally, the clause will require operators of unapproved aerodromes to take reasonable steps to ensure that pilots and importers do not depart from or arrive at their aerodrome in contravention of legal requirements on aircraft movements into and out of the United Kingdom.

Clause 339 makes minor and consequential amendments.

Clause 340 concerns excise regimes. Colleagues may be aware that businesses in a several excise regimes operated by HMRC require approval to conduct certain controlled activities. Those include the alcohol wholesaler registration scheme and the raw tobacco approval scheme.

Approval is dependent on a business continuing to satisfy certain fit and proper criteria. Where evidence shows that the business is no longer fulfilling that criteria, HMRC may as a last resort revoke its approval. The business may request an internal review of the decision by an independent officer and ultimately has the right to appeal to tribunal and higher courts, in which case a temporary approval may be given so that the business can carry on trading until the matter is finally determined.

3.45 pm

Where the appeal matter is finally determined and revocation is upheld, a business may still hold some stock. Under existing legislation, the temporary approval will lapse once the appeal has been determined, meaning that the business will be unable to dispose of the stock without incurring a penalty. In some civil cases it may be reasonable to allow the business to legally dispose of stock after the revocation has been confirmed. The alternative would be the potential seizure of product and loss of associated duty revenue. This also brings appeal cases into line with non-appeal cases where a future date for the revocation to take place may be agreed where deemed appropriate. Cases where revocation of an approval is linked to criminal prosecution would not be considered.

The changes therefore create a new power to allow HMRC a discretion to extend temporary approvals in respect of the control schemes covered by certain regimes that contain similar fit and proper criteria. This does not alter the position that HMRC has judged the business to no longer satisfy the requirements to hold an approval.

**James Murray:** As we heard from the Minister, clauses 338 and 339 relate to regulated aerodrome approvals. Clause 338 introduces a power for HMRC to grant approvals to aerodromes for the purposes of the customs and excise Acts and to amend and revoke those approvals. The clause also introduces a requirement that operators of aerodromes take reasonable steps to ensure that no aircraft lands or departs in contravention of the Customs and Excise Management Act 1979.

Clause 339 introduces consequential amendments following the provisions of clause 338. The clauses together aim to strengthen aerodrome operator accountability by establishing an approval regime for aerodromes, which handle movements of people and goods and are not designated as customs and excise airports. We will not oppose the clauses.

Moving on to clause 340, excise businesses must be approved by HMRC to conduct certain controlled activities. HMRC can revoke a business's approval where it fails to meet HMRC's fit and proper criteria. Current legislation allows a temporary approval to be granted pending a review or appeal, and the temporary approval automatically ends once that review or appeal has finally been determined. We recognise, however, that that may cause hardship to an affected business as, after the final determination, there is at present no time for such a business to wind down its operations without incurring a penalty.

The measure has a new discretionary power to allow HMRC to extend a temporary approval following a final determination of a decision to revoke an approval, or a temporary approval granted during the review or

[James Murray]

appeals process. That will enable a business to wind down its operations without incurring a penalty, so we will not oppose this clause, either.

*Question put and agreed to.*

*Clause 338 accordingly ordered to stand part of the Bill.*

*Clauses 339 and 340 ordered to stand part of the Bill.*

### Clause 341

LICENSING AUTHORITIES: REQUIREMENTS TO GIVE OR OBTAIN TAX INFORMATION

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

**The Chair:** With this it will be convenient to discuss clause 342 stand part.

**Victoria Atkins:** Clause 341 makes the renewal of certain licences to trade conditional on licence applicants completing tax checks in Scotland and Northern Ireland from 2 October 2023. Clause 342 makes amendments to licensing legislation in Scotland, which are consequential on clause 341

This is an extension of existing principles of conditionality that already apply to renewal applications in England and Wales for taxis and scrap metal dealer licences. The checks will confirm applicants are registered for tax and have notified HMRC of their income tax or corporation tax liability. This will make it harder for traders to operate in the hidden economy. It will also help licence holders get their tax affairs right and give honest businesses confidence that their competitors are playing by the same rules. New licence applicants will be supported and directed to HMRC's guidance on tax obligations.

**James Murray:** We know that the Finance Act 2021 made provision for tax conditionality connected to the application for certain licences issued in England and Wales, namely licences to drive taxis, licences to drive and operate private-hire vehicles and licences to deal in scrap metal. We understand that clauses 341 and 342 extend the existing tax conditionality legislation to similar licences issued in Scotland and Northern Ireland. In Scotland, this applies to licences to drive taxis and private-hire cars, operate a booking office, and be a metal dealer, while in Northern Ireland it applies to licences to drive taxis.

We will not be opposing these clauses, but I would be grateful to the Minister if she can explain what, if any, additional resources will be made available to HMRC to effectively implement this extension of tax conditionality legislation.

**Victoria Atkins:** I wrote to the hon. Gentleman to set out the amounts and estimates that HMRC has given in its annual report and accounts about the collection protection in compliance yield, and this includes the compliance officers that would be put forward to help reduce the tax gap. They are changes to existing tax exemptions, reliefs and policies that HMRC is already

resourced to administer, and it undertakes compliance interventions based on risk, with investigations normally covering multiple taxes and duties, as opposed to narrowly focusing on a single area of taxation. For example, we do not have a compliance team solely dedicated to investigating cases relating to the HGV levy, but if HMRC opened a tax inquiry into an HGV business, this would be one of many areas of taxation that it would look into to ensure that the business is compliant with its total tax obligations.

*Question put and agreed to.*

*Clause 341 accordingly ordered to stand part of the Bill.*

*Clause 342 ordered to stand part of the Bill.*

### Clause 343

DEFINITION OF "CHARITY" RESTRICTED TO UK CHARITIES

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

**The Chair:** With this it will be convenient to debate clause 344 stand part.

**Gareth Davies:** Clauses 343 and 344 will restrict UK tax reliefs to UK charities and community amateur sports clubs. Having left the EU, it is right that UK taxpayer money should support UK charities and community amateur sports clubs.

The UK is a world leader in the charitable sector. This reflects many factors, including our geography, our connectivity and our recognised legal and regulatory expertise, but also because our tax regime for charities is among the most generous of anywhere in the world. As a result, there is a thriving UK charity sector, which includes numerous charities working across the globe, comprising both UK-based charities and UK branches of international charities.

Charitable tax reliefs in the UK are given in the following areas: income tax; capital gains tax, corporation tax, VAT, inheritance tax, stamp duty, stamp duty land tax, stamp duty reserve tax, annual tax on enveloped dwellings, and diverted profits tax. Additionally, charities and CASCs can also claim gift aid of 25p for every £1 of eligible donations made by UK taxpayers. In 2021-22, UK charitable reliefs were worth £5.5 billion to the sector, up from £4 billion in 2013-14. That has remained strong despite covid-19, with the value of reliefs remaining at about £5.5 billion from 2019-20 until 2021-22.

Before the introduction of that measure, charities based in the EU or European economic area could qualify for UK tax reliefs. Now it is time to take advantage of the UK's exit from the European Union and to restrict UK tax reliefs so that they are available only to UK charities and community amateur sports clubs. That will protect the integrity of the tax system, as UK charities and community amateur sports clubs that are located outside the UK are harder for HMRC to police.

Clauses 343 and 344 will restrict UK tax reliefs to UK charities and community amateur sports clubs. Importantly, they do not discriminate between UK charities undertaking charitable activity here in the UK or abroad.

The key factor is that the charity must be governed by a UK court. The measure took effect from Budget day, but the Government have allowed a short transition period until April 2024 for those charities that HMRC has recognised will be affected by the change. That provides a window for them to register in the UK if they are eligible or, if not, to reformulate their affairs.

The measure will ensure that UK taxpayer money will be used to support UK charities and community amateur sports clubs, and the effective policing of charitable reliefs through HMRC compliance activities. I commend the clauses to the Committee.

**James Murray:** As the Minister set out, clauses 343 and 344 introduce a restriction on the availability of tax reliefs so that only UK charities and UK community amateur sports clubs can gain access to UK charity tax reliefs. UK charitable tax reliefs were extended to organisations equivalent to charities and community amateur sports clubs in the EU and in the EEA countries of Norway, Iceland and Liechtenstein following a judgment of the European Court of Justice in January 2009. Following the UK's exit from the EU, however, the Government are progressing to restrict UK tax relief to UK charities and community amateur sports clubs. We will not oppose the clauses.

*Question put and agreed to.*

*Clause 343 accordingly ordered to stand part of the Bill.*

*Clause 344 ordered to stand part of the Bill.*

### Clause 345

#### EXEMPTIONS FROM TAX

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

**The Chair:** With this it will be convenient to consider that schedule 24 be the Twenty-fourth schedule to the Bill.

**Victoria Atkins:** The clause and schedule 24 confirm that income tax and corporation tax exemptions will apply to “thank you” payments made to sponsors under the Homes for Ukraine sponsorship scheme. They also introduce legislation for temporary reliefs from the 15% rate of stamp duty land tax and the annual tax on enveloped dwellings for dwellings owned by companies when they are made available to Ukrainian refugees under the sponsorship scheme.

In March last year, we announced the Homes for Ukraine sponsorship scheme, which supports those who generously open their homes to Ukrainians arriving in the UK. As part of that scheme, sponsors receive a monthly “thank you” payment for housing an individual or family. Without specific legislation, those payments could be subject to tax. Likewise, ATED and the 15% may also have presented barriers to those who wish to provide homes for Ukrainian refugees. We therefore committed to legislate to exempt “thank you” payments from income tax and corporation tax, and to provide temporary reliefs from ATED and the 15% rate of stamp duty. We thank those public-spirited people and I commend the clause to the Committee.

**James Murray:** As we heard, the clause and schedule introduce income tax and corporation tax exemptions for thank-you payments made by local authorities to sponsors under the Homes for Ukraine sponsorship scheme. They also introduce temporary reliefs on the annual tax on enveloped dwellings and on the stamp duty land tax in connection with the provision of accommodation under the scheme.

The reliefs and exemptions were announced by the Financial Secretary to the Treasury in a written ministerial statement on 31 March 2022. In that statement, she explained that

“those companies that currently qualify for the existing reliefs available from the annual tax on enveloped dwellings (ATED) and the 15% rate of stamp duty land tax (SDLT) for dwellings used in a property development or property trading business or let on a commercial basis will continue to be able to claim the relief while the dwellings are being used under the Homes for Ukraine Scheme.”

Since March 2022, many people across the country have volunteered to sponsor Ukrainians fleeing the war in their home country, and have warmly opened their homes and hosted them accordingly, and it is right that the Government support them.

4 pm

I draw the Minister's attention to a recent case uncovered by the BBC—that of Dominik Zaum and his family, who have been hosting a mother from Ukraine and her young daughter in an annexe since June 2022. I understand from media reports that when Mr Zaum's mortgage came up for renewal, he applied to Halifax and was dismayed to find that he was refused on the basis that he was providing accommodation to a Ukrainian family. Halifax said that there was a significant risk that he would rent out the room commercially in the future. I understand that Halifax has since apologised, and that Mr Zaum has taken up a mortgage offer, albeit with an alternative provider. However, in reports of the story, he expressed concern that the situation was resolved only when the media got involved. He was worried that Halifax's refusal could have been mirrored by the rest of the lending sector. I would be grateful if the Minister set out the steps that the Government will take to ensure that other Homes for Ukraine sponsors do not find themselves in a similar position when they are seeking a mortgage offer.

**Samantha Dixon:** I welcome this measure, and it is really important that these provisions be extended, but will the Minister consider extending them to the Afghan citizens resettlement scheme and the Afghan relocations and assistance policy? This morning, we talked about the number of Afghan refugees who have come to the country under those schemes and are currently accommodated in hotels. The Minister may be aware that charitable organisations, such as Refugees at Home, put sponsors in touch with refugees. Will she ask her officials to consider whether there are opportunities for similarly public-spirited people who are willing to use their accommodation to assist Afghan families in this country?

**Victoria Atkins:** On the case cited by the hon. Member for Ealing North, clearly we would like banks to enter into the public-spirited nature of the Help for Ukraine

[Victoria Atkins]

scheme and other refugee schemes. I will take that issue away and reflect on it with my ministerial compadre in the Treasury, the Economic Secretary, to see what we can do. Of course, the first port of call for anyone in that situation is their constituency MP. We are, I hope, good constituency MPs, and we can draw these matters to banks' attention and can often get answers that our constituents sadly cannot, but I will take this matter away and mull it over.

The hon. Member for City of Chester mentioned other refugee schemes. I am not aware that the Afghan scheme has quite the same system of payments as the Ukrainian scheme, but I am happy to reflect on that issue. It is probably not a matter for this Bill, but I will think that one over.

*Question put and agreed to.*

*Clause 345 accordingly ordered to stand part of the Bill.*

*Schedule 24 agreed to.*

### Clause 346

#### ABOLITION OF THE OFFICE OF TAX SIMPLIFICATION

**Douglas Chapman:** I beg to move amendment 2, in clause 346, page 264, line 31, at end insert—

“(9) This section shall not come into force until the Chancellor of the Exchequer has published—

- (a) a response to the letter from the Chair of the House of Commons Treasury Committee, dated 2 March 2023, on the closure of the Office of Tax Simplification, and
- (b) a statement of his assessment of the costs and benefits of abolishing it.”

*This amendment would prevent the Office of Tax Simplification from being abolished until the Chancellor has replied to outstanding correspondence from the Treasury Committee on the subject, and published a cost/benefit analysis of the policy.*

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

Clause stand part.

New clause 1—*Reports to Treasury Committee on measures to simplify tax system—*

(1) The Treasury must report to the Treasury Committee of the House of Commons on steps taken by the Treasury and HMRC to simplify the tax system in the absence of the Office of Tax Simplification.

(2) Reports under this section must include information on steps to—

- (a) simplify existing taxes, tax reliefs and allowances,
- (b) simplify new taxes, tax reliefs and allowances,
- (c) engage with stakeholders to understand needs for tax simplification,
- (d) develop metrics to measure performance on tax simplification, and performance against those metrics.

(3) A report under this section must be sent to the Committee before the end of each calendar year after the year in which section 346 (abolition of the Office of Tax Simplification) comes into force.”

*This new clause would require the Treasury to report annually to the Treasury Committee on tax simplification if the Office of Tax Simplification is abolished.*

**Douglas Chapman:** I am sure that Members gathered here agree on the importance of data gathering, impartial analysis and evidence-based decision making. We can make informed decisions only if the facts are laid out in front of us in black and white. It would seem wise, then, that data be gathered on the costs and benefits of doing away with the Office of Tax Simplification before a final decision is made.

I will also be so bold as to point out that the recommendation to abolish the OTS came from a rather short-lived and now infamous Chancellor in his ironically named growth plan Budget of September 2022. Suffice it to say that the growth plan went down like a lead balloon after weeks of market turbulence, with unprecedented condemnation from the International Monetary Fund. That is not to mention the important—indeed, massive—£60 billion fiscal hole left in its wake. The then Chancellor and his Prime Minister swiftly exited stage left before more damage was done to the economy, our global reputation and citizens' livelihoods.

Interestingly, of the many gung-ho announcements made in that growth plan, abolition of the OTS is one of the few that has not been reversed. When it comes to gathering evidence and data for making evidence-led decisions, and listening to experts and a broad group of stakeholders on tax simplification, we still have a long way to go, if this still seems to the Government to be a wise decision. One such expert is George Crozier, head of external relations at the Association of Taxation Technicians and the Chartered Institute of Taxation. He has argued that the OTS achieved a significant amount during its 12 years of existence and, with greater ministerial support for its proposals, could have achieved much more. Mr Crozier and the CIOT argue that among the OTS's achievements since it was established in 2010 are the abolition of more than 40 unnecessary tax reliefs that were “clogging up” the tax system, as well as

“useful reforms to employee expenses and inheritance tax reporting,” which have all had a positive impact. In fact, the CIOT informs us that

“every Finance Act of the last decade has had measures in it which owe their genesis to the OTS, and which have made navigating the tax system easier for one group or another.”

Does the Minister not believe that is a good thing?

Importantly, the ATT believes that there are many benefits to maintaining independent advice to the Government on tax simplification; for example, the OTS drew directly and effectively on the skills and expertise of tax professionals, professional bodies and taxpayers when making its recommendations for simplification. The ATT believes that the OTS maintained that level of engagement only due to the trust and belief that the OTS would treat its comments and views impartially and fairly. The ATT's concern is that without the perceived independence of the OTS, taxpayers and professionals will be more reluctant to come forward with relevant evidence and experience. Does the Minister not believe that relevant evidence and experience are good things?

If analysis leans in the direction of abolishing the OTS, it seems fair to back up calls from Mr Crozier and his colleagues to question the UK Government on how they will deliver the promise to embed tax simplification in the institutions of government. Will the Minister confirm that he will at least give the OTS a stay of

execution until further evaluation is carried out, or will the OTS baby be thrown out with the bath water? In the run-up to an election, it may be popular with the public if the Government of the day were seen to be taking the thoughtful and sensible decision to retain the services of the OTS.

**Dame Angela Eagle:** New clause 1 is also part of this group. As a member of the Treasury Committee, which fairly collectively signed new clause 1, I will speak to the new clause, as well as to the Scottish National party amendment to clause 346.

It came out of the blue that the Office of Tax Simplification was to be abolished as part of the mini-Budget—the catastrophic event last September that created the worst of all events in the Treasury. Interesting times. As an ex-Treasury Minister, I can assure you, Mr Stringer, that boring times are the best; interesting times, when bond markets soar and pension funds teeter, are not the best. We were thrown into that situation with the mini-Budget, out of which came the sudden announcement that the Office of Tax Simplification would be abolished. The reason given for that abolition was that we would boost economic growth and simplify the tax system by having tax simplification in house. That is one of the more Orwellian reasons for abolishing something that I have heard. It was set up by a previous Conservative Chancellor, George Osborne; I can use his name because he is no longer a Member of this House and has gone on to other—I will not say better—things.

When the OTS was set up, the idea was to identify areas where complexities in the tax system for business and taxpayers could be reduced. We need only look at the thickness of this modest Bill to realise how complex financial legislation can be. This is the Finance (No. 2) Bill, and others will be along soon, I am sure. Yesterday, we had a hearing of the Treasury Committee on tax reliefs and cliff edges, and we were told that there were 1,180 tax reliefs in the system. Of them, 841 are structural, and 339 are non-structural, which apparently means that they are aimed at behaviour. That is a lot of tax reliefs. Every relief, whether for a good or a bad reason, creates a complexity. I am not arguing at all that tax systems should be completely simple—complexity is sometimes important and inherent to the way that a tax works—but as with all these things, it is possible to have too much of a good thing. It tends to go beyond complexity for a good reason and become complexity for complexity's sake.

I do not know why—perhaps the Minister could enlighten us—it was suddenly decided that the Office of Tax Simplification was such a thorn in the side of the Treasury that it could be abolished forthwith without much notice, and that a job that has not really been done routinely in the Treasury could suddenly be done in house without any kind of preparation. When the Treasury Committee had staff from the Office of Tax Simplification give evidence in a hearing, they did not really know why it had been abolished, either. Nobody likes to be abolished. I cannot think that they were enamoured of the idea, but they were very diplomatic. They did not really have any confidence that the more systematic look at how taxes could be simplified over time would continue once the office had been abolished.

Could the Minister give us some insight as to why the abolition was announced? Why was it reconfirmed by the new Administration—one of the four that we have

had in the last year—when they came into office that they would go ahead with the abolition? It is one of the few things that the previous Prime Minister and her Administration inaugurated that has survived the shake-up of the system.

The Institute for Government argues that the Office of Tax Simplification should not be abolished, but that if it is, it should be replaced with a body with a wider remit that can make extensive recommendations on tax administration beyond just simplification. It points to the utility of having an independent body that provides options for tax reform.

Our political structures are littered with huge, all-encompassing reviews, such as the Mirrlees review of the entire taxation system. They are always so controversial, but it is rare that their recommendations are implemented. Having a body that could undertake some of this work in smaller bites may help us to reduce the complexity of our system while not compromising on fairness.

4.15 pm

If the Minister will not agree to these changes and give the OTS a reprieve, at least for a while, will she give us the details of how she and the Department plan to insource this important issue? If the Office of Tax Simplification ceases to exist, what guarantee can she give that this important work will continue, when there are so many other things for Treasury officials to do? Will the Minister confirm, just for my peace of mind, that the sudden abolition of the OTS was not as a result of it causing too many internal annoyances in the Treasury? It appears to have been pretty friendless. I wonder why that might be. Perhaps the Minister will give us some insight.

**James Murray:** It is a pleasure to follow my hon. Friend the Member for Wallasey, who spoke to new clause 1. I will address some of the points she raised, as well as amendment 2 and clause 346.

As several Members have said, the Office of Tax Simplification was set up in July 2010. It was an independent office in the Treasury before being placed on a statutory footing by the Finance Act 2016. As we have heard, on 23 September last year, the right hon. Member for Spelthorne (Kwasi Kwarteng) announced that it would be abolished. He said:

“Instead of having a separate arms-length body oversee simplification, the government will embed tax simplification into the institutions of government.”

I will return to that quote in a moment.

As hon. and right hon. Members have said, the policy was announced during the tenure of the previous Prime Minister and is being continued under the current leadership. That makes the abolition of the OTS one of the few elements of the so-called growth plan of that premiership to survive. In an earlier sitting of this Bill Committee, I commented:

“There is at the very least something ironic about a Government who use one clause of a Finance Bill to implement a recommendation of the Office of Tax Simplification and another clause of the same Bill to abolish that institution.”—[*Official Report, Finance (No. 2) Public Bill Committee*, 16 May 2023; c. 47.]

As was mentioned, the Chartered Institute of Taxation has pointed out that almost every Finance Act of the last decade has included measures that owe their genesis to the OTS.

[James Murray]

To return to the reason originally cited for abolishing the OTS, the right hon. Member for Spelthorne said that the Government wanted to

“embed tax simplification into the institutions of government.”

We therefore have great sympathy with amendment 2, which was tabled by the hon. Member for Aberdeen North and has been spoken to. It would at least require the Chancellor to publish an analysis of the cost and benefit of the policy. That has been entirely lacking so far.

If the Government press ahead with abolishing the OTS, it is important that they make clear how they will deliver on their commitment to tax simplification. As was mentioned by my hon. Friend the Member for Wallasey, the Chartered Institute of Taxation sent a joint letter with the Low Incomes Tax Reform Group, the Association of Taxation Technicians, the Institute of Chartered Accountants in England and Wales, and the Institute of Chartered Accountants of Scotland to the Financial Secretary to the Treasury on 5 April. The letter covered identifying the characteristics of tax simplification; ensuring that someone is accountable for the delivery of tax simplification; including simplification declarations in tax information and impact notes; gaining external input on policy design and implementation; seeking feedback from a broad range of stakeholders; ensuring that HMRC and Treasury engagement groups have tax simplification as a standing objective; increasing awareness and improving guidance; allowing time for the development and integration of systems; and adopting a consistent approach across tax regimes.

I would be grateful if the Minister updated us on her response to the specific points set out by the Chartered Institute of Taxation. I also ask her again to set out clearly what costs and benefits, including the cost impact of any proposed new operational arrangements, she believes the abolition of the OTS will have, so that members of the Committee can consider this matter with all the relevant information to hand.

**Victoria Atkins:** For ease and convenience, I will speak to all the amendments and new clauses as well as clause 346. First, I thank the OTS—

**The Chair:** To clarify, we are debating new clause 1, clause 346 and amendment 2.

**Victoria Atkins:** Thank you, Mr Stringer

I thank the members of the Office for Tax Simplification for their contribution to the tax debate over the years. I had the pleasure of meeting some of them just after I was appointed. As I said to them at the time, although the OTS will no longer exist once the Bill has passed, their expertise will none the less not be lost to the Government, and I very much look forward to working with its members in different ways over the coming months and years.

The closure of the OTS does not mean that simplifying tax is no longer a priority. In fact, I have set three criteria for tax policy across the Treasury and HMRC: for any document or proposal that I am given, officials must tell me, first, how it meets the expectation that it will make tax fairer; secondly, how it meets the expectation

that it will make tax simpler; and, thirdly, how it meets the expectation that it will help to support growth. Having that in the document—I have said this many times, because it was a very early commitment that I put down—has really helped our discussion of those principles when forming tax policy.

As I have mentioned in Budget debates and so on, one of the tensions between those first two criteria is that to make a tax fairer, sometimes we end up making it more complicated—for example, when we talk about tapering schemes, as we are doing in the Bill more widely. We have a scheme whereby we are tapering the rise in corporation tax for businesses that have smaller profits. That makes it more complicated but also fairer, so there is sometimes a trade-off between the interests and wishes of those involved in administering tax or helping taxpayers. With the best will in the world, the OTS, as an arm’s length body set up to comment on simplification alone, could not help with those sorts of balancing acts, which is why the Chancellor has set a clear mandate for officials in the Treasury and HMRC to focus on simplicity in tax policy design as part of our decision-making process.

**Dame Angela Eagle:** There is clearly a difference between the accrued complexity across a particular tax from end to end, which can gather barnacles over time, and a ministerial decision on whether to opt explicitly for a bit more complexity to achieve fairness, which is not a design issue but a political choice. Surely the Office for Tax Simplification was good at looking at the former, while leaving decisions on the latter to those who ought to be making them: the Ministers in charge at the time.

**Victoria Atkins:** Of course, pretty much every decision that comes across my desk is political in nature. Officials have very much taken on board their responsibilities in this regard.

The hon. Member for Ealing North asked about a letter sent to me in April from important tax specialists and organisations. In fact, I met them last week to discuss that very letter. I wanted to meet the organisations to discuss, for example, how to make tax simpler for the lowest paid in society and how we can try to help tax agents to navigate their way around the tax system, because that will help not just taxpayers but also, importantly, HMRC. We really have begun to embed this in our decision-making process.

The reason we want to make this change is that people were concerned that there was a tendency to rely on the OTS to look at simplification because that was its job, and we wanted to bring it very much into the Treasury. Of course, that does not mean that there is never going to be any commentary or analysis or observations about simplicity. My goodness me, I do not think anyone could claim that the world of tax lacks analysis, commentary and often criticism—hopefully constructive—of the tax system. I do not perhaps have quite the same concerns about us being accountable for the political decisions we make.

**Dame Angela Eagle:** Will the Minister give way?

**Victoria Atkins:** If I may, I will make some progress, because I want to deal with new clause 1 and amendment 2, which are important.

On new clause 1, the Chancellor committed to Select Committee colleagues that he is asking officials about tax simplification ahead of every Budget and fiscal event. That will mean that hon. Members will have the opportunity to scrutinise the Government's progress. In the last Budget, we were able to bring forward measures such as the cash basis for business, which will help enormously by helping more than 4 million sole traders to calculate and pay their income tax. We also introduced the permanent £1 million limit to the annual investment allowance, which will simplify the tax treatment of capital expenditure for 99% of businesses. There are also other measures.

In relation to the point about measuring and metrics in simplification, the Government are genuinely considering how to develop a suite of metrics to measure progress on simplification, working with businesses and representative bodies to ensure that measures reflect the real-world experience of taxpayers.

On amendment 2, it is right that the Chancellor has responded to the Committee, having written on 20 March to explain the rationale for the decision. I hope that helps to answer some of the questions that the hon. Member for Dunfermline and West Fife may have had. I refer again to the point that simplification is a vital principle to bear in mind when looking at the tax system, but it is not the only one. As the hon. Member for Wallasey rightly says, I have to make political decisions on a host of matters.

**Dame Angela Eagle:** I agree about that and I am glad to hear that the Minister is making decisions on a host of issues, although politically we may not always have the same approach to them. She was talking about there being plenty of commentary on tax issues. There always is, but the point about the Office of Tax Simplification was that it was not doing it from a set stance. For example, one will get plenty of commentary from accountants about particular things, and it will tend to be mainly about the interests of the people who use accountants—their clients. That comes from a particular space, as a user of the tax system, or someone that helps comment or advise on the tax system. The Office of Tax Simplification could look at a tax from its start all the way through its process—look at what it was intended to do and whether it would be possible to administer it in a different way, for simplification purposes, without coming from a particular viewpoint. If the OTS goes, I do not think there is anybody out there now that will do that in a neutral way. As such, a lot of the commentary that one gets on the tax system comes from a very particular, interested place, which often gives a bigger voice to small groups of taxpayers than to larger numbers of taxpayers. Is the Minister not worried that by making this decision, she is going to lose objective oversight of a system that is not coming from a biased place, but is looking purely at the criterion of simplicity?

4.30 pm

**Victoria Atkins:** That is a fair challenge. It is one that we will meet through the meetings that we are already having, and that I am personally having, with organisations to discuss simplification. Of course we will discuss other matters in the future as well, but that is the No. 1 issue I am raising with those organisations. Also, I am very lucky to be able to work in the Treasury with

incredibly talented officials. They do not hold back from giving Ministers of any Government proper advice on the tax system and other parts of the economy, so through all of this—as well as mulling over how we are ourselves able to check the progress we are making, as I say—I am confident that we will be able to make real progress in this area.

**Douglas Chapman:** On that point, I think the Labour party spokesperson, the hon. Member for Wallasey, was also alluding to the fact that it was that element of independence that really made the Office of Tax Simplification stand out from anything that can be provided in-house. That is the real danger of Government Departments, and Governments in general, marking their own homework. That is what it sounds very much like, and that is how it will be seen outside the bubble we inhabit here in Westminster. I sincerely ask the Minister to reconsider her stance and have a really long think about not making that decision just now, but instead doing a full evaluation of the benefits and value of the Office of Tax Simplification to see how it might be either enhanced or supported in future.

**The Chair:** Order. I remind Committee members of the point I made to the hon. Member for Blaydon earlier: interventions should be short. They are getting longer.

**Victoria Atkins:** I do not feel there is anything I can add to what I have already said, but I thank the hon. Gentleman for his intervention.

**The Chair:** In which case, I call the hon. Gentleman to respond to the debate, and ask him to tell me whether he wishes to push the amendment to a Division.

**Douglas Chapman:** I think that the overall message we have heard today—certainly from Opposition Members—is that the Office of Tax Simplification should be retained, as it provides a very important independent view of the very complicated and complex system of tax takes and tax reliefs throughout the United Kingdom. I am hoping that that position will win support, and I am prepared to push it to a Division.

*Question put, That the amendment be made.*

*The Committee divided: Ayes 7, Noes 9.*

#### Division No. 2]

#### AYES

Chapman, Douglas	Murray, James
Dalton, Ashley	Oppong-Asare, Abena
Dixon, Samantha	Twist, Liz
Eagle, Dame Angela	

#### NOES

Atkins, Victoria	Jenkinson, Mark
Bailey, Shaun	Stephenson, rh Andrew
Bell, Aaron	Vickers, Matt
Butler, Rob	Whittaker, rh Craig
Davies, Gareth	

*Question accordingly negatived.*

*Clause 346 ordered to stand part of the Bill.*

**Clause 347**

## PENSION BENEFITS AND INHERITANCE TAX

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

**Victoria Atkins:** Clause 347 makes changes to support the expansion of the dormant assets scheme to a wider range of assets, including insurance assets, pension assets, investment assets, client money assets and security assets such as shares. The Government estimate that up to a further £880 million will be made available for good causes across the UK thanks to the expansion of the scheme to the new sectors.

**James Murray:** As we know, under the UK's dormant assets scheme, dormant asset funds are transferred to an authorised reclaim fund, Reclaim Fund Ltd. People can reclaim from that fund what they otherwise would have owned if their asset had never been transferred into the scheme. In some cases, it will be the monetary value of the dormant asset that will be transferred into the RFL rather than the original asset.

We understand that clause 347 ensures that the payments from an authorised reclaim fund are treated, for the purposes of income tax, as if they were from a pension asset that was initially transferred. We understand that it also seeks to ensure that, where an asset has been transferred from an authorised reclaim fund and its owner was alive at the time but subsequently dies before the asset has been reclaimed, the owner will be treated for inheritance tax purposes as still owning the original asset. We do not oppose the clause.

*Question put and agreed to.*

*Clause 347 accordingly ordered to stand part of the Bill.*

**Clause 348**

## INTERNATIONAL ARRANGEMENTS FOR EXCHANGING INFORMATION

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

**The Chair:** With this it will be convenient to discuss clauses 349 to 352 stand part.

**Victoria Atkins:** Clause 348 introduces technical and administrative changes to four powers used to implement international tax arrangements relating to the exchange of information. Clause 349 introduces a 13-year time limit on funds paid into the Court Funds Office as civil claims that remain unclaimed, after which the right to claim will be extinguished.

Clause 350 clarifies HMRC's functions regarding payment obligations in relation to individuals and organisations subject to UK financial sanctions. The measure clearly sets out which payments HMRC is prohibited from making in accordance with financial sanctions, namely all payments, repayments and set-offs to or for the benefit of designated persons subject to financial sanctions. Clauses 351 and 352 simply set out the Bill's legal interpretation and short title in the usual way.

**James Murray:** As we have heard, clause 348 consolidates existing automatic exchange of information powers that allow the Treasury to implement the domestic requirements of certain international instruments, relating to, among other things, the automatic exchange of information between tax authorities. We recognise that the purpose of the consolidation is to create a general power to allow the Treasury to give effect to existing and future international exchange of information instruments. We understand that once the Bill is enacted, the previous powers will be repealed. We do not oppose the clause.

We understand that clause 349 will allow the transfer of moneys that have remained unclaimed in the Courts Fund Office account for many years, despite attempts to trace the beneficiaries and the account titles being available to the public via the unclaimed balances database on gov.uk. We recognise that at present such moneys are being held in perpetuity unless claimed. I also noted that some moneys have apparently been held since 1726. Does the Minister know what rate of interest those moneys have been earning for the last 300 years, and how much money is expected to be earned from that interest at the point of transfer?

Clause 350 defines how HMRC's payment functions across the taxes, duties and benefits it administers interact with financial sanctions regulations and seeks to ensure that relevant changes to UK financial sanctions regulations are automatically reflected in HMRC's functions. I understand that subsection (1) prohibits the making of a payment, whether directly or indirectly,

"to or for the benefit of a person who is, at that time, a designated person for the purposes of financial sanctions regulations."

We will not oppose the clause. However, the fact that subsection (1) is necessary could be seen to imply that payments have in fact been made to, or the benefit of, a person who was at the time

"a designated person for the purposes of financial sanctions regulations."

Will the Minister confirm whether that was the case, and tell us how many payments have been made to such people, what the total value of such payments was in each of the last 10 years and under which financial sanctions regulations the people involved have been designated? Clauses 351 and 352 relate to the interpretation and short title, and we will not oppose them.

Very briefly, Mr Stringer, may I take this opportunity to thank people? I thank all Ministers and Committee members, particularly my hon. Friends the Members for Wallasey, for City of Chester, for West Lancashire, for Ilford South, for Erith and Thamesmead, and for Blaydon. I thank the Clerks, parliamentary authorities and third parties, including the Chartered Institute of Taxation. I also thank you, Mr Stringer, and of course Ms McVey, who chaired the sitting on Tuesday.

**Victoria Atkins:** The shadow Minister asked about the amount of money that is expected to be paid into the consolidated fund in 2024-25. It is some £50 million. I am afraid that I do not know the interest rate charged in 1726; I obviously have room to improve on that—apologies. I suppose that in an idle moment we may put our minds to it and see whether we can come up with something, but I do not commit to that. I regret that I did not hear the detail of his questions on financial sanctions.



**James Murray:** I thank the Minister for giving way. The fact that clause 350(1) is necessary could be seen to imply that payments have in fact been made

“to or for the benefit of a person who is, at that time, a designated person for the purposes of financial sanctions regulations.”

My question was, if that is the case, will the Minister tell us how many payments have been made to such people, the total value of such payments in each of the last 10 years and which financial sanctions regulations the people involved were designated under?

**Victoria Atkins:** I am in the situation that I find myself in from time to time, which is that, although I am extremely conscious of the desire for transparency, there is still the principle of taxpayer confidentiality. Given the sensitivities of the subject matter, and given that, I suspect, a small group of individuals would be subject to the measure, I regret that I am unable to give those details. I have to give that answer from time to time, and I know that it is frustrating for hon. Members, because I can understand why they want answers. I regret that I cannot assist the hon. Member for Ealing North on this occasion.

*Question put and agreed to.*

*Clause 348 accordingly ordered to stand part of the Bill.*

*Clause 349 to 352 ordered to stand part of the Bill.*

### New Clause 1

#### REPORTS TO TREASURY COMMITTEE ON MEASURES TO SIMPLIFY TAX SYSTEM

“(1) The Treasury must report to the Treasury Committee of the House of Commons on steps taken by the Treasury and HMRC to simplify the tax system in the absence of the Office of Tax Simplification.

(2) Reports under this section must include information on steps to—

- (a) simplify existing taxes, tax reliefs and allowances,
- (b) simplify new taxes, tax reliefs and allowances,
- (c) engage with stakeholders to understand needs for tax simplification,
- (d) develop metrics to measure performance on tax simplification, and performance against those metrics.

(3) A report under this section must be sent to the Committee before the end of each calendar year after the year in which section 346 (abolition of the Office of Tax Simplification) comes into force.”—(*Dame Angela Eagle.*)

*This new clause would require the Treasury to report annually to the Treasury Committee on tax simplification if the Office of Tax Simplification is abolished.*

*Brought up, and read the First time.*

4.45 pm

*Question put, That the clause be read a Second time.*

*The Committee divided: Ayes 2, Noes 9.*

### Division No. 3]

#### AYES

Chapman, Douglas

Eagle, Dame Angela

#### NOES

Atkins, Victoria

Bell, Aaron

Bailey, Shaun

Butler, Rob

Davies, Gareth  
Jenkinson, Mark  
Stephenson, rh Andrew

Vickers, Matt  
Whittaker, rh Craig

*Question accordingly negated.*

### New Clause 4

#### EXITING THE EUROPEAN UNION

“(1) The Chancellor of the Exchequer must within three months of this Act coming into force, publish a report setting out which provisions of this Act could not have been introduced had the United Kingdom remained a member of the EU.

(2) The report published under this section must include an evaluation of the costs and benefits of each such provision.”—(*Douglas Chapman.*)

*This new clause would require the Chancellor to publish a report on which of the policies contained in the Act could not have been introduced if the UK had remained in the EU.*

*Brought up, and read the First time.*

**Douglas Chapman:** I beg to move, That the clause be read a Second time.

Hopefully we can all get off to lunch quite soon. The UK Government may still be driving the big red Brexit blunder-bus towards the sunny uplands, merrily in denial of the catastrophic damage that leaving the EU has wrought on the country, but British citizens and businesses are in no doubt about the serious lack of any tangible benefits from Brexit. In reality, the UK Government may have got Brexit done, but unfortunately we all got done at the same time. Not a week goes past without a Brexit myth-busting news headline. This week, we discovered that one of the world’s largest car manufacturers believes that Brexit is a threat to our export business, and the sustainability of UK manufacturing options. Stellantis, which owns Vauxhall and Fiat, warned the Government to reverse Brexit, or it will have to close down its factories. Just today, Jaguar Land Rover described the Brexit deal as “unrealistic and counterproductive” for electric vehicle manufacturing.

The Minister mentioned all the fantastic innovation-based opportunities that she could see in the future, but those two companies join a chorus of other manufacturers in the UK that have advised the Government to look again at the Brexit trade deal. Brexit was sold to us as a chance to reduce red tape, to free us up from the so-called constraints of EU bureaucracy, and to negotiate bigger and better trade deals across the globe. Instead, it has freed us from success, growth, productivity and competitiveness—so quite the opposite. Brexit has meant that we are fighting a war on all fronts, with not a unicorn or rainbow in sight, and no sign of the much-promised £350 million a week for the NHS, or an end to stagnant wage growth, the crippling cost of living and the energy crisis in the UK.

That brings me to this important new clause on exiting the European Union—an attempt to pin down the UK Government, shine some light on the well-hidden Brexit benefits, and require the Chancellor of the Exchequer to provide us with proper information and analysis to back up the Government’s claims. We are asking the Chancellor to publish a report on which of the policies included in the Bill could not have been introduced

[*Douglas Chapman*]

while the UK was a member of the EU. We are also asking for that report to include an evaluation of the costs and benefits of each provision.

Here is the thing: the Government might believe in Brexit. They might be convinced of the benefits of it, alongside their Opposition colleagues on the Labour Benches, but no matter what myths are busted every week in the real world, it is people in the UK who are bearing the brunt. That is the thin end of the wedge for our constituents, who want to know whether the Brexit-induced or Brexit-exacerbated hardships they face day to day—the astronomical levels of food inflation, the difficulties with European travel, and the closure of their exporting businesses due to jams and chaos at Dover—has all been worth it. Really, has it all been worth it?

**Gareth Davies:** I am happy to respond to new clause 4. The Government are committed to taking full advantage of the opportunities arising from the UK's exit from the European Union, and we will make the most of our Brexit freedoms. Indeed, we have already set in motion a number of measures that capture those freedoms, whether it is the VAT relief on women's sanitary products, cutting VAT on the supply of energy-saving materials or, as we have heard, measures in this Bill to reform our alcohol duty system. None of that could have been implemented had we remained in the European Union, and we will go further over the course of the months and years ahead.

As those reforms develop, we will routinely publish the impacts that they have, in exactly the same way as we do now and always have. An additional report is not necessary. Information on all changes is available in the Budget documents and the tax information and impact notes, outlining those impacts. I therefore urge the Committee to reject the new clause.

**Douglas Chapman:** I thank the Minister for his response. I have no intention of pursuing this new clause any further, but I hope the Government have taken these

views on board and, if those broad and sunlit uplands are still there in their heads, let us make them a reality. I beg to ask leave to withdraw the clause.

*Clause, by leave, withdrawn.*

*Question proposed,* That the Chair do report the Bill, as amended, to the House.

**Victoria Atkins:** I thank you, Mr Stringer, for your superb chairmanship of this Committee and Ms McVey for hers. I thank my ministerial colleague, my hon. Friend the Member for Grantham and Stamford, who did very well on his first Bill Committee; it has been a pleasure. I thank all Back-Benchers for lively debates and their attention to these important matters, and those on the shadow Front Bench for their important contributions.

I thank the Doorkeepers—Monty—the Clerks and of course our *Hansard* reporters, who help to make our words look more polished than perhaps they are in real life. Of course I must also thank the Whips, who have an incredibly difficult job arranging such a huge piece of legislation and have done so with great skill—and I thank them for the wine gums.

Finally, I thank the massive team of officials, primarily in the Treasury, but also in other Government Departments. There is so much work that goes into preparing a Bill for Committee. This is such an important stage of its scrutiny, and we take it very seriously. I offer my sincere thanks to each and every one of the officials who have been kind enough to brief me and my hon. Friend.

**The Chair:** That is quite out of order, but thank you.

*Question put and agreed to.*

*Bill, as amended, accordingly to be reported.*

4.54 pm

*Committee rose.*

**Written evidence reported to the House**

FB07 Chartered Institute of Taxation (CIOT) - on a measure in Part 2 of the Bill, which relates to Alcohol Duty in relation to flavoured beers.

