

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

European Committee B

CORPORATE TAX BASE

Tuesday 20 December 2016

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The Committee consisted of the following Members:

Chair: MR DAVID HANSON

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| † Burns, Sir Simon (<i>Chelmsford</i>) (Con) | † Philp, Chris (<i>Croydon South</i>) (Con) |
| † Dowd, Peter (<i>Bootle</i>) (Lab) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Ellison, Jane (<i>Financial Secretary to the Treasury</i>) | † Tomlinson, Michael (<i>Mid Dorset and North Poole</i>) |
| † Goodman, Helen (<i>Bishop Auckland</i>) (Lab) | (Con) |
| † Heaton-Harris, Chris (<i>Daventry</i>) (Con) | † Williams, Craig (<i>Cardiff North</i>) (Con) |
| Hoey, Kate (<i>Vauxhall</i>) (Lab) | Katy Stout, <i>Committee Clerk</i> |
| † Lefroy, Jeremy (<i>Stafford</i>) (Con) | † attended the Committee |
| † Mullin, Roger (<i>Kirkcaldy and Cowdenbeath</i>) (SNP) | |

European Committee B

Tuesday 20 December 2016

[MR DAVID HANSON *in the Chair*]

Corporate Tax Base

8.55 am

The Chair: Good morning, everybody. I know that you are all old hands at this, but I will just remind you of the format. We have up to two and a half hours. I will start by calling a member of the European Scrutiny Committee, which referred the documents for debate. Then the Minister will make a statement, which will be followed by questions, and we then can have a debate, if Members wish. I call Mr Michael Tomlinson.

Michael Tomlinson (Mid Dorset and North Poole) (Con): It is a great pleasure to serve under your chairmanship, Mr Hanson. I am far from being an old hand; this is my first time addressing such a Committee as a member of the European Scrutiny Committee. It might help the Committee if I took a few minutes to explain the background to the documents and the reasons why the European Scrutiny Committee has recommended them for debate.

As the European Scrutiny Committee's report says, member states have a particularly strong interest in direct taxation, as it not only governs the revenue available to them but is inextricably linked to their social and other policy choices. The EU can only act on tax if member states unanimously agree to that. In the past, the European Commission has made plain its hopes of introducing harmonisation of direct taxation for companies, in particular by establishing a common consolidated corporate tax base, or, to use its wonderful acronym, CCCTB.

In 2011, the Commission sought, with a proposed Council directive, to introduce a CCCTB, which would have provided for a single set of harmonised rules for calculating the tax base for the taxable profits of companies resident in member states. It would also have allowed companies to opt into the CCCTB or continue to operate within their own national tax system. The latter would have allowed groups of companies to calculate their total EU-wide consolidated profit for tax purposes, provided for that profit to be allocated to the companies making up the group on the basis of an apportionment formula composed of sales, payroll, number of employees and assets in each member state, and provided that member states would then tax the profit apportioned to the companies at their own corporate tax rate.

This House and seven other national Parliament Chambers issued reasoned opinions to the Presidents of the Council, the European Parliament and the Commission stating that the proposal failed to comply with the principle of subsidiarity. The Commission has formally withdrawn the proposal and replaced it with the two proposed Council directives before us. One would introduce, as a first step, a common corporate tax base, or CCTB, with application from 1 January 2019, and the other would introduce, as a second step, a CCCTB, with

application from 1 January 2021. I see you are following very closely, Mr Hanson—a wise move. Although the two proposals would largely repeat the content of the original proposal, the system would be mandatory for companies in large groups, while for others it would be voluntary.

The European Scrutiny Committee has kept the documents under scrutiny, pending developments in the negotiation. In its report published on Friday 9 December, the Committee recommended that the House issue a reasoned opinion for the reasons set out in the draft opinion annexed to the report, which I will summarise briefly. First, the Commission has not provided evidence that circumstances have changed since the rejection of the previous proposal, which was acknowledged to have adverse effects on investment, employment and GDP. Secondly, the tax base is an essential element of member states' tax sovereignty. Thirdly, the fairness of the tax system is a matter for which member states are responsible, and for which they are accountable to their own people. Fourthly, regulation at EU level would be too cumbersome to react to changes. Finally, the tax avoidance that the measures seek to address goes wider than the EU and is best tackled at OECD level.

The European Scrutiny Committee is very disappointed that the Government did not schedule this Committee meeting and the subsequent "forthwith" motion in time for the House to resolve the issue and meet the deadline for sending a reasoned opinion by 3 January 2017. However, the motion notes with regret that that is at least in part owing to the inflexibility of the eight-week deadline set by the institutions. This year, it ends over the Christmas period, when the House rightly is not sitting. The motion therefore instructs the Clerk of the House to forward the motion and reasoned opinion by way of political dialogue after the deadline for reasoned opinion has officially passed. The purpose of this debate is to discuss whether the Commission's proposals comply with the principle of subsidiarity, and whether the reasoned opinion proposed by the European Scrutiny Committee is appropriate.

The Chair: I am grateful to the hon. Gentleman for his introductory comments. I call the Minister to make an opening statement. I remind Members that it is a statement; there are questions after it, and no interruptions during it.

9.1 am

The Financial Secretary to the Treasury (Jane Ellison): It is a pleasure to serve under your chairmanship, Mr Hanson. Thank you for getting us all together for this special, festive debate on an important subject: the draft directives for a common corporate tax base and a common consolidated corporate tax base. The motion proposes that the directives do not comply with the principle of subsidiarity, and I will set out the Government's position later in my remarks.

This debate takes place in the context of the decision made by the British people to leave the EU. The Government are clear that until the UK leaves the EU, it remains a full member and is subject to the same rights and responsibilities as other member states. That includes paying into the budget, attending working parties and voting on draft legislative proposals.

The scrutiny provided by the European Scrutiny Committee is clearly of importance. Recognising that importance, I apologise up front for issuing the explanatory memorandums after the deadline. My hon. Friend the Member for Mid Dorset and North Poole generously said that the Government might have been expected to have a bit more time, given that the holiday period takes up some of the time before the eight-week deadline. I apologise that the EMs came out after the deadline, but we have worked hard to hold this debate before the Christmas recess and to give the Committee a valuable opportunity to discuss the proposals. As the Committee is aware from my hon. Friend's opening remarks, the proposals would represent a significant shift in how corporation tax was calculated and paid.

The draft directives come in two parts. The common corporate tax base would be mandatory for large companies with a turnover exceeding €750 million, and would mean a number of changes to the way the tax base is calculated. That includes a super deduction for research and development expenditure, and an allowance for equity financing. The second part, which includes consolidation, uses the same bases as the Commission's 2011 proposal to allocate profits around the EU: workforce, sales and fixed assets.

In general, the Government are receptive to the themes underpinning the proposals. The House has discussed countering international tax avoidance on many occasions, and the focus on that and tax simplicity, capital mobility and so on is welcome. The Government are receptive to multilateral action being taken to achieve those objectives, provided that that action is effective and proportionate. For example, our work at the OECD during its base erosion and profit sharing project has helped us to tackle international tax avoidance by multinationals, and that could not have been achieved by the UK acting unilaterally. More recently, as the Committee will remember, there has been the anti-tax-avoidance directive. It built on those principles and was agreed by the UK earlier this year. We just do not think that the proposed directives meet the high bar that proposals must reach before we can agree to something that limits the UK's ability to shape its own tax policy; that is the critical point.

As the European Scrutiny Committee notes in its report, the Government do not agree that the directives will help to counter tax avoidance, which is one of the directives' stated objectives. Tax avoidance is a global issue, so limiting tax reform to the way a firm's tax is calculated within the European Union cannot solve the problem. Also, the tax avoidance measures in the draft proposals go no further than the ones the UK has already agreed at the OECD—measures that we are already implementing. We have serious concerns, for obvious reasons, about rules that rely on an exploitable formula for allocating profits and taxing rights to member states.

We do not believe that the UK should give up its sovereignty over how the tax base is calculated. Direct tax sovereignty gives us the ability to react quickly and decisively when change is needed, including to achieve domestic objectives or counter identified avoidance or abuse of tax rules.

Finally, on the legal base of the new proposals, article 115 of the treaty on the functioning of the European Union provides for EU legislation that directly affects the single market. It is possible to make a case that that article is an acceptable legal base for these proposals,

but the Government have broader reservations. In line with the European Scrutiny Committee, we do not believe that a common consolidated corporate tax base is necessary for the internal market to function effectively. Harmonising 28 bespoke tax regimes and effectively designing a single regime that can cope with different accounting standards and various international tax treaties is too ambitious, and risks detracting from more achievable goals that could actually help the functioning of the single market, such as dispute resolution.

Let me be clear: the UK will not give up member state sovereignty over our tax base without a sensible reason to do so, and we are not convinced that the proposed directives include such a reason. We are therefore not convinced that the proposal is consistent with subsidiarity. I hope that the Committee will support the motion, which the Government endorse.

The Chair: We have until 10 am for questions to the Minister. I remind Members that they should ask questions, not make statements. There will be a chance for debate following the questions.

Peter Dowd (Bootle) (Lab): It is a pleasure to serve under your stewardship, Mr Hanson. If I may, I will set out a series of questions, which the Minister can pick up if she wishes.

First, in the light of paragraph 1.3 of the European Scrutiny Committee's report, which indicates that the Commission has formally withdrawn its 2011 proposal for the introduction by Council directive of a common consolidated corporate tax base, or CCCTB—it almost sounds like the acronym for a children's programme—and the fact that seven other national Parliaments have given a reasoned opinion why the proposal fails to adhere to the subsidiarity principle, as the hon. Member for Mid Dorset and North Poole indicated, does the Minister acknowledge that the issue is in effect a dead duck, and that scrutiny and debate of it is therefore perhaps a little academic?

Secondly, does the Minister acknowledge, as noted in paragraph 1.3 of the report, that the question of the UK introducing these newly proposed directives is academic, given that they are provisionally lined up for implementation on 1 January 2019 and 1 January 2021 respectively—unless, of course, Brexit does not mean Brexit?

Thirdly, the European Scrutiny Committee's report also highlighted that the Government had “completely failed to provide either any substantive analysis or its view on whether the proposals are compatible with the principle of subsidiarity.”

The Minister referred to that, but the Committee specifically said that the Government had not provided any information. Why is that?

Fourthly, in paragraph 1.7 of its report, the European Scrutiny Committee expressed surprise that the Government had acquiesced to the ECOFIN conclusions of 6 December 2016 about an EU corporate tax system, given their apparent view—as set out by the Minister's predecessor, the right hon. Member for South West Hertfordshire (Mr Gauke), in response to the hon. Member for Luton North (Kelvin Hopkins) on 29 March—that the CCTB would undermine our sovereignty and “risk harming the competitiveness and growth prospects of the Single Market.”

Does the Minister agree with that conclusion of the European Scrutiny Committee?

[Peter Dowd]

Finally, given that the issue is academic for two reasons—namely that the Government will not sign up to the CCTB and we will be virtually out of the EU by the time any progress is made on the issue—what alternative do the Government have when it comes to tackling profit shifting and unintentional double taxation across Europe and beyond?

Jane Ellison: I should perhaps say in anticipation that if I cannot respond to any questions from colleagues, I will of course write to them. I hope that satisfies hon. Members.

I will deal with the points raised. There was a general question about subsidiarity. We do not believe that either the CCTB or CCCTB are necessary for the internal market to function effectively, so we do not accept the assumptions that appear to underpin the Commission's proposal. At present, we are therefore not convinced that the proposal is consistent with subsidiarity.

The hon. Member for Bootle mentioned ECOFIN's conclusions. They were high level in nature and do not commit the UK to anything. The Government have made our reservations about the proposals clear. As directives on direct tax, the files require the unanimous approval of member states before they can be agreed. We will continue to engage constructively. As I said, as can be seen from our co-operation on the OECD project and the substantial number of measures we have passed since 2015 alone, we are clearly very supportive of the intended direction of travel. However, we will not sign up to anything that unduly restricts our sovereignty over direct tax, as the current version of the file does.

The legal base was also mentioned, which I touched on. Article 115 of the treaty on the functioning of the European Union provides for EU legislation that directly affects the single market. While we think that it might be possible to make the case that that article is an acceptable legal base, we have broader reservations about whether the proposals can achieve their objectives, as I have set out.

The shadow Minister asks what is envisaged as we go forward; that question quite reasonably arises whenever we debate EU matters. He mentioned the timing, which clearly relates to when we will leave the EU. UK companies that operate in the EU and meet the conditions of the CCCTB would need to understand and operate under its rules if it were to come into effect. The amount of profit allocable to UK activities will remain the same.

From the perspective of double taxation relief, our rules and treaties should continue to operate as they do now. In fact, we have double taxation treaties in place with all of our European partners—as the hon. Member for Kirkcaldy and Cowdenbeath knows; we debated this on Friday—so we are not dependent on EU laws alone on such matters. Those are already in place and will continue to operate as they do now, so we do not think that that is too much of a material concern. I think I have touched on all the key points. Subsidiarity was mentioned, but I think I have alluded to it sufficiently.

Helen Goodman (Bishop Auckland) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson. I have two questions for the Minister. First, I am not

clear whether her primary objection is on principle, or because she dislikes the content of the proposed instrument. Will she engage in a thought experiment with me? Were member states to come together around a table and all agree to move together and change their corporate tax bases in the way that is proposed here, but not through an EU instrument, would she be happy to sign up to that? Does she object on principle, or does she dislike the content of the proposal? Secondly, what consideration has the Minister given to the impact on the Government's Brexit negotiations of adopting this stance on this instrument?

Jane Ellison: I thank the hon. Lady for her questions; they were good, as I would expect. As I said, the UK will not give up member state sovereignty over our tax base without very good reason, and we are not convinced that there are such reasons in the directive. On some measures, such as the ATAD measure to which I referred, we have come together and been able to agree something.

Having direct control over our tax base enables us to respond to events in our own jurisdiction. We have debated tax a lot over recent years, and it has become apparent to all of us in this House that the challenges we face are global. Leaving aside the timeline issue, it is quite hard to envisage a situation in which there would be a sufficiently compelling reason—the hon. Lady set out a hypothetical situation—to give up direct control over our tax base, given the global challenge we face with some of these tax issues.

We are working very well domestically, with almost 30 measures passed since 2015—some of them are yet to come into effect, and others are already working—and have co-operated through the OECD. For those reasons, we do not see this proposal as compelling enough to cause us to give up something as important as direct control over our tax base.

Chris Philp (Croydon South) (Con): It is a pleasure to serve under your chairmanship for the second time, Mr Hanson. I sympathise with the points made by my hon. Friend the Member for Mid Dorset and North Poole and the Minister, but I have two questions.

On the question of sovereignty over taxation, does the Minister agree that the UK being a signatory to the OECD BEPS arrangements she referred to entails an implicit loss of sovereignty, because we are making an international agreement? Does the sovereignty argument not apply equally there?

My second question is on European taxation. The Minister made some powerful points about the global nature of taxation and said that acting at a European level alone may not be fully effective. Does she think that European Union member states adopting these proposals would prevent some multinationals—I am thinking particularly of companies such as Amazon and Google—from effectively running their European sales via Dublin and Luxembourg in order to benefit from very low rates of taxation and avoid paying tax in member states where sales and staff are located? I fully accept the reasons the Minister gave, but what assurance can she give the Committee that we will successfully clamp down on those tax-planning—I will not say evasion—measures if we cannot do so via this instrument? What other channels could we use to avoid that happening?

Helen Goodman: Very good questions.

Jane Ellison: They are indeed good questions. The latter point is something to which we have all given a great deal of thought. I might write to my hon. Friend the Member for Croydon South with further reflections, if that is all right. He is right to say that these issues exercise us all, but they are not purely European issues. Indeed, some of the challenges with famous companies' taxation arrangements actually have their roots in the US tax code, more than EU taxation, but I might write to him with a more thought-out response.

On my hon. Friend's first question, it is true that we have agreed files in Europe that impact on direct tax. As he said, the UK has been actively participating in multilateral action through G8, G20 and the OECD to reform international tax standards and prevent tax avoidance and aggressive tax planning by multinationals, as part of the Government's objective to align the taxation of profits with economic activity, which relates to his second point.

We have supported EU-level action where appropriate but are keen to ensure that it fits with the way multinational enterprises are taxed globally. We fully supported the European Commission's work to implement the recommendations from the BEPS project through the anti-tax-avoidance directive, but the crucial point is that those actions are targeted at particular issues, and the degree of co-ordination required between countries' tax regimes is limited to the extent necessary to address them. We feel that agreeing a common consolidated tax base at EU level is a more fundamental change in the way companies are treated. For the reasons I laid out in my opening statement, it goes too far for us to agree that it is the right way to proceed.

The Chair: If there are no further questions, I call the Minister to move the motion.

Motion made, and Question proposed,

That the Committee takes note of European Union Document No. 13730/16 and Addenda 1 to 3, a Proposal for a Council Directive on a Common Corporate Tax Base; further takes note of European Union Document No. 13731/16 and Addenda 1 to 3, a Proposal for a Council Directive on a Common Consolidated Corporate Tax Base; considers that the proposals do not comply with the principle of subsidiarity for the reasons set out in the Twenty-third Report of the European Scrutiny Committee (HC 71-xxi); regrets that because of the inflexibility of the deadline for providing a Reasoned Opinion over the Christmas period it has not proved possible in the time available for the House to serve a Reasoned Opinion in accordance with Article 6 of Protocol No. 2 annexed to the EU Treaties on the application of the principles of subsidiarity and proportionality; and instructs the Clerk of the House to forward this motion and the Reasoned Opinion recommended by the European Scrutiny Committee to the European Commission by way of political dialogue.—(*Jane Ellison.*)

The Chair: We have until 11.25 am for debate.

9.20 am

Peter Dowd: Some of the questions being asked today are crucial, but as I said in my questions, I fear we are in a period of transition before we leave the European Union, and thus many of our discussions are in danger of being more focused on theological, almost philosophical, and academic questions about European Union issues.

There is a danger that we are fighting a battle that has been fought and, depending on one's perspective, lost. We must move on. I recognise that it is important to scrutinise these issues, but there is a danger that we are scrutinising the past. Issues relating to the corporation tax base, or what we want to do in the context of Europe and the world, must be done in the context of the future, not the past.

When I read the document, I had a sense of fear or concern about some issues and I wanted to tease these out in my questions—for example, the ECOFIN issue. The danger is that in trying to tease out these issues, we are not dealing with what we will do from here on in, and are concentrating on the past. It is important to realise that the 2011 directives are toast; they are gone. The two alternative proposals will not come into effect because we will not agree to them, so they are academic. It would be best to concentrate our efforts on how we deal with corporation tax as a partner of Europe, not a member of it. Much as I think that is regrettable, we are where we are, and we need to move the debate on to post-Brexit, not rehash old debates and arguments that we have had many times. We need to move on.

9.23 am

Helen Goodman: I want to take hon. Members back two or three years to debates in the main Chamber when the UK was asked to contribute to the Irish bail-out. I had an extremely interesting conversation at that time with colleagues from the Ulster Unionist party. They pointed out that the Irish had made cuts in their corporation tax in an attempt to attract inward investment. They were extremely irritated by this, because some firms had relocated from Northern Ireland to the Republic; Northern Ireland had lost jobs, output and economic activity. However, the Republic's tax take, which should have supported it, was not going into its coffers, so there was a double whammy, and we in Great Britain and Northern Ireland were asked to contribute to the Irish bail-out. Understandably, Northern Ireland Members were extremely unimpressed by this sequence of episodes.

That made me think we need to get a handle on competitive corporate tax-cutting around the world. Ministers are trumpeting the possibility of having the lowest corporation tax in the western world, but I am not sure how clever it is for countries to undercut one another constantly. There is a serious risk that we so distort our tax arrangements that we will not raise enough money to run the public services that we need for a modern economy. Yesterday in the Chamber, we discussed the importance of supporting science and R and D, for example. We so undermine our capacity to raise money to do things that we undermine our economic activity.

Chris Philp: I thank my Treasury Committee colleague for giving way. How does she respond to the fact that even though we have cut corporation tax, the total pound amount of corporation tax paid has gone up?

Helen Goodman: I am not sure what time period the hon. Gentleman is talking about, but we have had a recovery since the great crash; if we have more economic activity, we will get more corporation tax receipts,

[Helen Goodman]

irrespective of corporation tax rates. I do not subscribe to extreme Lafferism; I am not convinced that going down the path of competitive tax cutting is a good idea. A common consolidated corporate tax base is an aspect of that. I see that the impact assessment states that a CCCTB would increase growth by up to 1.3%. That is an astonishing amount of money—more than twice the benefits that the Government estimate would come from signing the Transatlantic Trade and Investment Partnership. Compliance costs would be expected to decrease significantly as well, which is an extremely business-friendly approach.

I have not looked in infinite detail at every aspect of the proposals, so I can believe that they are not satisfactory, but we need to be careful about saying that we will not co-operate with other countries on this. The Minister knows that the OECD process is extremely slow. If the European Union was united on what it proposed in the OECD, we might be able to speed up and improve the international settlement. She is absolutely right to say that we need agreement with the Americans.

On the interrelationship with Brexit and the point made by my hon. Friend the Member for Bootle, I asked the Minister whether she had considered the read-across to the Brexit negotiations, and she did not respond, so I take it that she has not considered that. The Treasury Committee visited Berlin and Rome in September—unfortunately, the hon. Member for Croydon South was not able to be there—and we had interesting conversations. One that comes back to me is the conversation we had with the Bank of Italy about the negotiations with respect to banking.

One issue on the table is banking regulation. We have had a constant stream, if not a barrage, of lobbying from the City—we can see the City if we look out of the window—about its concerns to maintain passporting, common regulations and so on, so that we do not lose activity to Frankfurt, Dublin or even Paris. When the people on the other side of the table, our European partners, consider what concessions and agreements they will make on banking regulation, they will have in their minds the risks for their banks once the UK has left the European Union. One of the really big risks for them is our cutting our taxes on banks. If we cut those taxes significantly, that would make London even more attractive. By resisting these measures, the Minister makes it look more likely that we will reduce our taxes on the banks; that increases the resistance on the other side of the table in Brussels to the kind of regulatory settlement that we would all like to see, for the benefit of the people in the City of London who bring in so much tax revenue to this country.

I am not sure whether the detail of the measures are absolutely right, but I do think that we run a risk of appearing to be sceptical. The Minister does not have a history as a Eurosceptic, but let her not run scared from those in her party who were hard Brexiteers.

9.31 am

Jane Ellison: I thank colleagues for their contributions, which included a typically thoughtful speech from the hon. Member for Bishop Auckland. I will not detain the Committee too long in drawing some closing thoughts

together. I thank the members of the European Scrutiny Committee for recommending this debate. The Government will continue to respond to these important debates, allowing parliamentary scrutiny of EU proposals. I take the point that the hon. Member for Bootle made, but I would not go as far as to say that this is all a pointless exercise.

Peter Dowd: I understand where the Minister is coming from, but I want to be clear: I was not trying to say that this is a pointless exercise—it is absolutely crucial that we have scrutiny of these matters. The point I was trying to make was that much of the scrutiny focused on what happened in the past, not what will happen in the future. We are having debates and discussions about things that are not really going to take us forward. That is the point I was trying to make—not that it was pointless, but that the scrutiny is the wrong scrutiny.

Jane Ellison: A fair point, and I welcome the clarification, but I would still slightly disagree. The debates we have been having about the challenges of international taxation and multinationals, which were laid out eloquently by the hon. Member for Bishop Auckland, are ongoing. They have taken place in the context of the G20 and the OECD, and will continue to take place in the EU. We will continue to have those debates after our exit from the EU because, as people have said, we are leaving the EU, not Europe, and we will continue to have very important relationships. It is important that we engage with this direction of travel, because this is hardly going to be an overnight process.

There was a slight implication in the contribution from the hon. Member for Bishop Auckland that compared to the OECD, the EU was a model of speedy progress; that is where I would sound my only note of scepticism. It is clear that we will be engaging on these matters for a long time to come, in a range of international forums, so the debates that we have are useful. They have been echoed in other countries. Other people have expressed issues and concerns, as we have as a country, and there have been other reasoned opinions offered.

Helen Goodman: Will the Minister tell us which other countries have been resistant? She said there were seven.

Jane Ellison: No, I said several. I think I am right in saying that Ireland has offered a reasoned opinion, and there has been debate in other countries as well. On the issue of direct tax and sovereignty in particular, the UK is not taking a stand-alone point of view.

I want to address the points made by the hon. Lady about wider co-operation and competitive corporation tax. My main reason for pushing back against the points she made is that although it is true that UK corporation tax was 28% in 2010 and will be 17% by the end of this Parliament—we have already legislated for that—the backdrop to that is our active engagement and, indeed, leadership in international forums to address some of the issues that we are all concerned about to do with multinational tax avoidance and aggressive planning.

Our mantra is that taxes should be competitive and fair, but paid. The Chancellor has been clear about the path that we have set for this Parliament to the figure of 17%, and that it is right in the circumstances. We have

no plans to go further at this time, but as I mentioned, we have brought forward a number of measures—about 30 since 2015 alone.

On one hand, it is true that we have set the most competitive corporation tax in the G20, but on the other, we are extremely proactive in international forums in leading on measures to clamp down on international tax avoidance. We shall continue to do that post-Brexit, within the OECD and with European partner countries. That is a balancing point to put against the slight implication in what the hon. Member for Bishop Auckland said that we are in a race to the bottom. We want to be competitive, but also to make it clear that taxes must be paid. The measures that we have passed underline how seriously we take that.

While we remain in the EU, the Government will continue to engage with EU tax files, championing the approach to business tax that encourages investment in jobs and growth, places proportionate administrative requirements on business, and ensures that businesses large and small pay their fair share of tax. As I said, that will happen through the tackling of avoidance. We will also scrutinise proposals to ensure that they are proportionate and effective; proportionality, and questions as to effectiveness, are obviously germane. We will not compromise member state sovereignty when it comes to direct tax.

I hope that what I have said provides an update for members of the European Scrutiny Committee on the Government's stance on these matters, and that I have sufficiently reassured the hon. Member for Bishop Auckland that we will continue to be engaged. I welcome the interest in these important issues. I will review the *Hansard* report of the debate, and if there are any matters that I did not deal with in sufficient detail, I shall write to hon. Members. It was a good debate. We will continue to debate and engage with some of the issues raised by the hon. Member for Bishop Auckland beyond our membership of the EU, because we are, and want to continue to be, a leader in international forums in ensuring that businesses can operate in a fair and competitive environment, that the taxes that are due are paid, and that—as we have already sought to do, and are continuing to do—we use reasonable ways of clamping down on aggressive international tax avoidance and evasion.

Question put and agreed to.

The Chair: I wish everyone a happy Christmas and new year.

9.38 am

Committee rose.

