PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE BILL

(Except clauses 7 to 12, schedules 1 and 2, clauses 15 to 18, schedule 3, clauses 47 to 53 and any new clauses or new schedules relating to the subject matter of those clauses and schedules.)

Fourth Sitting

Thursday 30 January 2025

(Afternoon)

CONTENTS

Clauses 73 to 86 agreed to.
New clauses considered.
Bill, as amended, to be reported.
Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Monday 3 February 2025

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The Committee consisted of the following Members:

Chairs: David Mundell, † Valerie Vaz

† Ballinger, Alex *(Halesowen)* (Lab)
Blake, Rachel *(Cities of London and Westminster)* (Lab/Co-op)
† Caliskan, Nesil *(Barking)* (Lab)
† Cross, Harriet *(Gordon and Buchan)* (Con)
† Davies, Gareth *(Grantham and Bourne)* (Con)
† Kohler, Mr Paul *(Wimbledon)* (LD)
† MacDonald, Mr Angus *(Inverness, Skye and West Ross-shire)* (LD)
† Murray, James *(Exchequer Secretary to the Treasury)*
† Osborne, Tristan *(Chatham and Aylesford)* (Lab)
† Poynton, Gregor *(Livingston)* (Lab)
† Reynolds, Emma *(Economic Secretary to the Treasury)*
† Ryan, Oliver *(Burnley)* (Lab/Co-op)
† Stephenson, Blake *(Mid Bedfordshire)* (Con)
† Strathern, Alistair *(Hitchin)* (Lab)
† Wakeford, Christian *(Bury South)* (Lab)
† Wild, James *(North West Norfolk)* (Con)
† Yang, Yuan *(Earley and Woodley)* (Lab)

Lynn Gardner, Kevin Maddison, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 30 January 2025

(Afternoon)

[Valerie Vaz *in the Chair*]

Finance Bill

(Except clauses 7 to 12, schedules 1 and 2, clauses 15 to 18, schedule 3, clauses 47 to 53 and any new clauses or new schedules relating to the subject matter of those clauses and schedules.)

2 pm

Clause 73 ordered to stand part of the Bill.

Clause 74

Rates of climate change levy

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

The Economic Secretary to the Treasury (Emma Reynolds): It is a great pleasure to serve under your chairmanship, Ms Vaz. The clause makes changes to the main rates of the climate change levy, or CCL, with effect from 1 April 2026. The Government are increasing the main rates of CCL on gas, electricity and solid fuels by the retail prices index to maintain the incentive for businesses and the public sector to be more energy efficient.

Since 2001, the CCL has encouraged businesses and the public sector to be energy efficient by adding a tax on the non-domestic supply of energy. The Government have announced a national mission to make Britain a clean energy superpower and accelerate our journey to net zero, and improvements in energy and resource efficiency will play a significant role in reducing industrial emissions in the 2020s. Delivering on this mission will help to make the UK energy independent, protect billpayers, create good jobs and tackle the climate crisis.

The previous Government followed a trajectory of rebalancing the gas and electricity rates over a five-year period to reflect that electricity emissions are progressively lowering due to the increasing contribution of renewable and lower-emission energy in electricity generation. The CCL rates for electricity and gas equalised in April 2024, and at the autumn statement 2023, under the last Government, rates were frozen for the year 2025-26.

Now that the rebalancing has been achieved, uprating the main rates on gas, electricity and solid fuels from April 2026 will continue to provide an incentive for energy efficiency. At autumn Budget 2024, this Government also announced that the main rate of CCL on liquefied petroleum gas will continue to be frozen. This is to ensure better consistency between LPG and other portable fuels—for example kerosene, which is zero rated under fuel duty—for commercial premises not connected to the gas grid.

The changes made by the clause will increase CCL rates on gas, electricity and solid fuels by RPI with effect from April next year. Non-domestic energy supply users will see an increase on their CCL bill of around 0.025p per kWh of gas or electricity supplied. The rate on solid fuels will increase by 0.2p per kg. However, participants of the climate change agreement scheme are eligible to pay reduced CCL rates in return for meeting negotiated energy-efficiency and carbon targets. The CCA scheme enables energy-intensive industries to receive discounts of up to 92% on their CCL bill. The new six-year scheme, announced on 16 October, will provide an estimated £1.9 billion of relief to 2,600 businesses in 53 industrial sectors over its lifetime. Overall, we expect a reduction in greenhouse gas emissions as a result of the clause compared with freezing the rates.

In conclusion, the changes made by the clause will help to incentivise businesses to improve their energy efficiency, thereby progressing the Government's climate objectives, which are vital for the UK's long-term economic prosperity and energy security. I commend the clause to the Committee.

Gareth Davies (Grantham and Bourne) (Con): As the Minister said, the clause amends the main rates of the climate change levy from April 2026, in line with RPI, for electricity, gas and other taxable commodities, while continuing to freeze the rate for LPG. We will not oppose the measures in the clause.

I was pleased to see the Government confirm their plans to extend the climate change agreement scheme at the Budget. The scheme allows energy-intensive industries to claim a discount on the climate change levy, subject to taking steps towards increasing their energy efficiency and reducing emissions. At autumn statement 2023, we announced a new six-year CAA scheme, and I am genuinely pleased that the Government have chosen to reaffirm our announcement and take that forward, following consultation.

However, as the Minister may expect, I want to raise an issue with her. It has been raised at oral questions, so will not be a surprise to her. There have been several reports in recent weeks about the UK chemicals industry that are directly relevant to climate change and the CCA scheme, as the Minister will know better than me. Sir Jim Ratcliffe has warned that the UK chemicals industry is at risk of "extinction". His firm, INEOS, closed its synthetic ethanol plant at Grangemouth this month, which will result in the loss of many jobs. That was the last remaining synthetic ethanol plant in the country. Given the ongoing concerns, I would be grateful if the Minister could provide an update on what consideration has been given to the UK chemicals industry in calibrating these policies.

As the Minister knows, the UK chemicals industry is the third-largest manufacturing sector in this country. It contributes £30 billion to our economy and directly employs 138,000 people across the country in 4,100 businesses. I presume that the Chancellor has met representatives of the sector, but I would like to hear the Minister confirm that, given how topical this issue is, how concerned the industry is and how widely reported the issues have been.

Mr Angus MacDonald (Inverness, Skye and West Ross-shire) (LD): As always, I speak on behalf of the highland industries. In rural areas, only electricity and

kerosene are available; mains gas is not. Electricity users pay four times more for their energy than mains gas users, so a hotel on the island of Skye may pay £80,000, whereas one in a city may pay £20,000. That causes enormous issues for people in the windiest, coldest, darkest part of Great Britain. The reason for the big disparity is that the tariffs and taxes are largely on electricity, rather than gas, and of course electricity is largely renewable. In my constituency, people can see wind farms out of their window, yet we still pay four times more for our energy than people in cities. Will the Minister elaborate on what could be done to make us more competitive?

Emma Reynolds: I welcome the Opposition's support for the clause. For quite some time there has been cross-party support for the CCA scheme. I welcome what the shadow Minister said about the Opposition's support for the extension of that scheme for energy-intensive industries.

The shadow Minister asked me about the UK chemicals industry. As he said, it is a very valuable sector of our economy. It is obviously included in the climate change agreement scheme, which exists to ensure that businesses for which energy makes up a larger proportion of their operating costs, and that are at higher risk of carbon leakage, are supported to make changes to their processes to reduce their energy intensity. The example he provided is concerning, but we have introduced measures to help such industries to cope with the fact that they are energy intensive. I hope that answers his question. I do not know whether the Chancellor has met representatives of the sector, but I am happy to write to him on that.

The hon. Member for Inverness, Skye and West Ross-shire spoke about the cost of energy for people in his constituency. As I said, the rates on kerosene are frozen, which is why we are not uprating the rates on LPG. That will go someway towards helping those in rural areas. I declare an interest: I am not on the gas either, so we also rely on this form of energy.

Mr MacDonald: LPG is not the issue; electricity, along with kerosene, is largely the issue. Very few people use LPG to heat their properties or businesses. It is electricity where the taxes are. I would be delighted to share information; I am doing a big thing about it shortly, so I have done a lot of research.

Emma Reynolds: Obviously kerosene is zero rated, but the effect of the clause is to increase the main rates of CCL on gas, electricity and solid fuels by RPI. That is in line with what we announced at the Budget, and takes forward those measures, so hopefully it will come as no surprise to hon. Members.

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

The Committee divided: Ayes 9, Noes 1.

Division No. 3]

AYES

Ballinger, Alex
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Ryan, Oliver
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

NOES

MacDonald, Mr Angus

Question accordingly agreed to.

Clause 74 ordered to stand part of the Bill.

Clause 75

RATES OF LANDFILL TAX

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

The Exchequer Secretary to the Treasury (James Murray): The clause increases the lower and standard rates of landfill tax from 1 April this year. The rates will increase in line with RPI, adjusted to account for the high inflation in the period 2022 to 2024, and were first announced in the spring Budget 2024.

Landfill tax is charged on material disposed of at a landfill site or unauthorised waste site in England and Northern Ireland. The objective of landfill tax is to divert waste away from landfill and support investment in more circular waste management options, such as recycling, composting and recovery. Since 2000, landfill tax has contributed to a 90% decrease in local authority waste to landfill in England. Increasing the lower and standard rates of landfill tax by RPI in recent years has helped to maintain a strong price incentive to divert waste away from landfill.

The changes made by clause 70 would increase the lower rate of landfill tax from £3.30 a tonne to £4.05 a tonne from April 1 this year. They would also increase the standard rate of landfill tax from £103.70 a tonne to £126.15 from April 1. Landfill tax rates are rounded to the nearest 5p. The clause increases the rates of landfill tax in line with RPI adjusted for recent high inflation from April 1 2025, to maintain a strong price incentive to divert waste away from landfill.

2.15 pm

Gareth Davies: Clause 75 amends the landfill tax rates to increase them in line with RPI, adjusted to account for high inflation between 2022 and 2024. As the Minister knows, when in government, we uprated landfill tax in line with RPI in the 2023 and 2024 Finance Acts. We also reduced the landfill tax gap from £275 million in 2017-18 to £100 million in 2022-23. How will the Government continue those strong efforts to further reduce the gap? I know it particularly exercised the Minister when he was in opposition—he certainly asked me a lot of questions on it. We will not oppose the clause, and I cannot wait to find out the Lib Dem position on it.

James Murray: I thank the hon. Gentleman for supporting the clause. I fondly remember the questions I asked him about landfill tax when I was on the other side of this Committee Room, or a similar one on this corridor. I can reassure him that the current Government are considering the options for landfill tax reform, following the call for evidence that was undertaken in 2021. We will announce further steps in due course. The Government are considering options for landfill

[James Murray]

tax reform including opportunities to design out opportunities to commit waste crime, including landfill tax fraud. We will announce next steps in due course.

Question put and agreed to.

Clause 75 accordingly ordered to stand part of the Bill.

Clause 76

Rate of aggregates levy

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

James Murray: The clause increases the rate of aggregates levy from April 1 in line with the RPI as forecast by the Office for Budget Responsibility when the rate was announced at autumn statement 2023. Aggregates levy is charged on the commercial exploitation of virgin aggregate, which includes rock, sand and gravel. The object of aggregates levy is to encourage the use of recycled rather than virgin aggregate in construction. The changes made by clause 76 will increase the aggregates levy from £2.03 per tonne to £2.08 per tonne. The clause increases the rate of aggregates levy in line with RPI from April 1 to ensure that the real-terms value of the price incentive to manage aggregate more sustainably does not fall in future.

Gareth Davies: As the Minister said, the clause uprates the aggregates levy in line with inflation. These provisions in this Finance Bill are pretty much identical to those that we put forward in the Finance Act 2024. It is therefore right that we do not oppose them.

Question put and agreed to.

Clause 76 accordingly ordered to stand part of the Bill.

Clause 77

Rate of plastic packaging tax

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

James Murray: The clause makes changes to increase the rate of the plastic packaging tax from April 1 in line with the consumer price index. The plastic packaging tax was introduced on 1 April 2022 as part of the previous Government's resources and waste strategy. The tax provides a clear economic incentive for businesses to use recycled plastic in the manufacture of plastic packaging, thereby stimulating the collection and recycling of plastic waste and diverting it away from landfill or incineration. Increasing the rate of the tax in line with CPI maintains the real-terms value of the price incentive to use recycled plastic.

The changes made by clause 77 will increase the rate of plastic packaging tax, as set out in section 45 of the Finance Act 2021, from £217.85 to £223.69 per tonne, with effect from 1 April 2025. The new rate will affect UK manufacturers and importers of plastic packaging containing less than 30% recycled plastic.

In conclusion, this clause increases the rate of plastic packaging tax in line with CPI from 1 April to maintain the real-terms price incentive to include recycled plastic in plastic packaging. I commend the clause to the Committee.

Gareth Davies: As the Minister said, clause 77 uprates the plastic packaging tax in line with inflation. The provisions in this Finance Bill are pretty much identical to those that we put forward in the Finance Act 2024, and we will not be opposing them; but on this particular tax measure, I seem to remember the now Exchequer Secretary to the Treasury questioning me about the possibility of an impact report or assessment, and I just wonder how much progress he is making with that.

James Murray: I reassure the hon. Gentleman that the Government are making progress across a whole range of issues every day, and we will update the appropriate authorities in the appropriate way at the relevant time.

Question put and agreed to.

Clause 77 accordingly ordered to stand part of the Bill.

Clause 78

Rates of soft drinks industry levy

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

The Chair: With this it will be convenient to discuss new clause 9—*Statements on soft drinks industry levy*—

"(1) The Chancellor of the Exchequer must, within six months of this Act being passed, make a statement to Parliament about the increase to the soft drinks industry levy introduced in section 78 of this Act.

(2) The statement under subsection (1) must include details of the impact on—

(a) encouraging reformulation of packaged soft drinks, and

(b) the UK soft drinks industry."

This new clause requires the Chancellor to make a statement about the impact of increasing the soft drinks industry levy.

Emma Reynolds: Clause 78 legislates for the new rates of the soft drinks industry levy, to apply from 1 April 2025. The levy came into effect in April 2018—it was introduced by the previous Government, with cross-party support—and is considered a successful mechanism for changing behaviour and encouraging reformulation of packaged soft drinks, resulting in reduced sugar content. That is seen through the levy's significant success in reducing the sugar content in UK soft drinks by 46%.

The levy applies to packaged soft drinks containing added sugar. It has a lower rate, which applies to drinks with a total sugar content of 5 grams to 7.9 grams per 100 ml, and a higher rate for drinks with 8 grams or more per 100 ml. Producers, manufacturers and importers of liable soft drinks must register, report, and pay the levy on the volume of liable soft drinks packaged in and imported into the UK.

The levy rates have not been increased since their introduction many years ago, in 2018, and so have gradually reduced in value against inflation. In 2018, SDIL made up approximately 11% of the price of a 330 ml can of full-sugar Coca-Cola; in January 2025, it makes up only 6%. Uprating the levy in line with inflation will ensure that it remains effective and continues to encourage reformulation, by protecting its value in real terms.

Clause 78 amends section 36(1) of the Finance Act 2017 to reflect the new rates of the levy to apply from 1 April 2025. Those are £1.94 and £2.59, per 10 litres of prepared drink, for the lower and higher bands respectively. The new rates reflect forecasted changes in the consumer prices index in the year to 1 April 2025, as well as an additional increment to help to catch up for previous inflation. The catch-up reflects the 27% CPI change between 2018 and 2024 and will be spread evenly over the five rate increases from 2025 to 2029. That is to support soft drink manufacturers to adjust to the higher rates. The rates have also been adjusted to apply per 10 litres rather than per litre, so that rate changes can be made in smaller increments to reflect changes in CPI inflation more precisely. To illustrate using the current lower rate, 18p per litre becomes £1.80 per 10 litres—I think people could have probably worked that one out.

We do not accept new clause 9, which would require the Chancellor to make an additional statement about the impacts of the measure. The Government do not consider that necessary, as a tax information and impact note detailing the anticipated effects of the measure was published at autumn Budget. I would also highlight that the Government are taking a gradual approach to restoring the original real-terms value of the soft drinks industry levy. From 1 April, the levy will still be worth significantly less, compared with general prices, than it was in 2018.

Clause 78 will protect the real-terms value of the levy and build on its significant success, by increasing both the lower and higher rates in line with inflation.

James Wild (North West Norfolk) (Con): As we heard from the Minister, clause 78 amends the Finance Act 2017 to uprate the soft drinks industry levy, to reflect the change in the CPI from April 2018 to April 2024. The uprating represents an increase of 27%. We support the soft drinks industry levy, but we have strong concerns about the backdating of the tax rate.

As we all know, the consumption of too many high-sugar drinks can lead to weight gain and the risk of medical conditions. It also leads to tooth decay, which is a particular concern for younger people. As the Minister pointed out, this levy was introduced by a Conservative Government with cross-party support to tackle those issues, and it has been a successful, highly effective policy, delivering against the stated objective of encouraging reformulation. The British Soft Drinks Association has said that the levy

> "has achieved its intended goal of promoting significant sugar reduction and 89% of soft drinks are now non-SDIL liable. Reformulation has clearly not lost pace with the volume of soft drinks with less than 5g sugar per 100ml increasing by 17.5%> between April 2023 and March 2024."

Our main concern is about the unprecedented backdating of this tax increase. New clause 9 would require a review of its impact. The decision to backdate inflation over an extended period, creating a 27% retrospective increase, appears to have no parallel in recent tax policy. The backdating is a fundamental departure from the predictability that should be at the heart of tax policy.

Given that the levy has been so effective, why do the Government see a need for such a large increase? As the British Soft Drinks Association points out, it appears that their rationale is primarily focused on revenue raising, rather than public health outcomes. The introduction of such retrospective elements requires close examination of both precedent and consequences, as demonstrated by examples of duty freezes and restarts in recent years.

Comparative excise goods such as alcohol, fuel and tobacco are reviewed annually. Where rates have been frozen across several years, they have not subsequently been subject to those missing years' inflation rates being applied in this way. Figures from the House of Commons Library calculate what impact a similar backdated increase would have on fuel duty. Following the approach used for the soft drinks levy, if inflation since 2011 was added to fuel duty, using the RPI measure, the duty on a litre of petrol or diesel would increase from 57.95p per litre to 95.18p per litre—a rise of 64%. I am not sure about the Minister's constituents, but I am pretty sure that mine would be very alarmed at the potential for such a backdated increase to be applied.

Are the Government establishing such backdated increases as a new norm within their tax policies? Companies making long-term investment choices need certainty—the Exchequer Secretary has used that word many times in Committee—to be able to plan and invest in the country. Can the Minister give us an assurance that the Government will not pull off similar tax raids in other sectors, particularly with regard to fuel duty?

We have also heard concerns about the impact assessment, which had limited engagement. The measure is expected to generate £95 million in revenue by 2029-30, yet the assessment does not model how established price elasticity in soft drinks will affect those projections. The assessment acknowledges that both reformulation and reduction in demand will occur, but provides no quantification of the effects. I would be interested to hear the Minister's comments on that point.

The assessment also does not examine how changes to tax policy without consultation could affect future investment decisions, nor does it explore the market distortions of applying different principles to soft drinks as opposed to other categories of drinks. Will the Minister confirm that these issues have been considered? If they have not, will they be?

2.30 pm

We tabled new clause 9 because, given the unprecedented nature of the backdated increase and the lack of engagement, the Chancellor should make a statement to Parliament within six months of the Act being passed about the levy increase and its impact, including on reformulation and the sector as a whole. As I said, overall the increase is 27%. We have strong concerns about backdating as a policy and therefore we welcome the Chancellor commissioning a review.

This increase comes at a time when the hospitality and drink sector is facing particular financial pressures, including new packaging regulations, the deposit return scheme and the infamous jobs tax. Does the Minister really think that applying such a large retrospective increase is the right thing to do at this time?

Emma Reynolds: I thank the shadow Minister for reiterating that there was indeed cross-party support in 2018 when the previous Government introduced the soft drinks industry levy. I say gently to him that if the previous Government had kept the levy in line with CPI, we would not be in this situation.

[Emma Reynolds]

The shadow Minister asked what considerations have been made about the impact of the measure. As I said in my opening speech about the clause, the catch-up reflects the 27% CPI change between 2018 and 2024. Because we have considered the impact on soft drinks manufacturers, it will be spread evenly over the five rate increases from 2025 to 2029. The shadow Minister should consider the fact that we are gradually spreading the increase.

It is worth considering the views of those who have supported the Government's change. For example, Barbara Crowther, the children's food campaign manager at Sustain, has said:

"It's absolutely right that after six years, the government should now increase the penalties for all the companies who have not done enough to reduce the sugar levels in drinks, and we urge them to ensure all money raised by the levy is reinvested in children's health."

The levy has been globally recognised as a transformative health tax intervention. Modelling studies have associated it with up to 5,000 fewer cases of obesity in girls aged 10 to 11 and a 28.6% reduction in hospital admissions for tooth extractions for children under the age of five. Our Government take children's health very seriously, particularly given the worrying levels of obesity in our society and the issues with children's dental health. That is why we are bringing forward the change.

James Wild: Will the Minister address directly the point about backdating and say whether it represents a change in approach to taxation policy by this Government? They have introduced a 27% increase from the date when the levy was frozen. As I said, if that approach had applied to fuel duty, it would result in a 64% increase. People will be concerned; will the Minister give reassurance about the Government's approach to taxation?

Emma Reynolds: It is a bit of an exaggeration to read into this change, which we have introduced because the previous Government failed to keep the levy in line with inflation, and somehow infer from that—

James Wild: What about fuel duty?

Emma Reynolds: I am coming to that. It is an exaggeration to infer from that that it becomes a new norm. It does not. I am certainly not going to write next year's Budget or the year after's Budget—that would be way above my pay grade in any case—but we are introducing this clause precisely because the former Government failed to keep the levy in line with inflation.

Question put and agreed to.

Clause 78 accordingly ordered to stand part of the Bill.

Clause 79

LIMITED LIABILITY PARTNERSHIPS

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

The Chair: With this it will be convenient to consider clause 80 stand part.

Emma Reynolds: Clause 79 closes a known route for tax avoidance by making changes to the taxation of chargeable gains when a limited liability partnership is in liquidation, and clause 80 closes a loophole through which some taxpayers have attempted to avoid the company tax charge known as section 455.

On clause 79, the Government have become aware of a scheme that is being exploited by tax-avoidance promoters involving the transfer of assets into an LLP that is then liquidated. At the time a member contributes an asset to the LLP, they are not charged tax on the gain accrued since the asset was acquired. This is because it is intended that they are taxed when the asset is disposed of, rather than the LLP itself. This is similar to the position for conventional hardships.

However, when an LLP is liquidated, it ceases to be tax transparent and becomes treated like a company, but the LLP is only charged tax on its gains since the contribution of the asset. As part of the liquidation, the liquidator could dispose of the LLP's assets back to the contributing member or to a party connected to them, washing out the gains made prior to the asset being contributed to the LLP.

The changes made by clause 79 will create the new occasion when a deemed disposal arises for chargeable gains purposes, and will have effect where an LLP enters liquidation on or after 30 October 2024. This will ensure that, where a member contributes an asset to an LLP that subsequently enters liquidation, and the LLP disposes of the asset back to the member or to a person connected to them, they are taxed on the gains on the asset up to the time of its contribution to the LLP. The gain will be treated as accruing at the time that the LLP disposes of the asset.

On clause 80, a close company is a company owned and run by a small number of people. In a close company, there are fewer restrictions and less accountability around how the company and its owners interact. The tax charge known as section 455 is a charge on loans to shareholders left outstanding after the company's year end. The charge is remitted if the loan is repaid. The Government are aware of the attempted use of co-ordinated or circular loan arrangements by shareholders in close companies to avoid the section 455 charge and thereby extract funds from their companies untaxed instead of receiving taxable earnings.

As a result of the changes made by clause 80, where shareholders use circular loan arrangements to extract value from their companies, a tax charge will be applied on the relevant amount withdrawn. This will ensure that such arrangements do not avoid a tax charge. The targeted anti-avoidance rule will also be updated to protect against future exploitation.

In summary, clause 79 makes changes to ensure that LLPs are not used to avoid tax chargeable gains. It forms part of a package of measures announced at the autumn Budget 2024 that are aimed at closing the tax gap, cracking down on avoidance and evasion and strengthening the powers of His Majesty's Revenue and Customs to tackle promoters of avoidance schemes. The changes made by clause 80 will close a loophole that is exploited by a minority and ensure that anti-avoidance rules are more robust.

I should be clear the vast majority of close companies and their participators are compliant and pay any tax due. Clause 80 makes a sensible change that is proportionate,

ensures fairness and will affect only those few who seek to avoid tax. Our commitment is to ensure a fair and just tax system, and this measure is a step towards upholding that promise.

Gareth Davies: The clauses tackle tax avoidance in limited liability partnerships and their participants, as the Minister pointed out. Tax avoidance is something that we took very seriously when in government, and made some great progress on, so we will not oppose this latest measure.

Emma Reynolds: I thank the Opposition for their support.

Question put and agreed to.

Clause 79 accordingly ordered to stand part of the Bill.

Clause 80 ordered to stand part of the Bill.

Clause 81

OECD CRYPTO-ASSET REPORTING FRAMEWORK

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

Emma Reynolds: The clause makes changes to ensure that the Treasury has the power to make regulations to implement the cryptoasset reporting framework, which is also known as the CARF. The CARF was developed at the OECD, and the previous Government supported its development and committed to the UK's implementing it, so I hope the Conservatives will support the clause.

The CARF will require cryptoasset service providers to collect, check and report information that identifies their non-UK-resident customers and their non-UK-resident customers' cryptoasset transactions undertaken from 2026. HMRC will then receive and share relevant data with participating jurisdictions for tax purposes from 2027. Other participating jurisdictions will share their data with HMRC where it relates to UK resident customers of non-UK cryptoasset service providers. The increased tax information that the CARF will bring to HMRC is expected to generate additional revenue of £315 million across 2026-2029. The Government intend to make the regulations in 2025 so that the CARF applies to UK crypto businesses in the UK from 1 January 2026.

The changes made by the clause will amend existing legislation so that the CARF is added to the list of international arrangements for exchanging information. This will give the Treasury the power to make the CARF regulations to implement the CARF regime so that it applies to UK cryptoasset service providers from 1 January 2026. The clause is essential so that the Government can implement the CARF.

Gareth Davies: The clause provides the Treasury with the powers to make regulations for the OECD cryptoasset reporting framework which, as the Minister pointed out, we signed up for when in government.

I have one question, which has come up quite a lot in the industry and perhaps even in the Minister's previous role outside politics, and it relates to the name. It is called the cryptoasset reporting framework, but many in the outside world refer to cryptocurrency. What is the Government's position on what a crypto is? Is it a cryptoasset or is it a cryptocurrency? What is the difference? A lot of people would appreciate that clarification on this complex subject. As I said, we do not oppose the clause; we signed up to the framework when in government.

Emma Reynolds: In my view, a cryptocurrency is a type of cryptoasset, but I will check that.

Question put and agreed to.

Clause 81 accordingly ordered to stand part of the Bill.

Clause 82

DUTY ON VAPING PRODUCTS

James Wild: I beg to move amendment 67, in clause 82, page 95, line 14, at end insert—

> "(2) In doing so His Majesty's Revenue and Customs must have regard to the desirability of requiring a digital tax stamp to be applied to e-cigarette liquids."

This amendment requires HMRC to have regard for requiring a digital tax stamp to be applied to e-cigarette liquids.

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

James Wild: The clause is about enabling HMRC to prepare for the introduction of a new excise duty on vaping products before it is formally provided for in law. Amendment 67 would require that, in doing so, HMRC must have regard to the desirability of requiring a digital tax stamp to be applied to e-cigarette liquids.

A million people in England now vape despite never having been regular smokers—a sevenfold increase in just three years—and vaping rates are highest among 16 to 24-year-olds, hence the measures that are going through in the Tobacco and Vapes Bill. Like many of the measures we have discussed in Committee, this new duty was first announced by the previous Conservative Government, and my right hon. Friend the Member for Godalming and Ash (Jeremy Hunt) announced the introduction of an excise duty on vaping products from October 2026.

There is a strong case to take action on the affordability of vapes, while ensuring that there is a significant differential between the duty on vapes and the duty on other tobacco products. After the consultation that the previous Government launched, this Government have announced that they will apply a flat-rate duty on all vaping liquid from October 2026, set at £2.20 per 10 ml of vaping liquid.

Clause 82 simply provides for HMRC to

> "prepare for the introduction of a new duty";

the main provisions will come in future legislation. When new taxes and levies are introduced, it is important to get the implementation right. After consultation, a single flat-rate duty will apply, which should reduce non-compliance and tax avoidance opportunities and be more proportionate both for industry and for HMRC to administer.

Tristan Osborne (Chatham and Aylesford) (Lab): Is the hon. Gentleman aware that the Treasury is already consulting on digital access for vaping products as part of the vaping products duty? It is already going through

[Tristan Osborne]

the process, but we are subject to the progress of that duty in the Tobacco and Vapes Bill Committee just down the corridor.

2.45 pm

James Wild: After that intervention, I hope the hon. Member will support my amendment when I press it to a vote. The Government are moving in this direction, so let us get this in the legislation and get HMRC working at full throttle to make sure that it happens. I hope that he will feel able to support that.

As with any new tax, there are risks associated with the duty. The illicit market could be boosted, increasing the enforcement burden on HMRC and other Departments. Juul, one of the largest operators, believes that the Government should give HMRC sufficient enforcement powers. At the very least, they should mirror those in relation to tobacco duty. What steps are the Government taking to boost compliance powers and protect against illicit activity in this market?

Amendment 67 would require HMRC to have regard to the desirability of introducing a digital tax stamp. I am pleased that the Government intend to implement a vaping duty stamp scheme to help enforcement bodies and the industry to identify products that are non-duty paid. I note that in the Government's further consultation on compliance measures to complement HMRC's traditional compliance activity, the Government stated their intention, to which the hon. Member for Chatham and Aylesford referred, to incorporate a degree of digital tracing and authentication into the final stamp design.

Digital stamps are harder to counterfeit. They are less prone to damage and less likely to fall off products, and they allow for more information to be held and tracked by both the industry and HMRC. Juul points out that its experience in Canada, where it is required to apply physical duty stamps, has led it to believe that digital versions are far better for business and tax authorities alike.

Industry needs certainty. Given the Government's digital by default approach to taxation, I hope that the Minister will be able to give a commitment today that the Government intend to require a fully digital tax stamp. Under an earlier clause, we spoke about removing a physical stamp from alcohol and spirits, for example, so I do not see why the Government would not be able to support my amendment 67.

We will not oppose clause 82, but I look forward to the Minister's response to my specific points, and I intend to press my amendment to a vote.

Emma Reynolds: I thank the shadow Minister for his comments. If he will bear with me, I will speak generally about clause 82 before I address his amendment.

Clause 82 will make changes to ensure that HMRC can secure the resource it needs to implement the vaping products duty. The duty will be legislated for in this Bill and will come into force on 1 October 2026. It will be accompanied by a one-off increase in all tobacco duties to maintain the financial incentive to give up tobacco.

The chief medical officer is clear that those who do not smoke should not vape. Introducing a vaping products duty is part of the wider Government strategy to tackle vaping among young people—as the shadow Minister stated, there are worrying developments in the number of young people taking up vaping—and indeed among those who do not smoke, including via the Tobacco and Vapes Bill and the ban on disposable vapes. The vaping products duty is forecast to raise £525 million in revenue a year by the end of the scorecard, to fund vital public services such as the NHS, defence, education and stop smoking initiatives supporting a smoke-free UK.

In 2023, 12% of the UK's adult population used e-cigarettes, the highest rate ever recorded. One million people in England now vape despite never having been regular smokers: a sevenfold increase in just three years, which is pretty shocking. As the shadow Minister said, vaping rates are highest among 16 to 24-year-olds, with 15.8% vaping daily or occasionally. Reducing affordability is part of the Government's wider strategy to influence behaviour, especially given the addictive nature of these products.

Several countries have already introduced a tax on vaping. Approximately 50 countries have a national tax on vaping products, with most targeting liquid as the tax base. The majority target both nicotine-free liquids and liquids containing nicotine. The changes made by clause 82 will enable HMRC to prepare for the introduction of the new excise duty before it is formally provided for in primary legislation next year. It will allow for spending on IT systems and staff recruitment.

On the shadow Minister's amendment 67, I thank him for his speech, and I agree that it is crucial to get the implementation of the Bill right. His amendment would require HMRC to

"have regard to the desirability of requiring a digital tax stamp to be applied to e-cigarette liquids."

The Government deem the amendment unnecessary at this time, as HMRC is already giving due consideration to vaping duty stamps. The decision to introduce vaping duty stamps was supported by respondents to the vaping products duty consultation, who pointed to their use on vaping products in other jurisdictions.

The shadow Minister asked about the illicit vaping market. HMRC intends to exploit modern technology and digitalisation to ensure that the vaping duty stamps scheme targets the specific risks of the illicit vaping market. A technical public consultation on the design of the scheme ran from 30 October 2024 to 11 December 2024, and respondents submitted their views on digital duty stamps, physical duty stamps or a combined approach. We are currently analysing the responses to that consultation; no policy decision has yet been made. We will communicate in due course a policy decision to balance enforcement decisions and business operations. We will take on board the views of the shadow Minister; I thank him again for his amendment. The Government remain committed to working with industry to ensure that the scheme only creates burdens that are essential to tackle non-compliance, avoidance and evasion.

Let me try to answer the shadow Minister's questions. He asked whether there is a risk that increasing tobacco duty and introducing a vaping duty will drive up illicit trade. The threat from illicit tobacco needs to be addressed by reducing its availability, rather than allowing it to dictate our public health and tax policies. We are consulting on additional robust compliance tools for tackling the illicit trade in vapes and will collaborate with Border

Force to target the illicit trade when the duty goes live. HMRC and Border Force already have a strategy in place to tackle illicit tobacco. I hope that that reassures the shadow Minister.

The shadow Minister also asked about digital versus physical vaping duty stamps. Vaping duty stamps will support both enforcement and industry by identifying products that are non-duty paid and therefore illicit. They will also help HMRC to manage the revenue risk from the initial sell-through period and to limit the duty avoidance practice known as forestalling, which is clearing large quantities of excise goods from duty suspense immediately prior to a rate increase to avoid paying the new tax.

In regard to the shadow Minister's amendment, the Government will not commit to fully digital stamps, as we are analysing consultation responses. A policy decision will be taken in due course, but I reassure him that we will take his views on board.

James Wild: I am grateful for the Minister's response. However, the amendment would help set a clear direction. It is in line with the Government's digital by default approach to taxation and reflects what was in the consultation document and what industry is calling for. It does not say that HMRC must introduce such a system; it simply says that HMRC

"must have regard to the desirability of requiring a digital tax stamp".

I specifically worded the amendment to allow for precisely the point that the Minister has outlined. HMRC may decide that, contrary to the Government's digital by default tax approach, a digital tax stamp is not necessary. In that case, all that has been required is for HMRC to have a proper look at introducing it. I will press amendment 67 to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 4, Noes 9.

Division No. 4]

AYES

Cross, Harriet
Davies, Gareth
Stephenson, Blake
Wild, James

NOES

Ballinger, Alex
Caliskan, Nesil
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

Question accordingly negatived.

Clause 82 ordered to stand part of the Bill.

Clause 83

Carbon border adjustment mechanism

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

Emma Reynolds: The clause will enable the commissioners for HMRC to prepare for the introduction of the UK carbon border adjustment mechanism and allow information to be disclosed for the purposes of developing the CBAM.

The Government are committed to reaching net zero by 2050. As we make progress to decarbonise, we must ensure that the effect of our efforts is not undermined by carbon leakage. I am sure that hon. Members know this, but for the benefit of the Committee, let me define carbon leakage: it is the movement of production and its associated emissions from one country to another to avoid higher decarbonisation efforts and costs. The best solution to carbon leakage risk would be international co-ordination on decarbonisation and carbon pricing. However, many countries do not yet have domestic carbon pricing mechanisms. Consequently, introducing the UK CBAM will reduce the risk of carbon leakage by placing a carbon price on carbon-intensive goods imported into the UK from 2027.

The new tax will enable a charge to be placed on the carbon emissions found in highly traded carbon-intensive goods imported into the UK from the aluminium, cement, fertiliser, hydrogen, iron and steel sectors. A comparable carbon price will be placed on those goods, based on what they would have incurred if they had been produced in the UK under our domestic emissions trading scheme.

Harriet Cross (Gordon and Buchan) (Con): I understand the principle of CBAM. However, in practice, if we import fertiliser to increase our food production here, for example, we will reduce our imports of food from elsewhere. It might not balance out exactly, but we would not be changing how much carbon we sent abroad, because we would just be taking it from another mechanism that is not included in the CBAM.

Emma Reynolds: I thank the hon. Lady for her intervention, but I am not entirely sure that I follow the logic. The purpose of CBAM, as I have said, is to ensure that if a product is produced using carbon in another country, we do not have leakage across the border. The overall impact will vary depending on the sector's exposure to CBAM imports relative to the overall input costs and the extent to which it can substitute them. CBAM imports make up only a small proportion—about 1%—of average UK industry input costs. CBAM liabilities are expected to be small initially, and reliance on inputs of goods within scope across the economy is limited overall. I am not sure that I follow the logic that imposing CBAM on imported fertilisers will somehow have the effect that the hon. Lady suggests.

The UK emissions trading scheme is the UK's primary carbon pricing mechanism. The scheme was established to increase the climate ambition of the UK's carbon pricing policy while protecting the competitiveness of UK businesses. The UK CBAM will be implemented only in sectors where it will effectively mitigate carbon leakage risk and where delivery is deemed feasible. Other sectors that give rise to carbon leakage will be considered for future inclusion.

3 pm

The Government announced in the Budget that legislation would be introduced in the Finance Bill—this Bill—to enable HMRC and HM Treasury to prepare for a new tax. Clause 83 will specifically enable the commissioners for HMRC to prepare for the introduction of the UK CBAM. The clause will also allow a national authority or the UK Emissions Trading Scheme Authority

to disclose information requested by HM Treasury or HMRC for purposes connected with the tax, in particular preparing for it, developing it, implementing it and putting it into operation.

The clause forms the first part of the legislation needed to introduce the UK CBAM in January 2027. I commend it to the Committee.

James Wild: As we heard from the Minister, the clause will enable commissioners for HMRC to prepare for the introduction of the CBAM, which will be charged on specific emissions-intensive imports into the UK from 1 January 2027. We will not oppose the measure, but I do want to raise a couple of points.

As the Minister said, the CBAM is a tax on emissions embodied in certain goods imported into the UK for which a carbon price has not been incurred overseas at a rate at least equivalent to the UK. While I appreciate that this is an enabling power, the Chartered Institute of Taxation, which I do not think has yet had a mention today, as opposed to Tuesday—I will get that on the record—has expressed some surprise at how basic the detail of the clause is, as it simply grants authority to introduce a CBAM and to request information from the UK Emissions Trading Scheme Authority or other national authorities. Will she give us a bit more of a flavour of when more detail about the CBAM's operation will be forthcoming?

As well as queries about the CBAM's implementation, I have heard concerns about the impact that it may have on businesses and consumers. The National Farmers Union has raised concerns about the impact that it may have on vital sectors. In particular, it may push up the cost of fertilisers, as my hon. Friend the Member for Gordon and Buchan said. That is a particular concern for the arable sector, where fertiliser makes up 12% of total farm costs. Higher costs could not come at a worse time when they also face the impact of the family farm tax.

The NFU has also raised concerns that such a tax could create an unlevel playing field for British farmers and growers. Consequently, a bit like for the changes to inheritance tax, the NFU will be developing its own impact assessment to fully understand the impact of this tax policy on the industry. I hope that the Minister will keep this measure under close scrutiny in the coming months. We will not oppose the clause, but I look forward to her response.

Emma Reynolds: I thank the shadow Minister for his questions. I think from his comments that he knows this, but the clause is a paving measure for legislation that will be introduced. There will be further detail in draft legislation that will come in a future Finance Bill, so I cannot give him that detail today, but I take into account what he said. Draft legislation will be published so that affected industries can comment on it. I therefore reassure him that some of the issues he raised will be taken into account.

Question put and agreed to.

Clause 83 ordered to stand part of the Bill.

Clause 84

Correction of wrong cross-reference etc

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

Emma Reynolds: I hope the clause will not be controversial, although we are always surprised by Opposition Members. The clause will make changes to ensure that various errors and omissions in three pieces of legislation are corrected. I will go through them in turn.

First, subsection (1) will amend paragraph (d) of section 151I(1)—that is a confusing number—of the Taxation of Chargeable Gains Act 1992, which defines "financial inclusion" for the purposes of legislation on the provision of alternative finance in chapter 4. That definition includes persons who are authorised to provide credit. Authorisation of such persons was previously the responsibility of the Office of Fair Trading, but moved to the Financial Conduct Authority.

To reflect that change in responsibility, the definition of financial institution was amended in both the Income Tax Act 2007 and the Corporation Tax Act 2009. However, the mirror legislation found in the Taxation of Chargeable Gains Act 1992 was overlooked, and subsection (1) will make similar changes to the Act to ensure that the definition of financial institution is consistent across the relevant capital gains tax, income tax and corporation tax legislation.

Secondly, subsection (2) corrects the procedure for making regulations under part 14A of the Corporation Tax Act 2009. The current wording requires regulations to be made by statutory instrument, subject to annulment by either House of Parliament. That is incorrect, as financial regulations are a reserved matter for the House of Commons only. The clause corrects the error by requiring regulations to be laid before the Commons only—take back control.

Lastly, subsection (3) corrects a typographical error in section 4 of the Taxation (Post-transition Period) Act 2020, concerning excise duty on the removal of goods to Northern Ireland. The correction removes a reference to section 42 of the Finance (No. 2) Act 2023, and inserts the correct reference to section 47 of that Act.

In summary, the changes made by clause 84 will ensure that legislation accurately reflects the policy intent, and remove possible confusion for readers.

Gareth Davies: Let me just gather my speech. *[Laughter.]* Clause 84 makes some of the more technical and minor amendments to various pieces of legislation, so in the interests of good housekeeping if nothing else, His Majesty's Official Opposition has no point to raise on the matter.

Question put and agreed to.

Clause 84 accordingly ordered to stand part of the Bill.

Clause 85

Interpretation

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

James Murray: This highly controversial clause sets out the legal interpretation, in the usual manner, of abbreviations in the legislation.

Gareth Davies: Thanks to clause 85, I do not think anything remains to be interpreted, so I will sit down.

Question put and agreed to.

Clause 85 accordingly ordered to stand part of the Bill.

Clause 86

Short title

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

James Murray: Clause 86—[Hon. Members: "Hear, hear!"] I thank hon. Members for their wholehearted support for this important clause, which, in the usual manner, sets out the short title of the legislation.

Gareth Davies: It will be no surprise that we have nothing to add, but as this is the last time I will speak, let me take this opportunity, before you get too emotional, Ms Vaz, to thank you and Mr Mundell, the Clerks, all the officials who have supported the Ministers and, in particular, on my behalf and that of my office, the Chartered Institute of Taxation and the Association of Taxation Technicians. I put on the record my thanks to Luke Pike in my office, who provided great support throughout the preparation stage, and to all Committee members—including the Lib and the Dem over there and my frenemies across the way.

In particular, I thank the hon. Member for Halesowen, who grabbed me on the way out of the first sitting and told me that this is the best Bill Committee he has ever served on. It is completely irrelevant that this is the first one he has ever served on—tell him it is all downhill from here. I will let my hon. Friend the Member for North West Norfolk take it from here.

Question put and agreed to.

Clause 86 accordingly ordered to stand part of the Bill.

New Clause 1

Rate of vehicle excise duty for haulage vehicles other than showman's vehicles

"(1) In paragraph 7(3A) of Schedule 1 to VERA 1994 (which specifies the rate of vehicle excise duty applicable to haulage vehicles other than showman's vehicles), for £350' substitute '£365'.

(2) The amendment made by this section has effect in relation to licences taken out on or after 1 April 2025."—*(James Murray.)*

This new clause provides for an increase in the rate of vehicle excise duty applicable to haulage vehicles other than showman's vehicles.

Brought up, read the First and Second time, and added to the Bill.

New Clause 2

Review of sections 63 and 64

"(1) The Chancellor of the Exchequer must, within six months of the passing of this Act and every six months thereafter, review the impact of the measures contained in sections 63 and 64 of this Act.

(2) Each review must consider the impact of the measures on—

(a) Scotch whisky distilleries,

(b) small spirit distilleries,

(c) wine producers and wholesalers,

(d) the hospitality industry, and

(e) those operating in the night-time economy.

(3) Each review must also examine the expected effect of the measures on exports and the domestic wine trade.

(4) A report setting out the findings of each review must be published and laid before both Houses of Parliament."—*(Mr MacDonald.)*

Brought up, and read the First time.

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

The Committee divided: Ayes 2, Noes 9.

Division No. 5]

AYES

Kohler, Mr Paul
MacDonald, Mr Angus

NOES

Ballinger, Alex
Caliskan, Nesil
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

Question accordingly negatived.

New Clause 5

Review of effects of section 65 on illicit tobacco market

"The Chancellor of the Exchequer must, within six months of this Act being passed, publish an assessment of the impact of the changes introduced by section 65 of this Act, on the illicit tobacco market."—*(James Wild.)*

This new clause requires the Chancellor to review the impact increased rates of tobacco duty on the illicit tobacco market.

Brought up, and read the First time.

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

The Committee divided: Ayes 4, Noes 9.

Division No. 6]

AYES

Cross, Harriet
Davies, Gareth
Stephenson, Blake
Wild, James

NOES

Ballinger, Alex
Caliskan, Nesil
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

Question accordingly negatived.

New Clause 6

Review of effects of £40,000 expensive car supplement threshold

"(1) The Chancellor of the Exchequer must, within six months of this Act being passed, publish an assessment of the impact of the £40,000 expensive car supplement threshold included in section 66.

(2) The assessment in subsection (1) must consider the effects of the threshold on the proportion of new cars sold which are Electric Vehicles."—*(James Wild.)*

This new clause requires the Chancellor to review the impact of the £40,000 expensive car supplement threshold.

Brought up, and read the First time.

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

The Committee divided: Ayes 4, Noes 9.

Division No. 7]

AYES

Cross, Harriet
Davies, Gareth
Stephenson, Blake
Wild, James

NOES

Ballinger, Alex
Caliskan, Nesil
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

Question accordingly negatived.

New Clause 10

Review of business taxes

"(1) The Chancellor of the Exchequer must, within six months of this Act being passed—

(a) conduct a review of business taxes, and

(b) lay before the House of Commons a report setting out recommendations arising from the review.

(2) The review must make recommendations on how to—

(a) use business taxes to encourage and increase the investment of profits and revenue; and

(b) ensure businesses have more certainty about the taxes to which they are subject.

(3) In this section, 'business taxes' includes any tax in respect of which this Act makes provision that is paid by a business."—*(James Wild.)*

This new clause would require the Chancellor to conduct a review of business taxes, and to make recommendations on how to increase certainty and investment, before the next Finance Bill is published.

Brought up, and read the First time.

3.15 pm

James Wild: I beg to move, That the clause be read a Second time.

To support growth, innovation and investment, we require a competitive tax environment for business. New clause 10 would require the Chancellor, within six months of the Bill being passed, to conduct a review of business and lay before the House a report setting out recommendations arising from the review, including recommendations on how to use business tax to encourage and increase the investment of profits and revenue, and on how to ensure that businesses have certainty about the taxes to which they are subject.

A common theme throughout the Committee has been the impact of the measures in the first Labour Budget for 14 years. Sadly, we know that that Budget and this Finance Bill introduce tax increases of around £40 billion a year—it is the biggest tax-raising Budget in modern history. It is businesses that are bearing the brunt, including the £25 billion a year through the jobs tax that the Government repeatedly promised during the election not to introduce.

The Government said that their priority is growth. We heard more about their plans yesterday, but we did not hear much about how their plans would deliver more growth in this Parliament, rather than in the long term. While that is welcome, I think people are also interested in the here and now. Having inherited the fastest-growing economy in the G7, the OBR then downgraded the growth rate by 0.7% in its forecast, as a result of the measures in the Budget. We have seen borrowing costs rise to the highest level for 27 years, inflation is above target and business confidence is plummeting. That latter point is what lies behind the new clause.

Yuan Yang (Earley and Woodley) (Lab): Although I am very much in support of reviews, and the OBR is the right body to conduct ongoing reviews of the impact of taxation on growth, does the hon. Gentleman want to set out any direction in which the Opposition might want to take business taxes? If there is a certain direction, where will the costs and savings come from?

James Wild: Would that we had the happy chance to be sitting in the Treasury making the policy decisions. It is the Chancellor who will bring forward another fiscal event, and who may have to take some action to deal with the impact of her Budget. This is about what the Government will do and the review that they conduct and bring forward.

Business confidence is essential for investment, but it has been damaged by this Government, when they first came in, talking down the economy. We now hear a much more positive tone talking about our strengths, and the strong fundamentals of our economy, which were all points that the Opposition made throughout our period in office. We encouraged the Government to do the same when they came in, but they wanted to talk about a fantasy black hole and the worst economic inheritance, which has done a lot of damage to our economy.

The latest Confederation of British Industry growth indicator shows that private sector firms expect a significant fall in activity over the next three months. The latest purchasing managers' index flash shows that one in four businesses have cut jobs due to employment costs. The Office for National Statistics showed that retail sales in December fell by 43%. This is a worrying state of affairs and any Members who speak to businesses will have heard the deep concerns over the hiking costs of employing people, the cut in business rate support for retail, leisure and hospitality businesses, and other measures.

The Budget put up taxes on entrepreneurs and wealth creators, and it is driving people who create wealth away from our country. The energy profits levy puts at risk 35,000 jobs in Scotland and the North sea. The family business tax, which was launched without any warning, has had a highly damaging impact on family farms and other family firms. That is why a review of business taxation is so necessary, with the objective of not only encouraging an increase in investment but providing certainty for firms. The Minister has spoken repeatedly about certainty, so I hope he will feel able to support the new clause.

Mr MacDonald: I support what the shadow Minister said, almost word for word. My career has been in business, and in my two days sitting in the Committee, I have been appalled by what seems to be tax increase upon tax increase. Small and medium-sized businesses across the UK are on their knees and we have done a catastrophic job since the Budget in ruining things for businesses.

James Murray: New clause 10 would make changes to require the Government to conduct a review of business taxes, and make recommendations on how to increase business certainty and investment, before the next Finance Bill is published.

The Government do not support the new clause. The Government keep all taxes, including taxes paid by businesses, under ongoing review. At the autumn Budget, the Government published their corporate tax road map to provide certainty to businesses about the areas of the business tax system they intend to keep stable, and the areas they intend to review over the course of this Parliament.

The Government have also committed to a review of the business rates system. At the autumn Budget, the Government published a discussion paper that set out the Government's priority areas for reform of the business rates tax system. The Government have therefore already set out areas of the business rates system where they will provide stability. Given our existing processes and recent commitments, I ask the hon. Member to withdraw the new clause.

James Wild: That was a disappointing response from the Minister, if not predictable.

James Murray: Unpredictable, you mean.

James Wild: Sorry—it has been a long afternoon.

We need to provide certainty, and the new clause was intended to be constructive. It would frame the next fiscal event so as to address all the issues that businesses have been talking to us about. There are issues with business confidence, and yesterday we saw more companies laying people off. This is a serious time, and we need the Government to listen to what is happening, so I intend to press the new clause to a Division.

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

The Committee divided: Ayes 6, Noes 9.

Division No. 8]

AYES

Cross, Harriet
Davies, Gareth
Kohler, Mr Paul
MacDonald, Mr Angus
Stephenson, Blake
Wild, James

NOES

Ballinger, Alex
Caliskan, Nesil
Murray, James
Osborne, Tristan
Poynton, Gregor
Reynolds, Emma
Strathern, Alistair
Wakeford, Christian
Yang, Yuan

Question accordingly negatived.

New Clause 11

Review of impact of tax changes in this Act on households

"(1) The Chancellor of the Exchequer must, within six months of this Act being passed, publish an assessment of the impact of the changes in this Act on household finances.

(2) The assessment in subsection (1) must consider how households at a range of different income levels are affected by these changes."—*(James Wild.)*

This new clause requires the Chancellor to publish an assessment of the changes in this Act on the finances of households at a range of different income levels.

Brought up, and read the First time.

James Wild: I beg to move, That the clause be read a Second time.

As we know, households currently face a number of challenges, and the measures in the Bill and the Budget will serve only to exacerbate them. At the time of the Budget, the OBR confirmed that real household disposal income will be

"1¼ per cent lower by the start of 2029. The bulk of this difference (around 85 per cent) is explained by policies announced in this Budget."

It is because of the measures in the Bill and the Budget that growth is forecast to be lower over the forecast period than predicted in March last year. Higher borrowing means that interest rates are forecast to be higher for longer, which means that mortgage rates will be higher for longer. Borrowing costs have hit a 27-year high under this Chancellor—hardly the stability that is her watchword. The Government inherited inflation at target; since then inflation has increased, which means less money in people's pockets. All those effects will be felt by the working families the Government said were their priority at the general election.

As we discussed in Committee of the whole House, the Bill's education tax will hit people who have chosen to prioritise providing for their children's education in the place that they consider best suits their child's needs. The Conservatives are for 100% of children, and we back parents' freedom to choose; the Labour party is adopting a self-defeating ideological approach to our education system, including academies, that seeks to divide. The education tax will hit 100,000 children with special needs who are in independent schools but without education, health and care plans. We have already seen children withdrawn from schools and schools closing as a result.

Measures such as increased alcohol duty, air passenger duty and vehicle duty will impact household finances directly, and borrowing costs have risen, meaning hard-working families will have to pay the costs—*[Interruption.]* Excuse me, my voice is going. Any impact that changes in the Bill will have on households should be closely monitored, which is what the new clause seeks to achieve.

James Murray: As the shadow Minister set out, the new clause would require the Government to report on the likely impact of the tax measures on households across the income distribution. The Government already published that information alongside the autumn Budget in the "Impact on households" report, which illustrated the distributional impact of Government measures that have a direct impact on household incomes. Those measures come from welfare benefits, tax paid or benefits in kind received through public services by UK residents.

The analysis shows that the Government decisions at the autumn Budget 2024 and spending review 2025 phase 1 are progressive. Increases to public service spending means that households are, on average, better off in 2025-26 as a result of those decisions. The impacts

[James Murray]

of Government decisions benefit households in the lowest-income deciles the most, on average, as a percentage of income in 2025-26. The increases in tax are concentrated on the highest-income households. Overall, on average, all but the richest 10% of households will benefit from policy decisions in 2025-26.

Since the assessment of the impact of the Budget on households across the income distribution has already been published, I ask the shadow Minister to withdraw the new clause.

James Wild: In the light of my failing voice I will not move the next new clause, so this will be the last time I will speak in the Committee. I thank you, Ms Vaz, and Mr Mundell, the Clerks and other officials, as well as Committee members. I also echo the thanks for the Chartered Institute of Taxation and others, and I thank Billy Falcon in my office, who has done sterling work in supporting me. I am grateful to the Minister for his comments. I am sure the rest of the Committee will be delighted that I beg to ask leave to withdraw the clause.

Clause, by leave withdrawn.

James Murray: On a point of order, Ms Vaz. I thank you and Mr Mundell for chairing for the Committee. I thank all the Clerks and officials who have looked after us so well this week, and officials in the Treasury who have helped me to prepare for the Bill. I also thank all hon. Members present—both my hon. Friends and Opposition Members.

On a personal level, I have particularly enjoyed interacting with the lead Opposition spokesperson, the hon. Member for Grantham and Bourne, with our roles having been switched following events last July. Despite our political differences, he is someone with whom I enjoy debating important matters relating to Finance Bills. I thank all Members for their time, and I look forward to seeing them on Report.

The Chair: I add my thanks to all the Clerks who have supported me in this role. I also say to Mr MacDonald that you have done exceptionally well as a new Member on a new Committee. Take this as a good learning exercise—we learn every day.

Bill, as amended, accordingly to be reported.

3.28 pm

Committee rose.

Written evidence reported to the House

FB 13 The Wine and Spirit Trade Association (WSTA) – Clauses 63 to 64

FB 14 Taylor Wessing LLP – Clauses 37-46 & Schedules 8-13