

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fifth Delegated Legislation Committee

LANDFILL TAX (DISPOSALS OF MATERIAL)
ORDER 2018

Monday 30 April 2018

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

Friday 4 May 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: SIR DAVID CRAUSBY

Alexander, Heidi (*Lewisham East*) (Lab)

† Blunt, Crispin (*Reigate*) (Con)

† Bruce, Fiona (*Congleton*) (Con)

† Caulfield, Maria (*Lewes*) (Con)

† Drax, Richard (*South Dorset*) (Con)

Efford, Clive (*Eltham*) (Lab)

† Francois, Mr Mark (*Rayleigh and Wickford*) (Con)

† Grogan, John (*Keighley*) (Lab)

† Jenrick, Robert (*Exchequer Secretary to the Treasury*)

† Johnson, Dr Caroline (*Sleaford and North Hykeham*) (Con)

McGinn, Conor (*St Helens North*) (Lab)

† Reynolds, Jonathan (*Stalybridge and Hyde*) (Lab/Co-op)

† Rowley, Lee (*North East Derbyshire*) (Con)

† Rutley, David (*Lord Commissioner of Her Majesty's Treasury*)

† Smith, Jeff (*Manchester, Withington*) (Lab)

† Walker, Thelma (*Colne Valley*) (Lab)

West, Catherine (*Hornsey and Wood Green*) (Lab)

Peter Stam, *Committee Clerk*

† **attended the Committee**

Fifth Delegated Legislation Committee

Monday 30 April 2018

[SIR DAVID CRAUSBY *in the Chair*]

Landfill Tax (Disposals of Material) Order 2018

4.30 pm

The Exchequer Secretary to the Treasury (Robert Jenrick): I beg to move,

That the Committee has considered the Landfill Tax (Disposals of Material) Order 2018 (S.I. 2018, No. 442).

This statutory instrument builds on changes made to landfill tax for England and Northern Ireland in the Finance Act 2018, which clarified what a taxable disposal is for the purpose of the tax, and extended landfill tax to sites that do not have an environmental permit but should have—in layman’s terms, illegal waste sites. In 2008, the Court of Appeal ruled that some materials received on a landfill site are not waste, and therefore not taxable. Clearly, that has created uncertainty about what constitutes a taxable disposal, and has led to increased complexity for landfill site operators, as well as litigation. The order addresses that uncertainty; it will support the legitimate waste management industry by simplifying the tax system and by providing clarity for legitimate landfill site operators.

The order ensures that, for permitted sites, the scope of the tax will remain unchanged. The changes do not alter the burden of the tax or create any additional administrative requirements. The Finance Act cracks down on illegal waste sites by making it harder for rogue operators to profit from evading landfill tax. That is in direct response to calls from industry to remove the financial advantage that rogue operators have over legitimate businesses. As part of that, HMRC has been given the power to pursue complicit individuals across the supply chain. Not only will those individuals be liable for the tax that will be due on the waste, they could additionally face a penalty of up to 100% of the tax liability. In the most serious cases, individuals could be sent to prison, bringing this criminal behaviour in line with other such activity, such as VAT fraud.

The order goes further; it allows certain materials that are prohibited from permitted landfill sites, such as tyres, to be taxable when they are disposed of at sites that do not have environmental permits or licences in place. That ensures that we do not create an obvious loophole and that we further strengthen HMRC’s position on illegal waste sites.

Landfill tax was introduced with the specific aim of discouraging the disposal of waste to landfill, and to encourage more sustainable ways of managing waste. In that, it has been successful in the years since it was introduced, in 2000. The amount of waste sent to landfill has fallen by over 65% in the UK. Over the same period, recycling rates have jumped from 18% to 44%. But changing the economics of sending waste to landfill has in part resulted in fly-tipping and, on a large scale, illegal waste sites, because rogue individuals and

criminals have seized the opportunity to undercut legitimate businesses. We are all aware of the prevalence of those sites in many of our constituencies—mine included—and the impact that they have on local communities and the environment. They are a blight and, at times, a risk to health.

It is becoming increasingly clear that a minority of those sites are a direct consequence of organised crime, which appears to have infiltrated the waste industry. At its most serious, those criminals are linked to other concerning areas of criminality, including the drug trade. We take that extremely seriously, but addressing it will take action from across government. Clearly, there is a role for the tax system to play, and that is why we have made these changes to landfill tax in the Finance Act. They are intended to act as a deterrent to individuals looking to profit from this behaviour at the expense of our local communities.

Building on that, the Department for Environment, Food and Rural Affairs has taken steps to strengthen the powers of the Environment Agency. In 2017-18, the Environment Agency took 93 successful waste crime prosecutions, resulting in fines totalling in excess of £380,000 and 17 prison sentences. But we must go further. As of this year the Environment Agency has the power to lock the gates of illegal waste sites and block entry, ensuring the prevention of further waste piling up on the sites and increasing all the associated risks to health and the environment.

In the Budget last year, the Chancellor provided the Environment Agency with an additional £30 million specifically to support its work in tackling waste crime, doubling the total provided since 2014. The Environment Agency works with the police and law enforcement agencies to tackle the organised crime element behind much of the problem. We want to see much more aggressive enforcement by the Environment Agency and rogue individuals and criminals brought to book.

The changes implemented by the statutory instrument will help to simplify the tax system and will provide greater clarity and certainty to legitimate landfill operators, but the instrument is only one part of our response to the issue of illegal waste sites, which undercut legitimate businesses, threaten the environment and blight local communities. By making these changes to landfill tax we are taking further steps to tackle the issue. I commend the order to the Committee.

4.36 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Thank you for calling me to speak on these measures today, Sir David.

According to the Environmental Services Association, landfill tax avoidance is estimated to cost the Exchequer between £150 million and as much as £1 billion a year: a considerable amount of money that could be put into vital public services. In addition to that, as someone who represents the edge of the Greater Manchester conurbation with Derbyshire, we are blighted by the problems of organised fly-tipping in my constituency, so I welcome the chance to speak from the Front Bench today about the measures to ensure that tax is paid at sites that do not have an environmental permit, and I welcome the clarification in the Government’s note that the individuals involved may also be liable to penalties for non-compliance or face prosecution.

Bringing non-permitted sites into the scope of the landfill tax will hopefully make it a less attractive and lucrative option for those seeking to break the law, so we are supportive, although I have some questions for the Minister regarding the changes. Since the introduction of the landfill tax, the Government have stated—the Minister has just repeated it—that the amount of waste going to landfill has reduced by 65%. Can the Minister comment on whether that figure includes the calculation on waste diverted to non-permitted sites? If so, how much further does he expect the amount of waste going to landfill to reduce because of the new measures?

My hon. Friend the Member for North Durham (Mr Jones) has previously spoken at great length in the Chamber on issues related to landfill tax. One issue that he raised was money laundering, a timely issue given the debate that we will have tomorrow. Running a landfill site is a high volume business that can involve large amounts of money, so has the Minister done any research into the prevalence of money laundering in the sector? I understand that, according to the Government's calculations, there were 622 known illegal waste sites in the UK in 2015-16. Will the Minister update us on how many there are now?

Also, are there currently any plans to increase the monitoring of high volume landfill operators through the use of technology? Could we not have a system similar to those used in slaughterhouses and weighbridges where cameras record how many vehicles enter the sites? Given the amount of money estimated to be lost each year through tax avoidance, a small investment in such technology could potentially pay for itself in a short space of time.

There is no doubt that extending the scope of the landfill tax to include non-permitted sites is a positive step that has been welcomed by the industry and those willing to abide by the rules. However, we are also eager to see whether there is more that the Government can do to stamp out illicit activity in the sector, and I look forward to hearing how the Minister plans to address those issues. It seems strange that the measure appears to treat unauthorised sites the same as authorised landfill sites by applying the tax, as the Minister has explained. That seems to show that the current regulatory system for illegal landfill sites is not sufficient. Is it not possible for any resulting funds from the measure to be redirected into the Environment Agency so that it can actually stop the illegal sites in the first place?

Finally, as Members are aware, landfill is devolved in Wales and Scotland. Will the Minister comment briefly on how the Government co-operate with the Welsh and Scottish Governments to deal with the issue if the material illegally deposited is a cross-border problem?

4.39 pm

Robert Jenrick: I am grateful for the constructive comments by the hon. Member for Stalybridge and Hyde, and I appreciate his concerns. In fact, I met the Mayor of Greater Manchester recently, who mentioned a site near the hon. Gentleman's constituency in Gartside Farm. I have a site in my constituency, and several members of the Committee have them in theirs, so that is something shared by hon. Members in all parts of the country. We take the issue seriously, and I am grateful that the hon. Gentleman appreciates that and is supportive of the measures that we are taking today.

The hon. Gentleman made several points. I do not have the figures for the number of sites to hand, but I am happy to write to him with those. I am advised, however, that the number of illegal waste sites has not increased substantially in recent years. That is not to diminish the fact that there are a large number of them across the country, some of which are deemed by the Environment Agency to be in a state that poses significant risk to the public.

As for monitoring the sites, as I outlined in my opening remarks, we have given the Environment Agency new powers to lock the gates of illegal waste sites and so block entry to ensure that further waste is not piled up, because in most of the more egregious situations the waste takes a number of days, or even weeks, to enter the site. The agency now has more powers.

On funding, so that the Environment Agency can take the action required, as I said the Chancellor has provided the agency with an additional £30 million specifically to support its work in tackling waste crime. That amounts to doubling the total provided since 2014. I work very closely with the Minister responsible at DEFRA, the Under-Secretary of State for Environment, Food and Rural Affairs, my hon. Friend the Member for Suffolk Coastal (Dr Coffey). I intend to continue doing so, looking at specific sites, at how we might be able to help and at ensuring that the Environment Agency has the powers and resources it requires. That is a dialogue we intend to continue.

On money laundering, there is increasing evidence that the more severe instances of illegal waste sites are linked to organised crime and at times to serious organised crime. That includes money laundering, which is exactly why we are taking the action in the order—to make it less lucrative, and easier for HMRC to take action against criminals and rogue individuals.

More action can be taken in the area, and we at the Treasury are elevating its importance with our colleagues at the Home Office and with those involved in tackling serious organised crime, to ensure that all parties appreciate that illegal waste sites are an extremely concerning area of activity that has progressed from simply fly-tipping to something that poses significant risk to the public.

Crispin Blunt (Reigate) (Con): The Minister refers to links to the drugs trade. What did he have in mind when he made that remark?

Robert Jenrick: I have met a number of colleagues from across the House who have such sites in their constituencies, and the evidence we have is only anecdotal, but it is that the individuals behind some of the sites appear to be linked to a range of different criminal activities. That is something that the police and the Environment Agency are aware of and following up on, but I have no specific evidence to bring before the Committee. However, that is certainly the view that has been expressed to me by law-enforcement officers across the country when we have looked into such matters.

Mr Mark Francois (Rayleigh and Wickford) (Con): While we have the Minister here and on the landfill tax, I wish to make a brief plea for the landfill tax credit scheme. A number of companies have operated the scheme to provide charitable donations for a whole range of causes, which I will not list now: suffice to say that the scheme is extremely important. Each year, in the run-up to the Budget, the Treasury runs the rule

[Mr Mark Francois]

over the scheme and has tightened up some of the scheme criteria, which is fair enough. May I make a plea, however, that when the Treasury does so again next year the scheme is maintained, because it does such good work?

Robert Jenrick: My right hon. Friend makes an important point. I will not comment on what may or may not be in a future Budget, but the point he has made is one that

has been heard at the Treasury, certainly in the build-up to and after the most recent Budget and previous ones. From my own constituency, I know the good works that the landfill credits do for local community projects. We are certainly very aware of the point he makes, and we will bear it in mind as we approach the Budget.

Question put and agreed to.

4.45 pm

Committee rose.