

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT DOUBLE TAXATION RELIEF AND  
INTERNATIONAL TAX ENFORCEMENT  
(COLOMBIA) ORDER 2017

DRAFT DOUBLE TAXATION RELIEF AND  
INTERNATIONAL TAX ENFORCEMENT  
(LESOTHO) ORDER 2017

*Wednesday 10 January 2018*

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**Sunday 14 January 2018**

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**The Committee consisted of the following Members:***Chair:* MR ADRIAN BAILEY

† Chishti, Rehman ( <i>Gillingham and Rainham</i> ) (Con)	† Siddiq, Tulip ( <i>Hampstead and Kilburn</i> ) (Lab)
† Crabb, Stephen ( <i>Preseli Pembrokeshire</i> ) (Con)	† Smith, Jeff ( <i>Manchester, Withington</i> ) (Lab)
† Dodds, Anneliese ( <i>Oxford East</i> ) (Lab/Co-op)	† Smith, Royston ( <i>Southampton, Itchen</i> ) (Con)
† Francois, Mr Mark ( <i>Rayleigh and Wickford</i> ) (Con)	† Spellar, John ( <i>Warley</i> ) (Lab)
† Hoey, Kate ( <i>Vauxhall</i> ) (Lab)	† Stride, Mel ( <i>Financial Secretary to the Treasury</i> )
† Keegan, Gillian ( <i>Chichester</i> ) (Con)	† Whittaker, Craig ( <i>Lord Commissioner of Her Majesty's Treasury</i> )
† Kwarteng, Kwasi ( <i>Spelthorne</i> ) (Con)	
† Lee, Ms Karen ( <i>Lincoln</i> ) (Lab)	Gail Bartlett, Rob Cope, <i>Committee Clerks</i>
† Linden, David ( <i>Glasgow East</i> ) (SNP)	
† Lord, Mr Jonathan ( <i>Woking</i> ) (Con)	
† McCabe, Steve ( <i>Birmingham, Selly Oak</i> ) (Lab)	† <b>attended the Committee</b>

**The following also attended (Standing Order No. 118(2)):**

Milling, Amanda ( <i>Cannock Chase</i> ) (Con)	Morton, Wendy ( <i>Aldridge-Brownhills</i> ) (Con)
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# Third Delegated Legislation Committee

Wednesday 10 January 2018

[MR ADRIAN BAILEY *in the Chair*]

## Draft Double Taxation Relief and International Tax Enforcement (Colombia) Order 2017

2.30 pm

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

That the Committee has considered the draft Double Taxation Relief and International Tax Enforcement (Colombia) Order 2017.

**The Chair:** With this it will be convenient to consider the draft Double Taxation Relief and International Tax Enforcement (Lesotho) Order 2017.

**Mel Stride:** It is a great pleasure to serve under your chairmanship, Mr Bailey.

The draft orders will give effect to two new double taxation agreements: one with Colombia and one with Lesotho. Double taxation agreements remove barriers to international trade and investment and provide a clear and fair framework for taxing businesses that trade across borders. By doing so, they benefit both business and the economies of the countries that sign up to them.

The double taxation agreement with Colombia is an important new agreement for the United Kingdom. It is our first ever double taxation agreement with Colombia, a country with which we have close and strengthening ties. It should also set a helpful precedent for future negotiations with other countries across Latin America.

The agreement represents a good deal for UK businesses and individuals with interests in Colombia. We have secured important reductions in, and exemptions from, taxes on dividends and interests, most notably a complete exemption from Colombian tax on dividends and interest paid to UK pension funds and interest on certain loans made by UK banks. The agreement also contains the most up-to-date provisions to guard against treaty abuse, based on international best practice, the latest OECD exchange of information article, and a provision for mutual assistance in the collection of tax debts. These features strengthen both countries' defences against tax avoidance and evasion.

The agreement with Lesotho improves on our existing double taxation agreement. It updates the exchange of information article to the latest OECD standard and includes, for the first time, a provision for mutual assistance in the collection of tax debts and mandatory binding arbitration processes and procedures for resolving tax disputes. These features will help both countries to combat tax avoidance and evasion, as well as providing greater certainty for business.

The agreement also includes a marked improvement on the taxation of services. A provision in a previous agreement allowed Lesotho to tax the gross value of services provided by UK residents without their setting foot in Lesotho. Under the new agreement, Lesotho will tax only services that are actually provided in Lesotho by someone who is present for more than 183 days within a 12-month period, and only the net profit will be taxed. This is much more in line with established international principles. Because such taxes act as a barrier to investment, the lower rates of withholding tax for dividends and royalties in the new agreement are also very welcome. They will benefit the economies of both countries.

In summary, these are agreements that the UK, Colombia and Lesotho can be happy with. They will provide a stable framework in which trade and investment between the United Kingdom and Colombia and Lesotho can continue to flourish. I commend the draft orders to the Committee.

2.33 pm

**David Linden** (Glasgow East) (SNP): This is the third Delegated Legislation Committee that I have attended since I was elected in June, so I am conscious that sittings of such Committees tend not to go on for too long. I certainly do not plan to detain the Committee for long, but I want to address the transparency of double taxation treaties. I thank ActionAid for providing me with a briefing on the matter, following on from its good work and good relationship with my friend Roger Mullin, the former Member for Kirkcaldy and Cowdenbeath. His private Member's Bill of 2016, the Double Taxation Treaties (Developing Countries) Bill, was not successful at the time, but I am certainly keen to pick up the mantle.

I have a number of questions for the Minister; I appreciate that he might not be able to answer them all now, but I would be grateful if he followed up in writing, or perhaps in a meeting. First, why did the UK Government decide to open negotiations for new tax treaties with Lesotho and Columbia? Crucially, who was consulted in those negotiations? What were the views of businesses, civil society, non-governmental or other organisations and the Department for International Development? Finally, before orders relating to tax treaties come before Delegated Legislation Committees, are the Government willing to publish the specific objectives that they seek to achieve in those treaties? Certainly, that would allow us, as Members of Parliament, properly to scrutinise the objectives set by the Government and whether the tax treaty presented to the Committee successfully meets those objectives. I appreciate that the Minister may not be able to answer all those questions at the moment, so I would be grateful if he committed to meet me and ActionAid to pursue those points further.

2.35 pm

**Steve McCabe** (Birmingham, Selly Oak) (Lab): I am conscious that it is not common for Members to queue up to take part in Delegated Legislation Committees. I am genuinely pleased to be able to make a contribution to the Committee, because I believe that the significance of the UK's network of bilateral tax treaties is far greater than the level of transparency and scrutiny afforded to it under the system of negotiation, renegotiation and ratification.

There are two major issues surrounding bilateral tax treaties. First, there is the question of tax treaties that enable companies to route money through tax havens such as Crown dependencies. That can come at a particularly high cost to the revenue raising capacity of Governments in poorer countries. Only a few years ago, ActionAid revealed how Deloitte was advising prospective clients in western and Chinese companies with an interest in Africa on how they could route their investment through Mauritius, a known tax haven. Perhaps not surprisingly, Mauritius has tax treaties with both the UK and Lesotho, so it is possible—if not highly likely—that UK companies investing in Lesotho are avoiding tax through such a route.

Secondly, many of these treaties are restrictive and cost lower-income countries billions of pounds each year that could be used to improve public services and alleviate poverty. For the purpose of the Committee, I want to concentrate on the treaty with Lesotho, one of the world's poorest countries. It is regularly argued that such treaties boost economic development, but the World Bank has argued that there is very little conclusive evidence that tax treaties between OECD countries and low-income countries actually do so. My right hon. Friend the Member for Barking (Dame Margaret Hodge) writes in her excellent book "Called to Account", that Angel Gurría, the secretary-general of the OECD, said in 2008:

"Developing countries are estimated to lose to tax havens almost three times what they get from developed countries in aid."

He also said:

"poor countries could eliminate hunger in just one decade with less than a third of the money they lose to tax avoidance by big corporations".

In 2014, the International Monetary Fund reported:

"the use of tax treaty networks to reduce...payments...is a major issue for many developing countries, which would be well-advised to sign treaties only with considerable caution."

Britain has a large network of bilateral tax treaties both with low-income countries and tax havens. Analysis by Martin Hearson, a leading authority on the subject, found that the UK has the joint highest number of highly restrictive treaties with lower-income Asian and sub-Saharan African countries across the world. Ironically, we send a substantial amount of aid to those countries. Last year, DFID was responsible for delivering nearly £6 million of British taxpayers' money in aid to Lesotho, yet we are signing a treaty that will actually deprive that country of corporation tax to which it is entitled.

I said that I was grateful for the opportunity to contribute, because this is one of the few opportunities for any kind of parliamentary scrutiny of a treaty of this nature—a treaty that the Government have already concluded. I am aware that there is a power for referring such treaties to the Floor of the House, but I understand that that has not been done since 1984. For most of us, this Committee is what passes for scrutiny. There is scant information on the reasons for this treaty in the explanatory notes or in the presentation we have just heard from the Minister. The Government do not publish their reasons for negotiating or renegotiating treaties. We do not appear to have any analysis of the expected impact of the treaty on investment or tax revenue. Perhaps the Minister will enlighten us.

The House of Commons Library conducted a comparative analysis of the approaches of a number of countries to such treaties. Many countries establish specialist committees to scrutinise them. In other countries, treaties are scrutinised by both Houses or Assemblies. Here, it is done by a Delegated Legislation Committee. In Canada, parliamentarians have a formal opportunity to review such treaties before they become binding. In Australia, there is a national interest analysis and formal hearings to approve treaties. In the United States, the Department of the Treasury produces a technical explanation of the agreement. We should compare that with the information before us today as we consider these treaties.

Is the Minister willing to consider that the Government should at least publish the specific objectives they are seeking to achieve before future tax treaties come before a Delegated Legislation Committee? Will he tell us the rationale for opening negotiations on these treaties? Is it not the case that if the Lesotho treaty did not exist, Lesotho would be free to charge the diamond companies and others a 25% withholding tax, rather than one of 5%? Why are the rates of the withholding tax in this treaty so low? It seems like Robin Hood in reverse.

Will the Minister say something about the binding arbitration clause in the treaty? I recall that kind of thing being a source of some concern to people in this country during the Transatlantic Trade and Investment Partnership negotiations. Am I right in thinking that this is the first UK tax treaty with a low or middle-income country to include a binding arbitration clause? What safeguards exist to ensure that large corporations do not use it to threaten Lesotho so that it does not try to challenge blatant tax avoidance? Have any British companies made representations to the Government for a binding arbitration clause to be included in the treaty?

Why is it so difficult to obtain information about the likely effect of the treaty? The EU produced detailed sustainability impact assessments that analyse the potential economic, social, human rights and environmental impacts of all trade deals. Why can a similar framework not be adopted for treaties such as these? As well as the treaties before us today, two more will be considered next week. I understand that there are treaties pending for Malawi, Nepal, Trinidad and Tobago and Uzbekistan. Will the Minister confirm whether all the existing tax treaties with EU countries will have to be renegotiated as part of the Brexit process? Surely we need a much better parliamentary process that involves full and proper scrutiny and provides evidence that such treaties are fair and in keeping with the values and traditions of our country.

I hope that my hon. Friend the Member for Oxford East shares my view about the inadequacy of the process and that she might consider testing the will of the Committee on the Lesotho treaty so that, at the very least, we can make our concerns crystal clear.

2.44 pm

**Anneliese Dodds** (Oxford East) (Lab/Co-op): It is a pleasure, Mr Bailey, to serve with you in the Chair. It is also a pleasure to sit across from the Minister for the third time this week, with more to come tomorrow during the consideration of the Finance Bill.

[Anneliese Dodds]

I do not want to repeat much of what has already been said, but I share the concerns that have been articulated by my hon. Friend the Member for Birmingham, Selly Oak and the hon. Member for Glasgow East. We need to be clear, particularly when we talk about the treaty with Lesotho, that there is an extreme power imbalance between the UK and that country.

Many of us have heard of Lesotho because it is the only country—at least, the only one that I know of—whose people seek not to have some form of self-determination. Indeed, many people in Lesotho want it to join with South Africa, because of the enormous pressures on its public services and the small amount of finance that it has to deal with its terrible AIDS epidemic; I am sure that colleagues know that around a quarter of people in Lesotho of working age are infected with HIV/AIDS. Life expectancy in Lesotho is just 54, which means there are more pressures on public services and public service financing in Lesotho than in many other countries.

In that regard, it is important that we take our responsibilities as parliamentarians very seriously when we scrutinise such deals. In particular, it is important that we assure ourselves that this treaty is in line with the policy coherence for development principles, which state that in every area we must ensure we do not legislate in such a way as to deviate from our international development commitments.

That is significant for the UK, because we are Lesotho's largest single source of foreign direct investment. The total amount of FDI in Lesotho is \$51 million and the British contribution is \$17 million. That might seem like small beer to some of us, given the kinds of figures that we normally look at in British Budgets; for example, it is about a sixth of the cost of the building of the new hospital in Northumbria. However, the UK FDI is more than half of the total Lesotho Government spending commitment for 2018. So, what we, as parliamentarians, do in relation to the tax that our citizens and our companies make it possible to collect in Lesotho is enormously important for that country's economy.

There are a number of questions that we really need answers to, and I am not willing to wait for those answers. We need them now, and if we do not receive them, I do not think that we can accept the treaty. First, have the Government assured themselves, or otherwise, that this treaty coheres with our development policies? In particular, are we enabling lower-income countries to become more self-sustaining?

I understand that in 2016, when Jane Ellison was an MP and the Financial Secretary to the Treasury, she reiterated the Government's commitment to align our tax treaties with our wider developmental policies. May we please hear today which assessments of this treaty the Government have undertaken to consider its potential impact on governmental revenues, particularly those allocated to poverty alleviation, as well as those allocated to HIV/AIDS and tuberculosis reduction programmes? Also, have the Government already published, or will they publish, an analysis of the projected impact of the new treaty on investment levels and tax revenues in the UK and Lesotho?

May I ask what contact the Treasury and the negotiators of this treaty have had with DFID about the relationship between the measures we are considering today and any

programmes in Lesotho that DFID might previously have conducted, might be conducting or might conduct in the future? It would also be interesting to hear about any discussions the Treasury has had with DFID generally about our international development policies and how they cohere with this treaty, rather than just about specific projects that might be happening in Lesotho or that might happen there in the future.

We also need to know the extent to which the treaty coheres with the principles set out in the Addis Ababa accord. Most of us would want to promote that accord very much, and particularly this principle:

“Domestic resource mobilisation and effective use is the crux of our common pursuit of sustainable development and achieving the SDGs”—

that is, the sustainable development goals. Also, will we agree to co-operate with others to combat tax evasion as well as tax avoidance? That is the first set of questions that we need answers to.

I come to the second set of questions. Like other colleagues, I regret the fact that parliamentarians have only been able to see the final version of this treaty. There is only a one-page explanation at the back of it, and there is no commentary on why particular approaches have been adopted rather than others. I hope that we will receive a commitment to a more open process for future double taxation agreements. In fact, we have the chance to begin that process next week, as my hon. Friend the Member for Birmingham, Selly Oak has just mentioned.

Thirdly—this is where we need some specific answers—I hope the Minister will explain why certain decisions in this tax treaty were taken. My hon. Friend the Member for Birmingham, Selly Oak mentioned the eye-watering reductions in the withholding tax for Lesotho, compared with what will apply to citizens and companies for other countries. There is a reduction of 80% for dividends, 60% for interest payments and 70% for royalties. Last night, I was looking at the rates in the previous treaty from 1997—I know how to live. I am particularly interested in finding out why the withholding tax on dividends has been pushed down from 10% in 1997 to 5%, and why there is a new lower rate for the beneficial owner of a company that directly holds at least 10% of the capital of the company that pays the dividends. Why is that new requirement in the treaty, given that it was not in the 1997 one? Why is the withholding tax on royalties down from 10% in the previous treaty to 7.5% in this one? The Minister said that these measures are in place to benefit the economies of the UK and Lesotho, but how will those changes do that?

Finally, as my hon. Friend mentioned, it would be helpful to know why the British Government decided to promote mandatory binding arbitration in this agreement through the mechanism of specialist—and, by the way, secret—international courts. That is a new measure in this treaty. It was not in the 1997 version, and, as was mentioned, it appears to be a new measure generally in our double taxation treaties for low-income countries. I am keen to learn whether the UK Government considered the potential barriers that would prevent a low-income country such as Lesotho from representing itself properly in such a court. Will the UK Government provide any help to Lesotho in that regard? I was pleased to hear

from the Minister that there will be other forms of help—potentially with tax collection—but will there be help with the specialist court?

Was it the UK that requested the inclusion of mandatory arbitration, or was it Lesotho? We need an answer to that question, which the hon. Member for Glasgow East asked. What has the UK's experience been so far with mandatory binding arbitration, and did that affect the UK's decision to put the model in the treaty or to acquiesce to it, if the impetus came from the Lesotho side? Will the Minister indicate whether Her Majesty's Revenue and Customs has any findings on the developmental impact of that form of mandatory binding arbitration? Were such findings taken into account when the decision to promote mandatory binding arbitration in this treaty was made?

I realise that that is a large set of questions, but this is a significant treaty for a country that has experienced enormous challenges in recent years. As parliamentarians, we are all committed to international development, particularly for the poorest countries. Especially given Lesotho's public service challenges—a quarter of its population suffer from AIDS and HIV—we need to ensure our tax treaties are in line with our international commitments.

2.53 pm

**Mel Stride:** May I, at the outset, make one thing extremely clear to the Committee? The Government are entirely committed to supporting lesser developed countries. We are one of the few countries in the EU and among the advanced industrialised countries that meets the 0.7% aid requirement. The hon. Member for Oxford East will know that the Taxation (Cross-border Trade) Bill, which is going through Parliament, will ensure that we take into UK law the unilateral preferences that pertain under the European *acquis* to ensure we provide zero-duty arrangements on a selfless, unilateral basis with a number of countries that need our support. It is important to understand where we are coming from in our overall negotiations and in the arrangements we enter into with the countries that are the subject of this debate.

I will go through some, at least, of the most prominent questions that were asked. There was a rather eye-watering number of them, delivered at rattle-gun speed, and some were quite technical. Although I enjoy the mental gymnastics of these debates—I always enjoy debating with the hon. Lady—I hope she bears with me as I do my best to pick them up. I was barely thinking about some of them when I had two or three more thrust in my direction. I will do my best to cover as much as I can.

The hon. Member for Glasgow East asked who opened the discussions between ourselves and Colombia. It was us, because Colombia is a significant Latin American economy. It is currently going through its accession process with the OECD, and it is expanding its network of double taxation agreements, including with our competitors—other nations around the world. We have always had close and friendly ties with that country, so we approached it. It was willing, and we have now concluded an agreement.

Like the hon. Members for Birmingham, Selly Oak and for Oxford East, the hon. Member for Glasgow East raised the important issue of transparency in the

negotiation process. Tax treaties are international agreements that are given effect through law. They are therefore subject to parliamentary scrutiny and debate. Only when both sides are satisfied with the content of a new treaty will it be signed and published. Parliament will then scrutinise the agreement. If Parliament is not satisfied, the treaty will not enter into force. Where these treaties come about, we are in a position to scrutinise them, as we clearly have in some detail in this Committee. Such treaties have generally enjoyed cross-party support to date. It is recognised that they generally have a positive role in creating and enhancing cross-border trade, investment and employment.

The hon. Member for Birmingham, Selly Oak raised an example of the potential use of this arrangement or treaty in the context of tax avoidance. He mentioned Mauritius specifically. Mauritius has now become a signatory to the OECD base erosion and profit shifting project. It is therefore bound by the rules and regulations in that regard. If we look at offshore so-called tax havens—I think that was the expression he used—they are most typically brought into play where double taxation arrangements are not necessarily in place and there is a fear that double taxation may occur. In that sense, so-called tax havens or overseas tax trusts are being used to create a neutral tax space. The overarching point is that the proliferation of double taxation agreements is to be welcomed in that context.

The hon. Members for Birmingham, Selly Oak and for Oxford East raised the important issue of whether we were in some way exploiting Lesotho as a consequence of the agreement. The hon. Lady went into some detail on her bedtime reading. She went back to the 1997 treaty to look at the various rates of withholding tax and so on. The point I would make is that it is not possible for us to impose a treaty on another country, even if we wanted to. It is for the other country to decide when it is ready to enter into negotiations and to weigh up the trade-off between retaining all its taxing rights and possibly limiting those rights to attract foreign investment.

To answer a question that the hon. Member for Glasgow East posed about Colombia, it was Lesotho that approached us to seek a further double taxation arrangement. There were certainly elements within that negotiation where it sought to achieve certain outcomes to which we acquiesced.

The hon. Member for Birmingham, Selly Oak also raised the issue of how the tax treaty will support Lesotho's development. UK tax treaties are negotiated by Her Majesty's Revenue and Customs, reporting to Treasury Ministers. DFID is fully supportive of HMRC's approach. It works with the Treasury on various aspects at various times in these various arrangements. DFID supports the tax authorities in developing countries to increase their capacity to raise revenues, and it works with the Treasury to develop the Government's tax and development policy. The Government have also set up a specialist tax capacity building unit in HMRC that deploys HMRC staff in support of DFID country offices to provide technical expertise. The point is that, even outside the context of the treaties, the Treasury and HMRC are there alongside DFID in ensuring that we provide support to those countries and recognise the importance that they rightly place on the sustainability and durability of their tax base.

[*Mel Stride*]

Other Governments have approached the negotiation of treaty arrangements and the process by which they go through Parliament in exactly the same way as we are looking at this today. It is certainly the case that treaties of this nature under the last Labour Government—in the dim and distant past—went through a similar process to that which we are following today.

The hon. Member for Birmingham, Selly Oak raised the important issue of binding arbitration and asked whether it is typical of these kinds of arrangements. In some cases it is; in some cases it has not been. That is because of historical changes that have occurred in this area. The new model agreed under the auspices of the OECD will now make it more normal. The decision taken by Lesotho and ourselves was that it would be appropriate to operate the model set out by the OECD for binding arbitration.

A question was raised about the renegotiation of our existing trade treaties with other nations—those treaties being between the European Union and other countries. It is my understanding that we will not need to do that in the case of those particular treaties.

The hon. Member for Oxford East asked for reports on the effects on the investment and the tax take and so on. Those are immensely complicated questions to answer; it is very complicated to try to assess and determine exactly what the impacts of a double taxation agreement with another country—an agreement with two countries interacting, with all the various externalities that impinge on those circumstances—will be. It is, of course, the British Government's responsibility to continue to closely monitor those impacts as far as we can. All legal measures, treaties and agreements with other countries are always constantly under review, as the hon. Lady would expect.

**Steve McCabe:** I want to clarify one point on binding arbitration. As I understand it, consultations take place between the Government and various stakeholders and interested parties in preparation for the treaty. I am curious to know whether any British companies made representations that they wanted the binding arbitration clause included. If so, would the Minister tell us who they are?

**Mel Stride:** As the hon. Gentleman will appreciate, that is a highly specific question, which I cannot be expected to be in a position to answer at present. I am certainly happy to get back to him. Typically with treaties of this nature, a number of discussions are held with stakeholders, the overseas Governments concerned and so on. That is one reason why such arrangements take a considerable time to come to a conclusion.

The agreement with Colombia—our first with that country—brings a significant improvement to our coverage of the region and will improve the trading conditions for businesses in both countries and aid the fight against tax avoidance and evasion. We have brought forward a mutually beneficial treaty in the case of Lesotho.

**Anneliese Dodds:** I am grateful to the Minister for his efforts to respond to the questions raised. I have some brief points to make on a number of the matters he referred to.

The Minister referred to the UK's commitment to promote development in lower income countries. One of our main concerns about the Lesotho treaty is that it might not be coherent with the general direction of our aid efforts. I would be interested to know whether DFID was asked to comment specifically on this treaty. It would be helpful to know that.

Secondly, to be absolutely clear, I do not think that any Member has argued against the principle of having double taxation treaties in the first place. Rather, the comment is on the specific issues raised by treaties such as this one. For Opposition Members, the particular issue is the reduction in withholding tax rates and the introduction of mandatory binding arbitration, rather than the principle of having a treaty in the first place.

Thirdly, on the issue of negotiations, aspects of the treaty are surely a step forward. I do not believe the Minister mentioned permanent establishments, but the new rules on those seem to be fairer. A rather peculiar reference in the previous treaty to the tax treatment of loans through the UK Export Credits Guarantee Department is gone. I can understand that Lesotho might have wanted to get rid of strange elements from before, but I am interested to know what its comment was on the changes to withholding rates in particular, because those would seem to pose quite a large risk to its revenue.

On the negotiation, let us be completely frank: we are talking about a country of 2 million people, where the average person is 33 times poorer than a Briton. Are we honestly saying that we can have an equal negotiation? Pointing that out does no disservice whatever to the Lesotho Government—quite the opposite, because it means that we as parliamentarians have a much greater responsibility to scrutinise such agreements more fully. We need that.

On binding arbitration, yes, there is the OECD model, which is being promoted, but there is also the UN model. It would be interesting to know whether that came up in the negotiations at any stage, because most people view it as more favourable to developing nations than the OECD approach.

Finally, on the issue of information and impact assessments, I note that a tax information and impact note is provided for other tax requirements. Surely many tax issues within Britain are incredibly complicated—the Minister has ably discussed such matters in proceedings on the Finance Bill—so I do not see a huge difference there, in particular when UK investment in Lesotho seems to be concentrated in some quite large firms, especially, I understand, two very large mining concerns: Letseng Diamonds, which is partly owned by the Lesotho state but mostly by a UK-based company, and Firestone Diamonds. We are not talking about a terribly complicated taxation arrangement, so surely it should be possible to have the information we require.

Again, I am grateful to the Minister for his responses and clarifications.

**Mel Stride:** I will endeavour to do my best to answer the additional questions posed by the hon. Lady, some of which were very specific ones about what may or may not have happened during the negotiations. Unfortunately, I was not there. If I had been there and knew the answers, I would share them with her. However, I can perhaps be a little more helpful on some of the other questions.

The hon. Lady asked whether DFID was aware of the discussions. Naturally, it would have been. I say that based on the fact that it has been very publicly out there that the negotiations have been taking place for some considerable time. DFID has not, to my knowledge, specifically requested meetings or interactions at an official level with the Treasury, but had such an interaction been requested I have no hesitation in reassuring her that we would of course have facilitated it promptly and effectively.

On binding arbitration, the situation is as I outlined earlier. It is now based on the OECD model. The hon. Member for Birmingham, Selly Oak asked earlier whether, during the process of consultation around the treaty negotiations, any company had requested that that form of arbitration be brought in. The answer to that is no. To the best of my and my officials' knowledge, no business came forward and specifically requested that. Of course, it was then entered into jointly as a consequence of the agreement between the two Governments.

The hon. Member for Oxford East asked about tax information and impact notes. That is a fair point, but TIINs typically relate to where taxes, charges and duties are being imposed, and to the effect they have on individuals, companies, families and others. In this case, we are looking at reliefs in the context of a double taxation treaty.

I totally echo the hon. Lady's powerful comments about the relative wealth of those who have the very good fortune to live in our country, for all its imperfections, compared with those who are less fortunate elsewhere. The Government are very aware of that. I will not re-rehearse the comments I made earlier about our commitment to international development and HMRC's involvement over and above treaties in trying to alleviate such situations as much as we can. The hon. Lady made a powerful point, which I will certainly take away with me. I commend the orders to the Committee.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the draft Double Taxation Relief and International Tax Enforcement (Colombia) Order 2017.

**DRAFT DOUBLE TAXATION RELIEF AND  
INTERNATIONAL TAX ENFORCEMENT  
(LESOTHO) ORDER 2017**

*Motion made, and Question put,*

That the Committee has considered the draft Double Taxation Relief and International Tax Enforcement (Lesotho) Order 2017.—  
(*Mel Stride.*)

*The Committee divided: Ayes 9, Noes 8.*

**Division No. 1]**

**AYES**

Chishti, Rehman	Lord, Mr Jonathan
Crabb, rh Stephen	Smith, Royston
Francois, rh Mr Mark	Stride, rh Mel
Keegan, Gillian	Whittaker, Craig
Kwarteng, Kwasi	

**NOES**

Dodds, Anneliese	McCabe, Steve
Hoey, Kate	Siddiq, Tulip
Lee, Ms Karen	Smith, Jeff
Linden, David	Spellar, rh John

*Question accordingly agreed to.*

3.13 pm

*Committee rose.*

