

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE BILL

(Except clauses 5, 15 and 25 and certain new clauses and new schedules)

Fifth Sitting

Tuesday 24 October 2017

(Morning)

CONTENTS

CLAUSES 43 TO 55 agreed to.
SCHEDULE 13 agreed to.
CLAUSES 56 TO 61 agreed to.
SCHEDULE 14 agreed to.
CLAUSES 62 AND 63 agreed to.
SCHEDULE 15 agreed to.
CLAUSES 64 AND 65 agreed to.
SCHEDULE 16 agreed to.
CLAUSE 66 agreed to.
SCHEDULE 17 agreed to.
CLAUSE 67 agreed to.
SCHEDULE 18 agreed to.
CLAUSE 68 agreed to.
Adjourned till this day at Two o'clock.

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

Saturday 28 October 2017

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The Committee consisted of the following Members:

Chairs: † MR GEORGE HOWARTH, MR CHARLES WALKER

† Afolami, Bim (*Hitchin and Harpenden*) (Con)
 † Blackman, Kirsty (*Aberdeen North*) (SNP)
 † Burghart, Alex (*Brentwood and Ongar*) (Con)
 † Cleverly, James (*Braintree*) (Con)
 † Creasy, Stella (*Walthamstow*) (Lab/Co-op)
 † Dodds, Anneliese (*Oxford East*) (Lab/Co-op)
 † Dowd, Peter (*Bootle*) (Lab)
 † Fernandes, Suella (*Fareham*) (Con)
 † George, Ruth (*High Peak*) (Lab)
 † Ghani, Ms Nusrat (*Wealden*) (Con)
 † Hopkins, Kelvin (*Luton North*) (Lab)

† Hughes, Eddie (*Walsall North*) (Con)
 † Lee, Ms Karen (*Lincoln*) (Lab)
 † Linden, David (*Glasgow East*) (SNP)
 † Maclean, Rachel (*Redditch*) (Con)
 † O'Brien, Neil (*Harborough*) (Con)
 † Smith, Jeff (*Manchester, Withington*) (Lab)
 † Stride, Mel (*Financial Secretary to the Treasury*)
 † Stuart, Graham (*Beverley and Holderness*) (Con)

Colin Lee, Jyoti Chandola, *Committee Clerks*

† **attended the Committee**

Public Bill Committee

Tuesday 24 October 2017

(Morning)

[MR GEORGE HOWARTH *in the Chair*]

Finance Bill

(Except clauses 5, 15 and 25 and certain new clauses and new schedules)

Clause 43

AIR PASSENGER DUTY: RATES OF DUTY FROM
1 APRIL 2018

9.25 am

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

The Financial Secretary to the Treasury (Mel Stride):

It is a pleasure once again to serve under your chairmanship, Mr Howarth. Clause 43 will ensure that rates of air passenger duty for the tax year 2018-19 increase in line with the retail prices index. The changes will ensure that the aviation sector continues to play a part in contributing towards general taxation.

APD forms an important part of Government revenue. The Government have raised APD by RPI each year since 2012, and the clause continues that trend. With no tax on aviation fuel or VAT on international and domestic flights, APD ensures that the aviation sector plays its part in contributing towards general taxation, raising £3.1 billion per annum. The aviation sector continues to perform strongly. The UK has the third largest aviation network in the world, and passenger numbers at UK airports have grown by more than 15% in the past five years.

Clause 43 sets the APD rates for the tax year 2018-19 in line with RPI. The changes will increase the long-haul reduced rate for economy class tickets by just £3 and the standard rate for all classes above economy by just £6. The rounding of APD rates to the nearest pound means that short-haul rates will remain frozen for the sixth year in a row. That will benefit 80% of all airline passengers. To give industry sufficient notice, we will announce APD rates for 2019-20 at the autumn Budget 2017, legislating in the corresponding Finance Bill.

APD is a fair and efficient tax, where the amount paid corresponds to the distance and class of travel of the passenger. The changes made by clause 43 will ensure that the aviation sector continues to play its part in contributing towards general taxation, raising £3.1 billion a year.

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Howarth. I have a couple of questions. Air passenger duty is a matter of considerable public debate, and debate within the industry, so it is appropriate that we probe this.

First, can the Minister provide us with a little more understanding of what he views as the purpose of this tax? In his introductory remarks, he appeared to reduce it specifically to revenue raising. Others have seen the duty as a potential green tax as well, although clearly it is not hypothecated for that purpose. It would be helpful to know whether he believes the duty has any kind of deterrent effect.

Secondly, in the light of the Scottish Government's policy approach, does the Minister anticipate a race to the bottom in relation to APD in future, particularly given the representations made by Newcastle airport and others about potential unfair competition from across the border?

Finally, mention has been made in some of the discussions on this duty of the potential impact on those with protected characteristics who might need to travel more frequently on long-haul flights, for example. It would be helpful to hear the Minister's views on whether these changes might have a disproportionate impact on certain ethnic minorities. That has come up in some of the debates around APD.

Mel Stride: I thank the hon. Lady for her questions, which I will answer in order.

The purpose of APD is clearly, as the hon. Lady identified and as I explained in my opening remarks, to raise revenue—£3.1 billion in this instance. Like all taxes, it will also change behaviour to some degree, and to the extent that it makes flying a little bit more expensive, it could be expected to have the effect of diminishing demand for air travel. The lower rates for economy, which takes up more space on aircraft than first class, assist in ensuring that flights are as full as they can be.

The hon. Lady mentioned the Scottish Parliament and the devolution of APD, which will become air departure tax in Scotland. That tax has not yet been switched on, although devolution arrangements are in place, and we will of course monitor the issues that she has understandably raised in respect of competition with airports, particularly in the north of England. On long-haul flights and the impact on various groups, including ethnic minorities, I would be happy to write to the hon. Lady with any information that we have.

Kelvin Hopkins (Luton North) (Lab): I am glad that the Minister has raised the question of ethnic minorities. My constituency has a large Caribbean community, who are concerned about air passenger duty's effect on flights to the Caribbean to see family and so on. Has the Minister received any specific representations on that? The other question, of course, is about the airlines themselves. In Luton, we have London Luton airport. What representations have the airlines made to the Minister?

Mel Stride: If I may, I shall write to the hon. Gentleman on the specific questions that he has raised about the consultation on these measures.

Question put and agreed to.

Clause 43 accordingly ordered to stand part of the Bill.

Clause 44

PETROLEUM REVENUE TAX: ELECTIONS FOR OIL FIELDS TO BECOME NON-TAXABLE

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

Kirsty Blackman (Aberdeen North) (SNP): It is welcome that the Government are looking to reduce the administrative burden in relation to elections for oilfields to become non-taxable. That is positive news. The Chancellor of the Exchequer has mentioned in two Budgets that there will be changes in the taxation system to make it easier for late-life assets to be transferred. I have heard noises from the Chancellor in recent times that he may not introduce that in the autumn statement this year, and I will just make this pitch to the Minister. This issue is incredibly important. The oil and gas industry is not asking at this moment for significant changes, but for the change in relation to the transfer of late-life assets. I would very much appreciate it if, in the context of reducing the administrative burden and making things easier for companies dealing with the very mature field in the North sea, the Minister would hear my case on that and make the case to the Chancellor.

Anneliese Dodds: I must admit to being slightly confused about the purported impact of this change. Some of the inputs from stakeholder bodies seem to imply that there will be some kind of Revenue impact as a result of the changes in relation to procedures for elections for oilfields to become non-taxable. For example, Oil & Gas UK has welcomed the change, saying that the move will reduce the headline rate of tax paid on UK oil and gas production. In contrast, Friends of the Earth has expressed disappointment at the tax cut. As I understand it, petroleum revenue tax was permanently zero-rated in 2016, and the Government's assessment of the measure's impact on the Exchequer is that it will be negligible. Therefore, can the Minister enlighten us on why some people appear to view the measure as potentially having an Exchequer impact, but the Government do not appear to have that view?

Mel Stride: Perhaps I should set the scene that I would have set had I realised that others were going to contribute to this debate, because I think that that will pick up some of the questions that have been raised. However, before I do that, I shall turn immediately to the question raised by the hon. Member for Aberdeen North about the transfer of long-life assets. I will take her remarks as a Budget representation, but I am sure that she understands that at this moment, in the run-up to the Budget, I will not comment further on specific taxes or arrangements relating thereto.

Clause 44 makes changes to simplify the process for opting oil and gas fields out of the petroleum revenue tax regime, reducing the administrative burdens on affected companies. To ensure that participators could take advantage of the changes as soon as possible, the legislation had effect from the date of its announcement, on 23 November 2016. I shall provide Committee members with some background to the measure.

At Budget 2016, as part of a £1 billion package of measures to support the oil and gas industry, the Government announced that PRT would be permanently zero-rated. That was to simplify the tax regime, to level

the playing field between older fields and new developments and to increase the attractiveness of UK investment opportunities. It was decided that the tax should not be abolished completely, because some companies still require access to their tax history for carrying back trading losses and decommissioning costs. As a result, participators still have to submit returns, which many find complex, time consuming and expensive. Following consultation with industry, the Government are therefore simplifying the rules for opting fields out of the PRT regime. The changes made by clause 44 will allow the responsible person for a taxable oilfield to remove the field from the PRT regime simply by making an election to do so and then notifying HMRC. When coupled with the Government's removal of other reporting requirements, these changes will save companies an estimated £620,000 in total ongoing costs per annum.

The clause builds on the Government's support for the UK oil and gas industry, including the £2.3 billion package of fiscal reforms announced in the 2015-16 Budget. I therefore hope that the clause will stand part of the Bill.

Question put and agreed to.

Clause 44 accordingly ordered to stand part of the Bill.

Clauses 45 to 47 ordered to stand part of the Bill.

Clause 48

CARRYING ON A THIRD COUNTRY GOODS FULFILMENT BUSINESS

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

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

Clauses 49 to 55 stand part.

That schedule 13 be the Thirteenth schedule to the Bill.

Clauses 56 to 59 stand part.

New clause 5—*Annual report on powers in relation to third country goods fulfilment businesses*—

(1) The Commissioners must prepare a report on the operation of the provisions of Part 3 of this Act in relation to each tax year after their commencement within six months after the completion of that tax year.

(2) The Chancellor of the Exchequer shall lay a report under subsection (1) before the House of Commons.

(3) Each report under subsection (1) shall cover in particular—

- (a) prosecutions for an offence under section 53,
- (b) penalties imposed under Schedule 13,
- (c) the effects on the operation of Part 3 of the United Kingdom's withdrawal from the European Union or (as the case may be) preparations for that withdrawal,
- (d) implications of the matters specified in sub-paragraph (c) for the activities and resource requirements of HMRC in connection with the provisions of this Part,
- (e) implications of the matters specified in sub-paragraph (c) for the exercise of the powers to make regulations under Part 3, and
- (f) HMRC's assessment of the extent to which the operation of, or changes to the operation of, comparable provisions in other countries affect businesses in the United Kingdom.'

This new clause requires HMRC to produce an annual report on the operation of Part 3 relating to third party goods fulfilment businesses and specifies some of the information to be included in that annual report.

Peter Dowd (Bootle) (Lab): It is, as ever, a pleasure to serve under your stewardship, Mr Howarth.

I want to talk about fulfilment businesses in part 3, clauses 48 to 59, and the annual report on powers in relation to third-party goods fulfilment businesses, or new clause 5. I will speak a little about the fulfilment business measures before addressing the specifics of our new clause.

We welcome the action and powers for HMRC to deal with the problems created by the difficulty in properly taxing and charging VAT on the profusion of small businesses trading online through platforms such as Amazon. They are not just problems for the Exchequer. Many small businesses find themselves outcompeted and outpriced by overseas traders, which not only have lower operating costs but artificially lower their prices by failing to pay VAT on the goods they sell to UK consumers through fulfilment houses based here. It is essential that we act to protect both the taxpayer in general and the thousands of small British businesses that are, as we have discussed, the lifeblood of our economy.

It is not just lower prices and running costs that present problems for our small businesses. I have dealt with casework from small businesses that found themselves severely disadvantaged when filling out their VAT returns when they were unable to obtain VAT receipts from either their overseas supplier or the fulfilment business in question. In one case, the reason for the problem was simple: there were no VAT receipts because the seller had not charged VAT, unbeknownst to that particular British business. The online fulfilment house involved simply washed its hands of the matter and blamed a third-party seller that it supposedly has no control or influence over. It is right that we bring our laws up to date and ask the huge online fulfilment businesses to take their responsibilities to our society seriously, assist the Exchequer in levying the proper taxes and stop hiding behind the excuse of separate businesses.

Many of the overseas sellers we are talking about could not and would not exist were it not for online retailing sites and the fulfilment services they provide. The business models are entirely based on the mode of operation laid down by the multinational online marketplace, which makes their businesses possible. Action has been too slow to deal with these problems, which have festered for far too long, but better late than never. We do not seek to hinder action on this at all and we welcome the broad sweep of these measures and other related efforts to address the problems that have grown up from online marketplaces and fulfilment houses.

New clause 5 seeks another review—this time on an annual basis—examining the working of these new powers and responsibilities so that Parliament can keep a check and a close eye on the problems around fulfilment businesses. It is an expanding market and business sector, and we have to try to keep up with it. We hope that the new clause will prevent any future problems from festering too long and ensure that Her Majesty's Treasury keeps a close eye on changing business practices in this field, which might threaten the Exchequer or, importantly, undermine small businesses.

Kelvin Hopkins: It is a pleasure to serve under your chairmanship again this morning, Mr Howarth. When I first entered this House over 20 years ago, I visited my local VAT office and they said that if they had more VAT officers they could collect many more times their own salaries. That has been the case ever since. I am not so familiar with third country goods fulfilment businesses, but it nevertheless strikes me as something that requires a proper resource within the VAT component of HMRC. I wonder whether we are still understaffing VAT offices and whether we could collect much more by employing more staff. At that time, the ratio between the staff salary and the tax they collected was about 5:1. Every additional member of the VAT staff produced five times more than their own salary. If that is still the case today—it may be an even bigger ratio—it would be helpful to think about employing more staff.

Mel Stride: Clauses 48 to 59 and schedule 13 implement the fulfilment house due diligence scheme. The scheme will require that from 1 April 2018, fulfilment businesses in the UK that fulfil goods for traders based outside the EU must register with HMRC, keep certain records, and carry out robust due diligence checks on their overseas clients.

The fulfilment house due diligence scheme is part of a package of measures announced at Budget 2016 that will disrupt and deter VAT abuse by overseas traders who sell goods to UK consumers via online markets. To address the point raised by the hon. Member for Luton North, the measure is not one that requires lots of extra inspectors; it requires a different attitude and regime for the fulfilment houses that are facilitating this VAT fraud. We expect it to be effective in those terms, rather than needing large numbers of additional staff.

Together, these measures are expected to deliver £875 million for the Exchequer by 2021. Many overseas traders selling via online marketplaces import their goods en masse to fulfilment houses in the UK, in readiness to fulfil anticipated future orders from UK customers. Once imported, the fulfilment house businesses will store, pack and sometimes deliver these goods on their behalf. Currently, certain overseas traders do not comply with the obligation to charge VAT on their goods held at UK fulfilment houses, as the hon. Member for Luton North pointed out. This not only deprives the UK Government of a significant amount of revenue but allows these overseas traders to obtain an unfair competitive advantage over the honest majority of VAT-compliant businesses operating in our country.

Clauses 48 to 59 and schedule 13 implement the fulfilment house due diligence scheme. Clause 48 sets out that all UK fulfilment houses that fulfil goods owned by traders established outside the European Union will be within the scope of the new scheme. These are referred to throughout the legislation as “third country goods fulfilment businesses”.

Clause 49 sets out that, following commencement of the scheme, all third country goods fulfilment businesses in the UK will require approval from HMRC as a “fit and proper” person in order to continue operating legally.

Clause 50 outlines that HMRC will maintain a register of all such approved persons. It will publish such details from the register as it deems necessary to allow

counterparties, such as those in the express deliveries industry, to check whether they are dealing with a compliant fulfilment business.

9.45 am

Clause 51 enables HMRC to issue regulations outlining the conditions of registration and approval. Clause 52 provides HMRC with a disclosure gateway, which will provide taxpayers' information to the fulfilment houses for the purpose of meeting the scheme's obligations. Clause 53 sets out that it is a criminal offence for an unapproved person to carry out a third country goods fulfilment business and sets out significant but proportionate criminal punishments which can be administered against offenders. Clause 54 provides that goods stored on the premises of unapproved fulfilment houses are liable to forfeiture and can be seized by HMRC.

Clause 55 sets out the civil penalty contained within schedule 13, which may be imposed upon an unapproved person carrying on a third country fulfilment business. Clause 55 also allows for regulations to be made imposing civil penalties on all third country fulfilment businesses, whether approved or not, which fail to abide by the requirements of the due diligence scheme. This shall include failure to carry out appropriate due diligence checks or to take appropriate action as a result of those checks.

Clause 56 sets out that an appeals process will be available to persons who have been made liable to a penalty under clause 55 or schedule 13. Clause 57 confirms that regulations which shall be brought forth under the terms of this legislation will be made by statutory instrument. It also sets out that appeals can be made against decisions to revoke a person's approval, or to impose particular conditions and restrictions upon their approval status. Clause 58 contains definitions of the key terms utilised in the legislation.

Clause 59 outlines that for the purpose of passing scheme regulations the legislation will come into force at Royal Assent. Clause 59 also makes provision for HMRC to decide upon appropriate dates from which components of this legislation relating to other purposes will come into force.

Taken together, these changes will make it more difficult for non-compliant overseas businesses to trade in the UK and will enable HMRC to identify and tackle them more easily. It is intended that the scheme registration window will open on 1 April 2018. Existing fulfilment house businesses should apply to register with HMRC by 30 June 2018. The changes made will impact upon all third country goods fulfilment houses in the UK. They will incur a one-off compliance cost for registration and familiarisation with the new scheme.

I welcome the opportunity also to debate new clause 5 tabled by Opposition Members. The new clause proposes HMRC report on the operation of the provisions of the fulfilment house due diligence scheme in relation to each tax year after its commencement, within six months after completion of that tax year. The Government believe that legislating for a review of these matters is unnecessary. The Government have already undertaken extensive consultation on this scheme over the last 18 months and they will continue to monitor the impact of the legislation. The fulfilment house due diligence scheme will disrupt and deter that abuse.

Question put and agreed to.

Clause 48 accordingly ordered to stand part of the Bill.

Clauses 49 to 55 ordered to stand part of the Bill.

Schedule 13 agreed to.

Clauses 56 to 59 ordered to stand part of the Bill.

Clause 60

DIGITAL REPORTING AND RECORD-KEEPING FOR INCOME TAX ETC

Kirsty Blackman: I beg to move amendment 37, in clause 60, page 71, line 16, leave out 'paragraph 2' and insert 'paragraphs 1A and 2.'

1A (1) The provisions of this Schedule shall not apply to a person specified in paragraph 1(1) except in accordance with the provisions of this paragraph.

(2) No person shall be subject to the provisions of this Schedule unless they fall within a class of persons specified in regulations made under sub-paragraph (3).

(3) The Commissioners may by regulations specify a class of persons to whom this Schedule applies provided that the relevant conditions in sub-paragraphs (4) to (9) are met.

(4) The condition in this sub-paragraph is that the first regulations may not be made until after the Commissioners have undertaken an assessment of the impact of the implementation of the provisions of this Schedule on—

- (a) small businesses that have limited technological connectedness,
- (b) businesses in rural areas, and
- (c) businesses that are likely to have been affected by the closure of HMRC offices.

(5) The condition in this sub-paragraph is that the first regulations may not apply to more than 25 per cent of persons to whom paragraph 1(1) applies.

(6) The condition in this sub-paragraph is that the Commissioners have prepared an assessment of the likely effects of making regulations in the form of a draft which has been laid before the House of Commons by the Treasury.

(7) The condition in this sub-paragraph is that the House of Commons has resolved that regulations should be made in the form of a draft laid in accordance with sub-paragraph (6).

(8) The condition in this sub-paragraph is that the second regulations may not be made—

- (a) until at least twelve months have elapsed since the making of the first regulations,
- (b) unless, taken together with the first regulations, they apply to no more than 90 per cent of persons to whom paragraph 1(1) applies.

(9) The condition in this sub-paragraph is that the third set of regulations may not be made until at least twelve months have passed since the making of the second regulations.'

This amendment would provide for a staged implementation of the provisions for making tax digital in relation to income tax, with review of impact on specific groups and provision for each new stage to be subject to approval by resolution of the House of Commons.

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

Amendment 7, in clause 60, page 75, line 7, at end insert—

'(1A) Regulations under sub-paragraph (1) must in particular require a person or partnership to record service charges separately from other income.'

This amendment imposes a duty on HMRC to require separate records to be kept of service charges.

Amendment 8, in clause 60, page 75, line 7, at end insert—

‘(1B) Regulations under sub-paragraph (1) must in particular require a person or partnership to maintain separate records in respect of each employee and in respect of any prescribed time period of service charges received and to make those records available in a prescribed manner.’

(1C) In sub-paragraph (1B), “prescribed” means prescribed by regulations.’

This amendment imposes a duty on HMRC to require separate records of service charges to be kept in respect of each employee and in respect of prescribed period to be made available in a prescribed manner.

Amendment 39, in clause 60, page 75, line 7, at end insert—

‘(1B) Regulations under sub-paragraph (1) must in particular require a person or partnership to maintain separate records in respect of each employee and in respect of any prescribed time period of service charges received and to make those records available to those employees.’

(1C) in sub-paragraph (1B), “prescribed” means prescribed by regulations.’

This amendment imposes a duty on HMRC to require separate records of service charges kept in respect of each employee and in respect of prescribed period to be made available to those employees.

Amendment 33, in clause 60, page 78, line 19, after ‘day’, insert

‘no earlier than 1 January 2022’.

This amendment provides that the provisions for digital reporting in Clause 60 may not be brought into force before 2022.

Amendment 40, in clause 60, page 78, line 20, at end insert—

‘(4A) No regulations may be made under subsection (4) until after 90 days after the Chancellor of the Exchequer has laid a report before the House of Commons which sets out—

- (a) the steps which HMRC has undertaken to establish that suitable software is available;
- (b) the results of the testing by HMRC and others of that software; and
- (c) the reasons why mandatory use of the software is in the interest of HMRC and taxpayers.’

This amendment would require the Chancellor of the Exchequer to report on software suitability and testing before giving effect to the provisions of Clause 60.

Clause 60 stand part.

Amendment 34, in clause 61, page 78, line 34, after ‘day’, insert

‘no earlier than 1 January 2022’.

This amendment provides that the provisions for digital reporting in Schedule 14 and Clause 61 may not be brought into force before 2022.

Clause 61 stand part.

That schedule 14 be the Fourteenth schedule to the Bill.

Amendment 35, in clause 62, page 79, line 12, at end insert—

‘(5A) No regulations may be made under sub-paragraph (5) on a day prior to 1 January 2022.’

This amendment provides that the provisions for digital reporting in Clause 62 may not be brought into force before 2022.

Amendment 38, in clause 62, page 79, line 12, at end insert—

‘(5A) But no regulations may be made by the Commissioners unless the conditions in sub-paragraphs (5B) to (5D) are met.

(5B) The condition in this sub-paragraph is that the first regulations may not be made until after the Commissioners have undertaken an assessment of the impact of the implementation of the provisions of those regulations on—

(a) small businesses that have limited technological connectedness,

(b) businesses in rural areas, and

(c) businesses that are likely to have been affected by the closure of HMRC offices.

(5C) The condition in this sub-paragraph is that the Commissioners have prepared an assessment of the likely effects of making regulations in the form of a draft which has been laid before the House of Commons by the Treasury.

(5D) The condition in this sub-paragraph is that the House of Commons has resolved that regulations should be made in the form of a draft laid in accordance with sub-paragraph (5C).’

This amendment would provide for implementation of the provisions for making tax digital in relation to VAT to take place only following a review of impact on specific groups and provision for regulations to be subject to approval by resolution of the House of Commons.

Amendment 36, in clause 62, page 79, line 19, at end insert—

‘(6A) Regulations under sub-paragraph (5) may not impose mandatory requirements for businesses to generate quarterly updates.’

This amendment provides that any system for quarterly updates to be generated must not be mandatory.

Amendment 10, in clause 62, page 80, line 13, at end insert—

‘(12) Before making regulations under sub-paragraph (5) and in any case within three months of the passing of the Finance (No. 2) Act 2017, the Commissioners shall lay before the House of Commons an assessment on the effects on compliance with the requirements of those regulations by small businesses of the United Kingdom’s withdrawal from the European Union.’

This amendment requires HMRC to publish an assessment of the effects on electronic VAT records requirements for small business of the UK’s withdrawal from the EU.

Clause 62 stand part.

Kirsty Blackman: The Scottish National party has previously raised concerns about the moves to digital reporting. It is not that we do not support the principle of moving towards digital reporting. We have been clear that we think this could be a positive move. The concerns that we have raised previously have been about the timing of the moves and the way in which smaller companies were expected to move to digital reporting first. The Minister, to his credit, has changed the proposed plans and come up with a much more sensible direction and timeline for moving to digital reporting than the Government previously suggested.

Our amendment highlights specific concerns about the move to digital reporting, which, despite the Government’s changes and moves, we still feel have not been adequately answered. The amendment deals with the impact on specific groups that we feel might be negatively affected by the move to digital reporting.

The first group is small businesses that have limited technology for connectedness. There are small businesses that do not make that much use of the internet. There are some coming through that are wholly internet-based, and for which it is very important; but some are still starting that are not technologically advanced and do not use the internet much. We are concerned about the impact on them of having to report digitally online, in view of their access to technology. The businesses in question are not only in rural areas; they may just be run by someone who does not make huge use of the internet.

The second group is businesses in rural areas. In those areas in particular, even though commitments have been given by the Scottish and UK Governments about improving access to digital connectivity, at the moment not everyone has a fast enough internet connection to enable them to access the relevant services. If it is mandatory for businesses to use online digital reporting, that will be a problem for those without access to adequate technology—particularly in rural areas. Areas in England are affected, as well as those in more remote parts of Scotland. I understand that there have been Government commitments to get people on to digital systems, but we are not quite there yet.

Ruth George (High Peak) (Lab): Does the hon. Lady agree that, in areas such as the remoter parts of Scotland, as in areas of my constituency, broadband access can be intermittent? The Government have excluded from the provision those who are completely digitally excluded. However, there are areas with patchy broadband—people have it on some days but not others—and there could be a problem for people who do not fall in the group that the Government have excluded.

Kirsty Blackman: I agree. In Kingswells in my constituency, which is a large suburb of Scotland's third city, there are significant issues about access to fast broadband. There is access to slow broadband, and it is sometimes intermittent, for reasons to do with historical infrastructure. Broadband companies were put on the grid to begin with and they now find it more difficult to upgrade the historical technology. I appreciate the point that the hon. Lady has made; it is important to note that for some people intermittent access can be as difficult as no access.

The third category of businesses we have chosen is those likely to be affected by the closure of HMRC offices. I have needed to do tax returns online only since I became an MP. The problem with some of the questions is that yes or no are the options but my answer has been “maybe” or “kind of”. Despite the fact that the online form was fairly clear, I needed to phone someone to get some advice on whether to tick yes or no. If businesses lack advice and information from HMRC about the correct option to choose in some cases, it will be more difficult for them to fill out the forms.

It is important that businesses should be given the advice, information and support they need to fill in the forms correctly online. I am sure that no businesses will be trying to make errors; they will be looking for advice. My concern, particularly regarding HMRC offices, is the lack of access to advice that people might have.

Mel Stride: The important point is that, for many years, people have not simply been walking into or getting an appointment at their local HMRC office. The fact that we are drawing offices together into 13 beefed-up regional centres is particularly important in the context of telephone advice, which the hon. Lady is alluding to and which will still very much be available for exactly the circumstances she describes.

Kirsty Blackman: I appreciate the Minister's point. In an earlier sitting, he mentioned the positive timelines when people phone HMRC for advice; apparently the phone is answered very quickly. I get that he says the statistics show that, but people are walking into my

surgeries and into my constituency office saying that they have tried for hours to phone HMRC and have really struggled to get through. Despite him saying that the statistics show one thing, the lived experience of my constituents is very different. That is why I have these concerns, and even if one person or a handful of people cannot get through on the phone and fill in their form on time because they are not able to answer the question, it is a concern. I implore the Minister to continue working on call times and to ensure that, when people phone, they get through as quickly as possible and that the calls are answered, and that the advice provided is correct so that people can make the correct choice, particularly with online forms.

Labour Members have tabled a number of amendments to the clause. We were clear in the SNP manifesto that we supported a phased move to digital reporting, so what the Minister has proposed is now much more in line with what we were thinking. I ask that Labour Members, in speaking to the amendments, explain why they chose 2022, and I will make a call after that on whether we think supporting them is relevant. One Labour amendment suggests that we should not move towards digital reporting, which would be a concern for us because our manifesto commitment was positive about digital reporting. I look forward to hearing the comments from the Opposition and the Minister.

Stella Creasy (Walthamstow) (Lab/Co-op): As ever, I am eager to serve under your chairmanship, Mr Howarth. I come to the Committee with a series of amendments on what digital reporting might offer us to resolve some of the challenges faced by employers and employees in our country. There are two issues in particular, which I will come to in turn, because as ever with the Finance Bill, they are technical.

First, I will deal with the treatment of the lowest-paid staff in our country—Office for National Statistics data show that, of all low-paid people, waiters and hospitality staff get paid the least—and what we can do to help them with their incomes. Secondly, I will look at how digitisation could help us to address compliance, which is one of the biggest issues for small businesses. To prefigure the Minister's comments, I know he will say that that is for another Bill, but given how important it is for the systems to work together, I think this is an issue for this Bill. I hope he will bear with me.

I turn first to amendments 7 and 8—amendments 8 and 39 are identical—which concern the treatment of waiters and hospitality staff. Many Members may be familiar with campaigns on the treatment of tips, service charges and gratuities and with evidence showing that some employers were using those to top up people's wages and to avoid paying the national minimum wage. Members might therefore be relieved that legislation was brought in to prevent that, but it has become clear that many employers still use tips, service charges and gratuities to avoid paying their staff properly. The amendments go to the heart of how we can address that.

In particular, Members might not be aware that people are supposed to pay tax and national insurance on their tips. If an employee is paid their tips through a tronc, where their employer collects the money usually using an online system, which is what we are debating today, the employer is supposed not only to pool the

[Stella Creasy]

tips and share them out—after all, I think we would all recognise that as well as the person who serves a meal, the people who work in the kitchen deserve recognition of their work—but to check that the employee has paid national insurance and tax.

10 am

I do not know which restaurants Members eat at or which hotels they stay in, but if they were to go to Nando's, Jamie Oliver's or Pizza Express, they would be given the opportunity to pay their tip electronically by credit card, which a tronc scheme would pick up on.

Some employers pass that money on in full to staff, subject to national insurance and tax, while some charge a massive surcharge and, in doing so, dip into that money for their own purposes. A restaurant called Turtle Bay in Walthamstow was charging employees 3% of an evening's total sales on tables and telling them that they would get that money back in tips while using it to fund its recruitment and training charges. Indeed, I supplied the Minister with a copy of the contract specifying that employees had to pay that charge. That is not a unique situation.

There is a particular concern about how tronc schemes are being used not only to lower wages and, therefore, pension obligations, but to scam employees for the money that they have earned through their good service and skills. HMRC guidance E24—I did say this was going to be quite technical—says that where a tronc is run genuinely by the staff rather than by an employer, they do not have to pay national insurance, even if the scheme is run through the payroll. We now have widespread evidence of employers using that to offer lower wages to staff, claiming that they can make the money back in the tronc, or using that money to subsidise the wages of restaurant management, rather than paying them a fair wage and recognising the service charges that staff have collected.

To give one example, a scheme was introduced in two workplaces. The staff were told that a tronc scheme was being introduced and that they would be entitled to a fixed-income share of the service charges as part of that arrangement, as long as they signed up to an agreement saying that their hourly rate of pay would be cut to the basic national living wage. The scheme was sold on the basis that they would get an additional guaranteed income that would not be subject to national insurance. However, that meant most of the staff were forced into taking a pay cut in order to get their tips.

Unite and the GMB have done a lot of work on representing people in the sector and they give the example of a sous chef who was offered a salary of £28,000 per annum and accepted the position on that basis. When he received his contract, he saw that his actual salary was £16,000 and he was told not to worry, because the remaining £12,000 would be guaranteed as a fixed income generated by the tronc scheme. I am glad that the hon. Member for Hitchin and Harpenden looks shocked at that.

Bim Afolami (Hitchin and Harpenden) (Con): On the question whether a scheme is being run by the employer or by employees or staff, is the hon. Lady alleging that employers are acting contrary to existing guidance and legislation? I am not entirely sure.

Stella Creasy: Yes, that is the concern. There is a lot of evidence that the exemption, which lets staff run their own tips scheme—it is like staff in a small café sharing the money in the jar, but across a large restaurant chain—is being used by major employers to avoid paying national insurance and, indeed, pension obligations further down the line, especially given auto-enrolment.

Another issue to which the amendments relate is the variations in charges that employers apply to employees for administering such schemes. Some restaurant chains will pass on 100% of the tips paid to a member of staff, while others will charge up to 20% in administration fees for doing it through an electronic system. Clearly, that is not fair and I warrant that customers have never had a restaurant explain to them how much they will charge the employee to pass on the tip that customers want to give them. The amendments are designed to help us understand what is going on.

I hope that the Minister will have strong words with his colleagues in the Department for Business, Energy and Industrial Strategy, because if, as we fear, a tax take is being avoided and the lowest-paid people in our country are being exploited as a result, surely we all agree that we need to do something about that. That is why I tabled the amendments. Indeed, 18 months ago, many of us took part in a Government consultation on precisely those issues—that is, how to ensure a fair system for administering tips, service charges and gratuities. I have to tell the Minister that, 18 months on, the Government have not even published the results of that consultation, let alone looked at what could be done to make sure that neither the Exchequer nor the employer is being short-changed.

The Bill offers the Minister an opportunity to make progress on an issue that his ministerial colleagues have kicked into the long grass. If we are digitising records, we can ask employers to clarify precisely what is being collected in tips, service charges and gratuities, and what is income. The amendments address exactly that point: they simply propose that an employer should record the different forms of income—with electronic systems that should be a relatively easy thing to do—and an employee would then be able to access that information.

That is important because if someone is self-employed and working in restaurants—my colleagues from north of the border have mentioned people administering their own tax records—they ought to know what their liabilities are. At present, however, someone who is part of a tronc system does not necessarily know what they are being paid in tips, gratuities and service charges. These simple amendments ask the employer to set out precisely the different streams of income, which their computer systems will easily collate for them, so that our tax system acts more efficiently.

If the Minister is not prepared to accept the amendments and acknowledge the need to make progress—we are, after all, talking about the poorest-paid employees in our country—will he commit to asking his ministerial colleagues in BEIS why it is that, 18 months on, when so many people have provided information about how we could solve the problems, nothing has happened? Indeed, I have regularly asked when the consultation results might at least be published, but the answer has always been, “Sometime in the future.” I am sure that the Minister would agree that the people who serve him a cup of coffee in a restaurant deserve better service from us in making sure that they are not exploited.

Amendment 10 relates to an issue that has come up very little in this Committee—we should correct that—namely the Japanese knotweed that is Brexit, which has taken up so much of our time. I appreciate that the Minister will say that the amendment is not needed because he has published a White Paper on how customs and VAT should fit together. However, having read that White Paper, I must draw attention to an omission from it.

I am sure that Government Members will judge me because I have become slightly obsessed with things such as the 13th directive on VAT, and I am sure they would all like to do a pub quiz on it too. Normal VAT rules allow that businesses registered in the UK can recover UK VAT. People understand that: for most businesses, VAT compliance is one of their biggest pieces of work. The issue with the 13th directive, which the amendment addresses, is the question of what happens when businesses trade in Europe. After all, Europe is still the primary market for the vast majority of businesses: 63% of members of the Federation of Small Businesses have said that Europe is their priority market. That means that if a salesman goes to Sweden and stays in a hotel, the hotel might charge VAT and there is no way that that business would be able to deduct Swedish VAT on its UK VAT return. At the moment, however, under the single market procedures, there is a process by which foreign VAT can be recovered directly from the country in which it was incurred.

For those Members who are VAT geeks, that provision is in articles 170 and 171 of Council directive 2006/112/EC, the prime VAT directive. I will, of course, pass that detail on to *Hansard*. The detailed rules are in Council directive 2008/9/EC. That is implemented in our own domestic legislation, in section 39 of the Value Added Tax Act 1994 and regulation 20 of the Value Added Tax Regulations 1995. In practice, that means that each European state is obligated to make a VAT refund. Obviously, there are rules on that, but it works pretty straightforwardly through an online electronic system, which is why it is relevant to the charge under discussion. I can see the Whip wondering where I am going with this, but there is a direct connection.

A similar scheme applies across the EU to businesses that are not established in the EU. That is the 13th VAT directive, which is implemented by section 39(2)(b) of the 1994 Act and is a more complicated system. The amendment is simple. When we leave the EU, we will no longer be able to rely on the simplicity of the intra-country VAT collection scheme that has helped businesses in Britain to trade and provide services, particularly in Europe. We will, therefore, need to move to the 13th directive, or we may move to something else. The customs White Paper, for instance, mentions an “innovative” scheme, but I am pretty sure that other countries, for which the intra-country scheme works well, would not be particularly willing to undertake such innovation. I think they would be happy for us to move to the 13th directive.

I am concerned that there is a lot of evidence that the 13th directive and its administration is not very effective for countries outside the EU. In particular, the 13th directive states that member states must refund VAT to foreign traders. It also states:

“Member states may make the refunds...conditional upon the granting by third states of comparable advantages regarding turnover and taxes.”

One could argue that the Bill’s introduction of an online electronic system provides a comparable advantage, but my amendment asks the simple question being asked by many businesses, including local businesses in my constituency, which are starting to panic about how they will manage their VAT returns in future. How will the proposed electronic scheme fit in with regard to both the current regulations relating to intra-EU VAT refunds and the 13th directive?

Having looked at the Minister’s document, I am concerned that, although it talks a lot about what the UK will do, it does not talk a lot about the 13th directive and what it will mean for British businesses. Page 19 refers to contingency in case there is no deal—of course, we all know that that is a sensitive question for the Cabinet—but what British businesses need to know now is, if they are going to continue to trade in Europe, how they can do that in a cost-effective and red-tape-free way?

One of the more bizarre elements of Brexit is that we seem to be arguing about red tape as though the other side wants more of it, and those of us who wanted to stay in the European Union are bad for wanting less of it. This issue is a great example of that challenge, where being part of the European Union had simplified a process for British businesses. A quarter of FSB members have said that the introduction of any tariff or complication with trading with Europe would put them off trading altogether. We need this Bill to match what is going to happen in future, so that businesses using an online system will not have to change it very quickly as a result of the rules of the 13th directive implemented by other countries making it harder for them to use.

If the Minister will not accept my very simple amendment asking him to set out just how this Bill will impact on the 13th directive, will he commit to discussing with British businesses what the directive might mean for them in terms of VAT compliance and recouping their costs, and what the consequences for them will be in terms of administering the scheme? All small businesses in our constituencies that are looking at that future trading relationship will want to know how much additional paperwork they are going to get, and they deserve an answer.

Peter Dowd: I will to speak to clauses 60 and 61, schedule 14 and clause 62 together, as they represent a package of measures that would introduce powers and regulations surrounding digital reporting and record keeping for both VAT and income tax.

The Opposition’s concerns about the Government’s plans for making tax digital are well-versed. We raised them on Second Reading of the March Finance Bill, before they were dropped, and raised them again in the debate on the Ways and Means resolution for this Bill, as well as on its Second Reading. We fully support digitalised tax reporting, which we can all agree has the potential to drastically reduce the amount of time individuals and business owners will have to spend filling out long and complicated tax returns. We could also free up some of HMRC’s time, so that it is better spent clamping down on tax avoidance.

10.15 am

The benefits of the technological tax-reporting revolution that will happen in the UK in the next decade are not in dispute. What we are debating is the question of when it

will be rolled out and under what circumstances. The Government have already shown that they are willing to listen to the Opposition and others on this important issue. It is clear that the concerns we expressed throughout the general election campaign were heard, and they perhaps helped lead to the Treasury's announcement over the summer that it would delay the introduction of digital reporting of VAT until 2019.

The Minister also announced the delay in when businesses would have to provide quarterly digital records until at least 2020. However, while such things are acknowledged and welcomed, they represent only a short pause in the Government's plans and they do not address the wider problems with the timetable, which many consider to be a little rushed. All the stakeholders to whom we have spoken in the business sector and the tax community over the past few months continue to raise deep concerns about their ability to be ready for digital reporting of VAT, particularly as it will come when Britain will be leaving the European Union.

Owners of small and medium-sized businesses are already worried about the stark changes that they are faced with making in 2019 to prepare for Brexit. They are concerned about the possibility of a no-deal scenario and the overnight effect that would have on costs and supply chains. There is also the potential introduction of tariffs and the impact on staff who are EU citizens. It is not unfair to say that the Government have continuously failed to provide any certainty on those points, so it is little wonder that business confidence is pretty low, notwithstanding the Minister's performance and attempts to push that up.

To further burden businesses with the cost of digital reporting will only make matters worse for many struggling businesses. What is more, few people inside or outside the Government believe that HMRC is actually ready. It feels like the Government believe that making tax digital is some holy grail that will allow HMRC to operate with less funding and fewer resources. In fact, we have seen little to no evidence of how much it will cost to train HMRC staff on the new software. We have yet to receive any reports of the pilots that have been run. To the best of my knowledge, HMRC has the same problems as many of the businesses that will be required to begin digital reporting in 2019. It is a distraction and depletion of the resources that are having to be focused on Brexit.

Those concerns are echoed by tax professionals, such as the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Taxation, which both believe that the current timetable is unrealistic and unworkable for HMRC and the business community. That is why the Opposition propose delaying digital reporting for VAT and income tax to the end of the Parliament in 2022. Hope springs eternal in relation to the date of the next election, I suspect. The delay to digital reporting would give HMRC and small and medium-sized businesses the time they need to prepare adequately and to properly implement new software in their businesses.

If the Government are to stick to their 2019 timetable and ignore our very reasonable request for a delay in the implementation of digital reporting until the end of the Parliament, there must be adequate time to properly test and pilot the software, because that is a key element. So far there is little evidence to suggest that the Government will meet their target to have the software fully tested

and ready to be implemented by 2019, but the Minister may be able to reassure us on that point. He has said that the Treasury aims for a pilot programme to be tested in spring 2018, but if that timetable comes to fruition, it will not give businesses enough time for a full cycle of four quarterly VAT updates to be submitted before April 2019.

I am also aware that HMRC began a small-scale income tax pilot on 3 April 2017. My understanding is that the intention was gradually to increase the number of businesses admitted into the pilot, so that eventually several hundred thousand businesses would be involved. However, that has not happened and the income tax pilot is still operating on an extremely small scale, with fewer than 50 businesses taking part, as I understand it.

The question whether the software will be properly piloted and available to businesses before the implementation date is at the heart of the Opposition's concerns. That is a legitimate operational concern, which is why amendment 40 would require the Chancellor to report on software suitability and testing before giving effect to making tax digital provisions.

Our greatest difference with the Government on digital reporting is the defined need for quarterly reporting. In our manifesto, we made it clear that we would permanently exempt small businesses that were below the VAT threshold from quarterly reporting. We recognise the huge administrative burden that quarterly reporting would place on them, as well as the added cost.

While quarterly reporting may benefit some types of businesses—no one suggests it would not—overall, it is unnecessary and we see no reason why it should be mandatory. That is why amendment 36 would ensure that it remains optional.

Digital reporting, if handled in the correct manner and implemented gradually, has the ability to free up the time of business owners and HMRC. It would change the way people report taxation for decades to come. However, the Government's current timetable risks bringing with it chaos and confusion, unless the concerns of the business community are fully addressed.

It feels as though the Treasury is rushing through these changes because it has already pocketed the revenue that it believes these measures would raise. I hope the Minister takes this point in the spirit it is intended: he would rather invite further burdens, in my view, and add strain to small and medium-sized businesses than acknowledge that delaying making tax digital would add to the growing black hole in public spending. We are not quite sure where that stands at the moment.

Genuinely, and point scoring apart, the Minister needs to recognise that few people believe that the Government's timetable is realistic. Even fewer businesses, both large and small, want the extra and unnecessary burden of quarterly reporting. There has been little in the way of evidence so far that the pilot programmes and software will actually be ready.

Mel Stride: These clauses introduce the requirements for making tax digital for businesses. That is a major step in our journey towards a system in which technology makes it easier for businesses to get their tax right. The majority of businesses, as we have heard, want to get their taxes right but, none the less, make honest and

avoidable mistakes in fulfilling their tax obligations. Not only does that cause them concern and frustration when HMRC intervenes to put it right, but taxpayer error and failure to take reasonable care cost the Exchequer £8 billion a year.

VAT has been online since 2010 and more than 98% of registered businesses already send VAT returns to HMRC in this way; many do it themselves, some use agents to do it for them. Making tax digital will be voluntary for income tax and national insurance contributions for those who fall below the VAT threshold, even if they are registered for VAT. Hon. Members will note that provisions in the Bill relating to income tax—that is, clauses 60 and 61—cannot enter into force until an appointed day order is made by the Treasury. The Government have committed that that will not happen before 2020.

The hon. Member for Bootle very generously welcomed, as did other Members, the timetable changes that I announced in July. The hon. Gentleman suggested that we have not gone far enough. I would point him to the remarks of Mike Cherry, the FSB chairman, who welcomed the delay that I announced in July. He said that it makes “the roll-out of the changes far more manageable for all of the nation’s small firms”.

Many similar comments were made by businesses and organisations representing businesses at that time.

Let me set out in detail a few aspects of the legislation for making tax digital and we can pick up some of the points made by hon. Members. Clause 60 provides the framework for a future extension of making tax digital to income tax and class 4 national insurance. It sets out to whom the rules would apply—broadly, any unincorporated trading business or landlord with turnover of more than £10,000 a year. Clause 60 provides that the regulations made using these powers cannot mandate the provision of information more frequently than once a quarter, so we can be very clear on the frequency issue in the legislation. That output will be generated automatically by software and sent at the press of a button to HMRC. There will be no requirement for businesses to pay income tax or national insurance alongside their final year update.

Clause 61 introduces schedule 14, which makes consequential amendments to the existing income tax administration rules. Clause 62 amends the powers in the VAT Act 1994, enabling HMRC to amend the existing VAT regulations to provide for digital record keeping and information reporting.

The hon. Member for Bootle has suggested a number of amendments to clauses 60 to 62. He also asked several questions relating to those clauses in Committee last week, which I hope to address today. Amendments 33 to 35 would have the effect of delaying making tax digital implementation until 2022 at the earliest. Having consulted widely and received feedback both from external stakeholders and Members, the clear message was that, although digitising tax was a positive step, some had concerns about the scope and pace of change.

As many Members have reflected today, on 13 July we announced significant changes to the scope and timetable for making tax digital, giving 3.5 million businesses more time in which to prepare. Businesses will not now be mandated to join making tax digital until April 2019, and then only to meet the VAT obligations.

Businesses with a turnover below the VAT threshold will be exempt from making tax digital altogether. That change was widely welcomed—as I pointed out, it seems a realistic path to implementation. Trade representative bodies and other stakeholders who previously expressed concerns are now engaging with HMRC to ensure a successful roll-out of the programme. HMRC has already started piloting the changes for income tax, allowing for at least three years of testing on a voluntary basis before mandation.

Changing the timetable further would create uncertainty for businesses and undermine our ability to pilot the changes properly. Digital software is increasingly part of the way that businesses operate; further delay to making tax digital would result in increased divergence between the way that businesses run themselves and the way they do their tax. Making tax digital is about ensuring that businesses get their tax right and helping HMRC to address the £8.7 billion tax gap. We need to balance ensuring that businesses and agents have time to prepare with ensuring that everyone can experience the benefits of doing tax digitally at the earliest opportunity. I am confident that the current timetable strikes the right balance.

The hon. Member for Bootle also tabled an amendment to stipulate that there should be no requirement under MTD for mandatory quarterly updates for VAT. Under our current plans for MTD for VAT, no business will be required to provide updates to HMRC more frequently than they do now. Most already submit VAT returns quarterly and they will provide the same information with the same frequency. The difference is that the updates will be sent to HMRC from digital records.

The hon. Gentleman’s final amendment would require my right hon. Friend the Chancellor to lay a report relating to the software used for MTD before the House. HMRC has begun piloting MTD services and intends to test the system extensively. That pilot will be used to test the range of software products available to businesses. HMRC is working with the software developer industry and others to ensure that products are available to businesses and agents at a range of different price points. As it emerges from the pilots, HMRC will publish information about available software products on gov.uk to enable businesses to choose appropriate products.

The hon. Member for Walthamstow has tabled three amendments to clause 60—I would expect no less than three; it is very modest of her, on this occasion, though I think one amendment was submitted twice—which seek to ensure that businesses record service charges separately for each employee. As the hon. Lady knows and has pointed out, the Department for Business, Energy and Industrial Strategy has consulted on service charges on these matters. The issue is of course very important: I know that she has pursued it for a long time and given an eloquent and lengthy discourse on many of its byways and alleyways. As perhaps was demonstrated by the intervention of my hon. friend the Member for Hitchin and Harpenden, these particular matters are complex. It is the Government’s contention that this is not the right forum in which to start trying to address, tempting though it is, through making tax digital, some of what I accept may be iniquities in the operation of companies’ tips and service charge systems. We have to wait for the results of the BEIS consultation.

10.30 am

Stella Creasy: I am a little surprised, given that we have presented evidence today that tax may be being avoided by using HMRC's E24 guidelines, that the Minister says that we have to wait. We have been waiting 18 months for the consultation even to be published. If he will not accept the amendments today, can he just tell us how long he is prepared to wait and how many people he is prepared to see exploited by the regulations before the Government act?

Mel Stride: I thank the hon. Lady for what is a slightly loaded question, if I may say so. I am certainly not prepared to wait for abuses of any kind, but I am prepared to wait, and it is right to wait, for a deep and considered consultation, as opposed to a short debate in the context of the Finance Bill. That is the critical point to bear in mind on this matter.

The clauses before us provide for making tax digital for business. That concerns the way in which businesses record and report their tax liabilities. The hon. Lady made some powerful points about the treatment of service charges, but I believe that they would be better pursued through the Department for Business, Energy and Industrial Strategy. It has responsibility for this area and is best placed to ensure that tips, gratuities and service charges are treated in line with the principles of clarity and transparency set out in its recent consultation. Dealing with the matter through legislation on digital taxation would risk missing crucial elements for employees or businesses that have been captured in the submissions to the consultation.

Ruth George: Bearing in mind that national minimum wage legislation can be implemented by BEIS only on an individual basis, when an individual complains, and such cases can be settled only on an individual basis, does the Minister not agree that a wider remit than that of BEIS will be required to tackle substantive abuses that go across whole workforces, as described by my hon. Friend the Member for Walthamstow?

Mel Stride: The hon. Lady raises an extremely important matter, which is those employers who do not adhere to the requirements of the national minimum wage. HMRC and the Treasury take that extremely seriously, and we have mechanisms in place, as she may know, for reporting instances of that where they occur. I can assure her that the Treasury is the Ministry directly responsible for strategic oversight of HMRC and that HMRC takes any abuse of the national minimum wage requirements and regulations in this country extremely seriously, and pursues and brings to book those who commit abuses.

Stella Creasy: Will the Minister therefore commit today to investigating the use of the E24 guidelines and the tronc schemes, to which we have referred? He may not accept our wider point about protecting people and the tips that they have rightly earned, but HMRC's E24 guidelines fall directly within his remit, and it is precisely that scheme that we are worried employers are abusing, so will he commit today, given that he has just explained to my hon. Friend the Member for High Peak that he cares very much about this matter, to an

investigation and to publishing the results, so that we can all be confident that no one is being exploited in that way?

Mel Stride: HMRC can already investigate when it suspects the kind of abuse to which the hon. Lady alludes. To be specific, if HMRC opens an inquiry into whether PAYE or NICs are being operated correctly, it will be able to ask the employer or the troncmaster how they have recorded service charges and tips and how those have been allocated, and trace them back even to which customers paid for them. The tools are there, the willingness is there and the evidence is there that HMRC is doing precisely what the hon. Lady would expect it to do in pursuing this matter.

Stella Creasy: Just so that we are all clear, because I can see that Government Members are also concerned that there may be abuse of the E24 guidelines—this is not about individual companies—will the Minister commit today to his officials doing an investigation on whether the E24 guidelines are being abused in the way that has been described and to reporting back to all of us in the House?

Mel Stride: As I just said to the hon. Lady, we can say in relation to any aspect of HMRC's operation or any of the rules that it is there to clamp down on that we want regular reporting and all the rest of it. The point is that as a Ministry, the Treasury is there to have strategic oversight of HMRC and to ensure that it is behaving in an appropriate way and chasing down tax avoidance, evasion and non-compliance in whatever form they may appear, including the forms that she has raised. We will continue to do just that.

Ruth George: Bearing in mind that individuals have to raise a complaint in order to secure an investigation by HMRC compliance, and that the workers we are talking about are some of the most vulnerable and most susceptible to exploitation, immediate dismissal or changes to their terms and conditions because they are often not in the workplace for a substantial length of time, does the Minister agree that it would be helpful if HMRC were able proactively to investigate these schemes, rather than having to wait for individual vulnerable employees to put themselves at risk by raising a complaint?

Mel Stride: The hon. Lady overlooks the fact that it is often possible for those who wish to complain to do so anonymously through their trade union or other representatives. That is what happens in many cases. HMRC does not have to rely on a specific complaint to conduct an investigation. It may have suspicions of its own for a variety of reasons. I do not think that we are in a position where people are unable to come forward, as she suggests.

The hon. Member for Aberdeen North has tabled two amendments that seek to review the impact of MTD on specific groups. I recognise her concerns, but the Government have been clear from the outset that businesses that are unable to go digital will not be required to do so.

If you will indulge me, Mr Howarth, it is worth looking at some of the detail of the Bill at this point. The hon. Lady has raised a very important point about

potential digital exclusion. Clause 60 covers exemptions, as I am sure she is aware. New sub-paragraph (4) of paragraph 14 of schedule A1 states:

“The digital exclusion condition is met”—

for those who would not be required to put in their returns digitally—

“in relation to a person or partner if...for any reason (including age, disability or location)”—

the hon. Lady rightly raised rural localities—

“it is not reasonably practicable”—

that is not the same as completely impossible—

“for the person or partner to use electronic communications or to keep electronic records”.

I think that is a well-crafted clause to catch the kind of circumstances about which the hon. Lady and I are concerned.

Kirsty Blackman: The concern raised by the hon. Member for High Peak was about intermittency. The issue is not about people who do not have access to the internet at all, but those who have only intermittent access. The clause may not be lenient enough for them to make a case for not having digital access. Does the Minister have a view on that?

Mel Stride: I thank the hon. Lady for her further point. I guess it comes down to interpretation. It seems to me that if it is not reasonably practical for a person or company to use electronic communications, the reliability of the service—another way of describing the point she raised—would be an important part of the judgment that would be made.

The clause continues with “Further exemptions”. Proposed new paragraph 15(1) states:

“The Commissioners may by regulations make provision for further exemptions.”

New paragraph 15(1) states:

“The exemptions for which provision may be made include exemptions based on income or other financial criteria.”

There is therefore a recognition in the Bill that not only do we need to get it right for the current circumstances, but we need the flexibility to be ready for any circumstances that might present themselves and which we have not considered at this stage. Those would need to be addressed further down the line.

For those who can go digital but require additional assistance, HMRC will continue to provide a diverse range of digital support, including webinars, helplines and YouTube videos, to help them meet the requirements of making tax digital.

The hon. Member for Aberdeen North also seeks to provide for a phased implementation period, with the commencement of each new stage requiring approval by the House. We have already revised the implementation to start with businesses that report quarterly, and stakeholders are operating on the basis of the new timeline. We are phasing in the implementation by piloting the changes and by starting with mandation only for VAT and those above the VAT threshold. The secondary legislation required to lay out the detailed operation of MTD will be laid before the House in due course, offering Members a further opportunity to scrutinise our plans and consider our proposals.

The hon. Member for Walthamstow has tabled an amendment to require HMRC to publish an assessment of the effect of our exit from the European Union on MTD for VAT for small businesses. HMRC wants to

give businesses plenty of time to adapt to MTD and is allowing for a full year of piloting the changes before mandation applies and before the UK leaves the European Union. If businesses wish to begin keeping their records digitally before we leave the EU, they will be able to do so.

The hon. Lady raised specific issues in respect of VAT and the 13th directive. The Government do not consider there to be an MTD issue here. MTD is about how records are kept and reported, rather than the nature of the VAT regime itself. The regulations will be consistent with the requirements of the 13th VAT directive, but if she has specific concerns, HMRC will be happy to look into them.

Stella Creasy: I am happy to clarify. At the moment, the intra-country VAT scheme is administered online, which makes it relatively simple for people in the UK to reclaim VAT they have incurred in other countries. As we know, the 13th directive requires every single other country to come up with its own VAT scheme, so there is a question about the compliance of different schemes with our scheme. If we have a digitised system, it needs to be able to interact with 27 other countries’ VAT schemes, rather than one EU-wide scheme. Has the Minister’s Department done any work on how the other 27 schemes will interact with our online scheme, so that businesses can be assured of the frictionless transfer that his Government so often promise on these issues?

Mel Stride: The hon. Lady raises a very specific point within what is a large set of negotiations on all the issues of customs, excise and VAT. She will be aware that a customs and excise Bill will be presented to Parliament fairly shortly.

Stella Creasy: I have looked at the Minister’s White Paper, and it does not mention the 13th directive at all. If he could clarify that a second White Paper will address this issue with the 13th directive, I am sure that many small businesses would be relieved.

Mel Stride: As I am sure the hon. Lady knows, the White Paper sets out that the Bill will be a framework Bill. The purpose of the Bill will be to ensure we can enact through legislation—largely secondary legislation—whatever arrangements we arrive at as a consequence of the negotiations we are in the middle of. It is not my position here today to prejudice exactly where we will end up on VAT, but I can reassure the hon. Lady that all the preparations and legislation will be in place to accommodate in as frictionless a manner as possible—as she rightly says—the exercise of VAT between ourselves and our former European partners, as well as customs at the borders and all the other important issues that will arise once we leave the European Union.

Stella Creasy: The Minister is being incredibly generous. I hope he will forgive me; sometimes I must feel like a bear of very little brain on these issues. The 13th directive is the manner by which EU countries deal with non-EU countries’ VAT claims. It is an immovable part of the post-Brexit landscape, as I am sure the Minister agrees. Can he clarify that it is the 13th directive that his Department is engaging with? He said that the White Paper was a framework document. Will the customs union legislation deal with the 13th directive, or does he

[Stella Creasy]

think there will somehow be a completely different scheme? I know that the White Paper talks about innovation, but it seems a bit pie in the sky to suggest that the 13th directive will not be part of this. Why is he not talking about it?

10.45 am

Mel Stride: I refer the hon. Lady to my last reply: the customs Bill is not there to map out every single eventuality as to how VAT will be handled, what rules and regulations we may or may not operate with under World Trade Organisation rules or what agreement we will have with the EU on all the issues, including those she has raised, or otherwise. It will be a framework Bill that will ensure that we are in a position promptly and effectively to bring in whatever measures we need to move forward in the orderly manner she referred to. On that note, I think we have given her amendments a thorough examination.

The Government's ambition is for the UK to be the best place in the world to start and grow a business, and for HMRC to be one of the most digitally advanced tax administrations in the world. Making tax digital will be a major step forward in the way that businesses conduct their record keeping and interact with HMRC. I commend the clauses to the Committee.

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 10.

Division No. 8]

AYES

Blackman, Kirsty Linden, David

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Amendment proposed: 8, in clause 60, page 75, line 7, at end insert—

“(1B) Regulations under sub-paragraph (1) must in particular require a person or partnership to maintain separate records in respect of each employee and in respect of any prescribed time period of service charges received and to make those records available in a prescribed manner.

(1C) In sub-paragraph (1B), ‘prescribed’ means prescribed by regulations.”—(*Stella Creasy.*)

This amendment imposes a duty on HMRC to require separate records of service charges to be kept in respect of each employee and in respect of prescribed period to be made available in a prescribed manner.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 9]

AYES

Blackman, Kirsty	Hopkins, Kelvin
Creasy, Stella	Lee, Ms Karen
Dodds, Anneliese	Linden, David
Dowd, Peter	Smith, Jeff
George, Ruth	

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Amendment proposed: 33, in clause 60, page 78, line 19, after “day”, insert

“no earlier than 1 January 2022”.—(*Peter Dowd.*)

This amendment provides that the provisions for digital reporting in Clause 60 may not be brought into force before 2022.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 10]

AYES

Blackman, Kirsty	Hopkins, Kelvin
Creasy, Stella	Lee, Ms Karen
Dodds, Anneliese	Linden, David
Dowd, Peter	Smith, Jeff
George, Ruth	

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Amendment proposed: 40, in clause 60, page 78, line 20, at end insert—

“(4A) No regulations may be made under subsection (4) until after 90 days after the Chancellor of the Exchequer has laid a report before the House of Commons which sets out—

- the steps which HMRC has undertaken to establish that suitable software is available;
- the results of the testing by HMRC and others of that software; and
- the reasons why mandatory use of the software is in the interest of HMRC and taxpayers.”—(*Peter Dowd.*)

This amendment would require the Chancellor of the Exchequer to report on software suitability and testing before giving effect to the provisions of Clause 60.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 11]

AYES

Blackman, Kirsty	Hopkins, Kelvin
Creasy, Stella	Lee, Ms Karen
Dodds, Anneliese	Linden, David
Dowd, Peter	Smith, Jeff
George, Ruth	

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Clause 60 ordered to stand part of the Bill.

Clause 61 ordered to stand part of the Bill.

Schedule 14 agreed to.

Clause 62

DIGITAL REPORTING AND RECORD-KEEPING FOR VAT

Amendment proposed: 36, in clause 62, page 79, line 19, at end insert—

“(6A) Regulations under sub-paragraph (5) may not impose mandatory requirements for businesses to generate quarterly updates.”—(*Peter Dowd.*)

This amendment provides that any system for quarterly updates to be generated must not be mandatory.

Question put, That the amendment be made.

The Committee divided: Ayes 7, Noes 10.

Division No. 12]**AYES**

Creasy, Stella	Hopkins, Kelvin
Dodds, Anneliese	Lee, Ms Karen
Dowd, Peter	Smith, Jeff
George, Ruth	

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Amendment proposed: 10, in clause 62, page 80, line 13, at end insert—

“(12) Before making regulations under sub-paragraph (5) and in any case within three months of the passing of the Finance (No. 2) Act 2017, the Commissioners shall lay before the House of Commons an assessment on the effects on compliance with the requirements of those regulations by small businesses of the United Kingdom’s withdrawal from the European Union.”—(*Stella Creasy.*)

This amendment requires HMRC to publish an assessment of the effects on electronic VAT records requirements for small business of the UK’s withdrawal from the EU.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 13]**AYES**

Blackman, Kirsty	Hopkins, Kelvin
Creasy, Stella	Lee, Ms Karen
Dodds, Anneliese	Linden, David
Dowd, Peter	Smith, Jeff
George, Ruth	

NOES

Afolami, Bim	Hughes, Eddie
Burghart, Alex	Maclean, Rachel
Cleverly, James	O'Brien, Neil
Fernandes, Suella	Stride, rh Mel
Ghani, Ms Nusrat	Stuart, Graham

Question accordingly negated.

Clause 62 ordered to stand part of the Bill.

Clause 63 ordered to stand part of the Bill.

Schedule 15 agreed to.

Clause 64 ordered to stand part of the Bill.

Clause 65

PENALTIES FOR ENABLERS OF DEFEATED TAX AVOIDANCE

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

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

Amendment 41, in schedule 16, page 609, line 4, leave out “may” and insert “must”.

This amendment would remove HMRC’s discretion over whether to publish information on people have incurred a penalty and the conditions of paragraph 46 have been met.

Amendment 42, in schedule 16, page 611, line 27, at end insert—

“Duty to publish information on operation of penalty regime

51A (1) The Commissioners must publish information about the operation of the penalty scheme in relation to each tax year within six months of the completion of that tax year.

(2) Such information shall cover in particular—

- the nature of the abusive tax arrangements giving rise to penalties,
- the extent to which such arrangements relate to offshore income, assets and activities,
- the extent to which people who would otherwise have been liable for a penalty under these provisions were not liable due to being convicted of a criminal offence in accordance with paragraph 52.”

This amendment would broaden the requirement for HMRC to publish information on penalties to cover the nature of the abusive tax arrangements, the extent to which they involve offshoring and the instances where successful criminal prosecution is used instead.

That schedule 16 be the Sixteenth schedule to the Bill.

Mel Stride: Clause 65 and schedule 16 introduce a new penalty for any person who enables the use of tax avoidance arrangements that are later defeated by HMRC. Currently, tax avoiders face significant financial costs when HMRC defeats them, but those who enable them bear little risk; they gain financially while their clients foot the bill. The purpose of the penalty is to deter people from enabling tax avoidance arrangements, reducing the number of schemes on the market.

Enablers of tax avoidance arrangements will now face penalties of 100% of the fees that they earned from the failed avoidance. The measures ensure that there are powers to tackle the full supply chain of avoidance arrangements. The penalty is designed to have a behavioural impact on the minority who continue to supply abusive avoidance arrangements, while ensuring that the vast majority of professionals who advise on genuine commercial arrangements are not affected. The measures are targeted carefully to capture abusive arrangements that no reasonable person could consider to be a reasonable course of action, and only those enablers who knowingly enable such arrangements that are later defeated.

The measure was developed after extensive consultation last year with representative bodies and large accountancy and law firms. Following the publication of draft legislation in December 2016, HMRC held a significant number of meetings with stakeholders to help refine the technical detail of the legislation. That engagement has been constructive, and stakeholders have welcomed HMRC’s collaborative approach, acknowledging that many of their concerns have been addressed.

[Mel Stride]

For too long, those who enable tax avoiders have been able to gain financially from schemes, knowing that they face little sanction when their scheme is defeated. It is time that that is put right.

11 am

Anneliese Dodds: As the Minister has helpfully set out, the measures will introduce new penalties for tax avoidance enablers. Specifically, penalties charged will be equal to the amount of consideration received or receivable by the enabler for their role in enabling the tax avoidance arrangements that were defeated.

Our amendments 41 and 42 would require the publication of information about how the new scheme will operate. Specifically, we think it is necessary for lawmakers, the public and others to be aware of who is being penalised through these new tax measures; the nature of the abusive tax arrangements that have been uncovered and dealt with; the extent to which they apply to offshore income, assets and activities; and the extent to which successful criminal prosecution is used rather than this penalty.

We think that that information is necessary because we are concerned that, although it is a welcome step, this measure is potentially insufficient. We are concerned that the Minister's aspirations for this measure to have a behavioural impact might not be realised, and that concern relates specifically to the extent of the penalty.

As I have said, the penalties charged will be equal to the amount of consideration received or receivable by the enabler for their role in enabling the tax avoidance. Therefore, in effect, they will be required to pay back merely the payment they received for the inappropriate arrangement in the first place. That payment might not even cover HMRC's costs of investigation and recovery.

As I understand it, penalties have been reduced after consultation, which is regrettable. Given that this is the Finance Bill, we cannot suggest that those penalties should be restored to a level that would cover HMRC's costs—that would be inadmissible. None the less, we can ask for the information that we will require to assess whether this regime is watertight and driving the behavioural change suggested by the Minister.

Ruth George: Does my hon. Friend think that the clause provides HMRC with any impetus to investigate such schemes at an early stage? At that point, very little tax may be recoverable, resulting in a smaller penalty. That would create a perverse incentive to delay investigations until greater charges can be levied in order to cover HMRC's costs. I would hope that the Minister would want to incentivise the early investigation of such schemes.

Anneliese Dodds: My hon. Friend makes a good point about the potential perverse incentives created by focusing uniquely on HMRC receiving payment from the client for the creation of such schemes and the enrolling of individuals and firms on to them, rather than on the activity of creating those schemes in the first place and, above all, on HMRC's costs as a result of investigating them.

All of us, as Members of Parliament, are well aware of the kinds of schemes under discussion. It was interesting to hear the Minister mention the principle of eliminating

those schemes that no reasonable person would think should be followed by taxpayers. We have voluminous evidence that that is not currently the case. We need only look at some of the flow charts produced and revealed during the Lux and Panama leaks to be aware that there clearly is an industry in creating such tax avoidance schemes.

We need very tough measures against those schemes. Given that they could be costing the Exchequer dearly, we feel it is appropriate to have a greater amount of information about the measures and, in particular, to compel HMRC and the Government to publish that information in full so that we can assess their efficacy.

Mel Stride: I make clear the Government's total commitment to clamping down on tax avoidance. We have brought in £160 billion since 2010 by clamping down on avoidance, evasion and non-compliance. We have already introduced legislation that clamps down on those who generate abusive schemes, and the Bill seeks to catch up with those who have benefited or who expect to benefit from such schemes. That leaves us to deal with the enablers in the centre of the equation.

The hon. Member for Oxford East raised the issue of naming. The Bill will allow the flexibility to name those who have been enabling these schemes. We believe that a proportionality test should be applied to take account of how significant and widespread the abuse has been, but if a very serious level of abuse has occurred, there is provision for the individuals, partnership or company concerned to be named in the way she described.

The hon. Member for High Peak is entirely correct that HMRC should be encouraged to address these cases early, rather than letting them run on. The clause seeks not only to ensure that we can catch up with these things quickly, but to prevent them from happening in the first place. It is about behavioural change, which is so important. We have seen a lot of evidence that many of these schemes are beginning to close down because we are sending the right signals and getting tough and serious about it.

Anneliese Dodds: I am concerned about incentives. HMRC is not being given specific additional resources, and some of the investigations may be quite detailed. As my hon. Friend the Member for High Peak asks, where is the incentive to crack down on the schemes early? The funds receivable may be very small because the schemes are unlikely to be used by a large number of taxpayers. I am concerned that we may be making it difficult for HMRC to take action, because the Bill does not include a requirement to cover its costs.

Mel Stride: The incentive for HMRC and for the Government is to squeeze the tax gap and minimise the number of people avoiding tax. If we do not get on with clamping down on those individuals and companies in a timely fashion, we will make things worse right across the piece and generate less tax as a consequence. We have a clear incentive to ensure that these measures bite at the earliest opportunity. It is about changing behaviour. The very best approach to tax avoidance is to ensure that it does not happen in the first place.

Question put and agreed to.

Clause 65 accordingly ordered to stand part of the Bill.

Schedule 16**PENALTIES FOR ENABLERS OF DEFEATED TAX AVOIDANCE**

Amendment proposed: 41, in schedule 16, page 609, line 4, leave out “may” and insert “must”.—(*Anneliese Dodds.*)

This amendment would remove HMRC’s discretion over whether to publish information on people have incurred a penalty and the conditions of paragraph 46 have been met.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 14]**AYES**

Blackman, Kirsty
Creasy, Stella
Dodds, Anneliese
Dowd, Peter
George, Ruth

Hopkins, Kelvin
Lee, Ms Karen
Linden, David
Smith, Jeff

NOES

Afolami, Bim
Burghart, Alex
Cleverly, James
Fernandes, Suella
Ghani, Ms Nusrat

Hughes, Eddie
Maclean, Rachel
O’Brien, Neil
Stride, rh Mel
Stuart, Graham

Question accordingly negated.

Amendment proposed: 42, in schedule 16, page 611, line 27, at end insert—

“Duty to publish information on operation of penalty regime

51A (1) The Commissioners must publish information about the operation of the penalty scheme in relation to each tax year within six months of the completion of that tax year.

(2) Such information shall cover in particular—

- (a) the nature of the abusive tax arrangements giving rise to penalties,
- (b) the extent to which such arrangements relate to offshore income, assets and activities,

- (c) the extent to which people who would otherwise have been liable for a penalty under these provisions were not liable due to being convicted of a criminal offence in accordance with paragraph 52.”—
(*Anneliese Dodds.*)

This amendment would broaden the requirement for HMRC to publish information on penalties to cover the nature of the abusive tax arrangements, the extent to which they involve offshoring and the instances where successful criminal prosecution is used instead.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 10.

Division No. 15]**AYES**

Blackman, Kirsty
Creasy, Stella
Dodds, Anneliese
Dowd, Peter
George, Ruth

Hopkins, Kelvin
Lee, Ms Karen
Linden, David
Smith, Jeff

NOES

Afolami, Bim
Burghart, Alex
Cleverly, James
Fernandes, Suella
Ghani, Ms Nusrat

Hughes, Eddie
Maclean, Rachel
O’Brien, Neil
Stride, rh Mel
Stuart, Graham

Question accordingly negated.

Schedule 16 agreed to.

Clause 66 ordered to stand part of the Bill.

Schedule 17 agreed to.

Clause 67 ordered to stand part of the Bill.

Schedule 18 agreed to.

Clause 68 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(*Graham Stuart.*)

11.13 am

Adjourned till this day at Two o’clock.

