PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT SOCIAL SECURITY (CONTRIBUTIONS) (RATES, LIMITS AND THRESHOLDS AMENDMENTS AND NATIONAL INSURANCE FUNDS PAYMENTS) REGULATIONS 2019

DRAFT TAX CREDITS AND GUARDIAN'S ALLOWANCE UP-RATING REGULATIONS 2019

Monday 11 February 2019

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not later than

Friday 15 February 2019

The Committee consisted of the following Members:

Chair: Sir Graham Brady

† Benyon, Richard *(Newbury)* (Con)
† Bruce, Fiona *(Congleton)* (Con)
† Bryant, Chris *(Rhondda)* (Lab)
† Cruddas, Jon *(Dagenham and Rainham)* (Lab)
Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Grant, Bill *(Ayr, Carrick and Cumnock)* (Con)
† Heald, Sir Oliver *(North East Hertfordshire)* (Con)
† Huq, Dr Rupa *(Ealing Central and Acton)* (Lab)
† Jenrick, Robert *(Exchequer Secretary to the Treasury)*
Jones, Mr Kevan *(North Durham)* (Lab)
† Knight, Julian *(Solihull)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Stephens, Chris *(Glasgow South West)* (SNP)
† Swire, Sir Hugo *(East Devon)* (Con)
† Tredinnick, David *(Bosworth)* (Con)
† Walker, Thelma *(Colne Valley)* (Lab)
† Whittaker, Craig *(Lord Commissioner of Her Majesty's Treasury)*

Dominic Stockbridge, *Committee Clerk*

† attended the Committee

The following also attended, pursuant to Standing Order No. 118(2):

Dowd, Peter *(Bootle)* (Lab)

Fourth Delegated Legislation Committee

Monday 11 February 2019

[SIR GRAHAM BRADY *in the Chair*]

Draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019

4.30 pm

The Chair: Is it the wish of the Committee that the regulations be debated together?

Hon. Members: Yes.

Chris Stephens (Glasgow South West) (SNP): On a point of order, Sir Graham. My question, of which I have given you advance notice, relates to the explanatory memorandum to the draft Tax Credits and Guardian's Allowance Up-rating Regulations 2019. Section 3 appears to suggest that the English votes for English laws procedure will apply and that the

"instrument applies to England, Wales and Northern Ireland only",

but section 4 seems to suggest that the instrument applies to the whole United Kingdom, so there is some confusion. My view, certainly, is that tax credits are not devolved under the Scotland Act 2016. May I ask for some clarity on the issue before we proceed?

The Chair: I am grateful for notice of that point of order. I have taken advice on the matter, and I gather that because it arises from the explanatory memorandum, it is not a matter of substance for today's business. However, the Minister is at liberty to give it further explanation should he so wish.

4.31 pm

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

That the Committee has considered the draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019.

The Chair: With this it will be convenient to consider the draft Tax Credits and Guardian's Allowance Up-rating Regulations 2019.

Robert Jenrick: It is a pleasure to serve under your chairmanship, Sir Graham. I will now introduce the two sets of draft regulations and explain the changes that they will enforce. They both represent routine annual exercises necessary to ensure the collection of national insurance contributions and the resulting contribution to our public services. They will also increase certain benefits in line with inflation.

May I pause for a moment to address the point of order raised by the hon. Member for Glasgow South West? As he set out, there is a minor typo in paragraph 3.2 of the draft explanatory memorandum:

"The entire instrument applies to England, Wales and Northern Ireland only".

It should, of course, have mentioned Scotland. Paragraph 4.1 states:

"The extent of this instrument is the United Kingdom",

which, of course, includes Scotland. This version of the explanatory memorandum is only a draft; we will publish a corrected version. I am grateful for the opportunity to make that clarification.

Turning to the Tax Credits and Guardian's Allowance Up-rating Regulations, as hon. Members know, the Government are committed to a welfare system that works, ensures that work always pays, and is fair to the taxpayer while maintaining protection for the most vulnerable in our society. In the Welfare Reform and Work Act 2016, we legislated to freeze the majority of working-age benefits—including child tax credit and working tax credit—for the four years up to 2020, which helped to put our welfare system on a sustainable long-term path. However, the disability elements of the child tax credit and the working tax credit were specifically exempted from the freeze. The guardian's allowance was not affected either.

In introducing the draft regulations, we are legislating, as in previous years, to ensure that the guardian's allowance and the disability elements of the child tax credit and working tax credit increase in line with the consumer prices index, which put inflation at 2.4% in the year to September 2018. The draft regulations will mean in practice that we will maintain the level of support for families with disabled children in receipt of child tax credit and disabled workers in receipt of working tax credit. The regulations will also sustain the level of support that we offer for children for whom one parent or more is absent or deceased. Increases to those rates are part of the Government's wider commitment to supporting the most vulnerable people in our society.

The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations will make changes to the rates, limits and thresholds for national insurance contributions and make provision for a Treasury grant to be paid into the national insurance fund, if required. The changes, if approved, will take effect from 6 April 2019.

I will outline the changes to employee and employer NICs, which are commonly referred to as class 1 NICs. On class 1 primary NICs for employees, the lower earnings limit will rise in line with inflation, from £116 a week to £118 a week, and the primary threshold will increase with inflation, from £162 a week to £166 a week. The upper earnings limit is aligned with the UK's income tax higher rate threshold, which will rise from £892 a week to £962 a week in 2019-20. On class 1 secondary NICs for employers, the secondary threshold will rise with inflation from £162 a week to £166 a week. The level at which employers of people under 21 and apprentices under 25 start paying employer NICs will rise from £892 a week to £962 a week.

For the self-employed, who pay class 2 and class 4 NICs, the rate of class 2 NICs will rise in line with inflation from £2.95 a week to £3 a week. The small profits threshold will rise with inflation from £6,205 a year to £6,365 a year. On class 4 NICs, the lower profits limits will rise with inflation from £8,424 a year to £8,632 a year. The upper profits limit, which is aligned with the higher-rate threshold, will rise from £46,350 a year to £50,000 a year.

Class 3 contributions will allow people voluntarily to top up their national insurance record. The rate for class 3 will increase in line with inflation, from £14.65 a week to £15 a week. The regulations also make provision in the usual way for a Treasury grant of up to 5% of forecasted annual benefit expenditure, to be paid into the national insurance fund if needed during the period of 2019-20. There are similar provisions with respect to the national insurance fund for Northern Ireland.

I trust that that is a useful overview of the changes that we are making to bring rates of support and contributions to the Exchequer in line with inflation. As I said at the beginning of my speech, the draft regulations are a routine annual exercise and do not depart from recent practice. I therefore commend them to the Committee.

4.37 pm

Peter Dowd (Bootle) (Lab): It is a pleasure to see you in the Chair, Sir Graham. Last week, while preparing for the Committee and to set the context for the debate, I had a look at various documents, including the draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019 and the draft Tax Credits and Guardian's Allowance Up-rating Regulations 2019. The House of Commons Library has published an excellent briefing on these statutory instruments. To help set the context, I went even further back to Monday 6 March 2017, which might actually have been the last appearance of the former Chief Secretary to the Treasury before the election. Looking at those documents for context is worth while and I am sure that all hon. Members have done so.

As the Minister clearly outlined, the draft Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019 enact the annual re-rating of the various national insurance contribution rates, limits and thresholds, and allow for a Treasury grant not exceeding 5% of the estimated benefit expenditure for the coming tax year to be paid into the national insurance fund. In light of the impact of inflation on incomes in conjunction with the poor wages that we have seen over the past 10 years, we will not oppose the regulations, and we accept that they will uprate national insurance thresholds in line with the consumer prices index.

As the Minister outlined, the draft Tax Credits and Guardian's Allowance Up-rating Regulations 2019 make it possible to increase certain tax credits and other child benefits rates, as well as the guardian's allowance, from April 2019. Although the Government are uprating some benefits, they are excluding others entirely. For the fourth year in a row, most working-age benefits are being kept at the 2015-16 cash value. That costs a couple with children in the bottom half of the income distribution £200 on average. According to analysis by the Institute for Fiscal Studies of the 2018 Budget, around £4 billion-worth of cuts to social security remain in the pipeline. The benefit and tax credit rates in 2019-20 are worth 6.1% less than if the freeze had not been introduced.

Although we will not divide the Committee, we place on record our objections to the Government's social security strategy, which is wholly inadequate to tackle the growing inequality in our country. As Members know, over the past five years we have seen a 31% increase in the use of food banks. That is a direct result of cuts that the Government have inflicted on the country, and that were not reversed in the most recent Budget. The Government have to take responsibility for that growth fairly, squarely and unambiguously.

Although the Chancellor might insist that austerity is over, the Resolution Foundation concluded in its analysis of his most recent Budget that that will be achieved only by reversing many of the remaining social security cuts. Rather than making slight adjustments to social security through statutory instruments, the Government need to look at redesigning our social security system so that it provides the basic protection that people need. Of the benefit cuts announced in 2015, 75% remain Government policy.

The Institute for Fiscal Studies previously noted that the Government's social security policies, including the freeze, have left many families ill-prepared for another economic slowdown. The announcement in the last day or two that growth in the coming year might be 1.2% indicates that such a slowdown is not unlikely. Putting that in the context of Brexit draws a multi-coloured tapestry, as such forecasts are particularly pertinent given the uncertain economic period that the country could be about to face. The regulations should therefore be condemned, not for what they are but for what they leave out. They offer inadequate support for struggling families across the United Kingdom.

4.42 pm

Chris Stephens: I welcome the Minister's clarification of the explanatory notes. I do not necessarily believe that a whole nation being taken out of a statutory instrument can be described as a small typo, but I accept his answer that the instrument does apply to the whole of the United Kingdom.

I will touch on many of the themes that were explored by the shadow Minister. As he outlined, although some benefits are being uprated, most working-age benefits are being frozen under the current benefit freeze. That is having a very real impact. Indeed, with the impact of inflation, the cuts in the final year of the benefit freeze take £4.7 billion out of the social security system. To put that in context, that is more than the great work allowance boost that the Government recently announced. It looks as if the Government are giving with one hand and taking away with the other.

The Government have the ability to lift the benefit freeze if they want to, but they have decided not to. I therefore ask the Minister, given that the Chancellor has claimed that austerity is coming to an end, what the strategy is going forward in relation to uprating all social security benefits, and ensuring that those most in need are those who receive the money.

4.44 pm

Robert Jenrick: I am grateful to the hon. Member for Bootle for indicating that he will not oppose the regulations. That is important for two reasons. First, they enable us to ensure that the disability element of tax credits and the rate of guardian's allowance rise with inflation,

[Robert Jenrick]

providing the support that those individuals and families require. Secondly, they will enable us to continue to collect national insurance contributions for public services across the country.

In answer to the question on what the uprating mechanism will be when the current freeze comes to an end at the end of this financial year, the Welfare Reform and Work Act 2016 provided for a four-year freeze. That will then lapse and, subject to any further decision being approved by the House, the assumption, as we have made clear, is that we will revert to the pre-existing statutory obligations, which in most cases was a CPI uprating each year.

The hon. Gentleman raised a wider point about why we chose to adopt the policy at the beginning of the coalition Government. The reforms that we have pursued since 2010, including those legislated for in the 2016 Act, were necessary to put the public finances back on track and to protect the taxpayer following decades of unsustainable increases in welfare spending. Welfare spending rose by 65% in real terms—an increase of £84 billion—under the last Labour Government.

The benefit freeze, although undoubtedly difficult for many in our society, was an important part of a package of welfare reforms designed to incentivise work, which we know is the best route out of poverty. Since 2010, there have been record levels of individuals finding employment and near-record low levels of people who are unemployed. Those reforms have worked, and we will look to the next financial year, and the spending review that will precede it, to make decisions on how we will choose to proceed thereafter. I commend the regulations to the Committee, and I hope that all Members will support them.

Question put and agreed to.

DRAFT TAX CREDITS AND GUARDIAN'S ALLOWANCE UP-RATING REGULATIONS 2019

Resolved,

That the Committee has considered the draft Tax Credits and Guardian's Allowance Up-rating Regulations 2019.—*(Robert Jenrick.)*

4.47 pm

Committee rose.