PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

NATIONAL INSURANCE CONTRIBUTIONS (TERMINATION AWARDS AND SPORTING TESTIMONIALS) BILL

Second Sitting

Tuesday 14 May 2019

(Afternoon)

CONTENTS

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 18 May 2019

The Committee consisted of the following Members:

Chairs: † Sir Henry Bellingham, Sir Roger Gale, Siobhain McDonagh

† Blackman, Kirsty *(Aberdeen North)* (SNP)
† Cartlidge, James *(South Suffolk)* (Con)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Dowd, Peter *(Bootle)* (Lab)
† Grant, Bill *(Ayr, Carrick and Cumnock)* (Con)
† Hughes, Eddie *(Walsall North)* (Con)
† Jenrick, Robert *(Exchequer Secretary to the Treasury)*
† Knight, Julian *(Solihull)* (Con)
† Milling, Amanda *(Cannock Chase)* (Con)
† Morris, Grahame *(Easington)* (Lab)
† Russell-Moyle, Lloyd *(Brighton, Kemptown)* (Lab/Co-op)
† Scully, Paul *(Sutton and Cheam)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Smith, Laura *(Crewe and Nantwich)* (Lab)
† Tomlinson, Michael *(Mid Dorset and North Poole)* (Con)
† Walker, Thelma *(Colne Valley)* (Lab)
† Wood, Mike *(Dudley South)* (Con)

Adam Mellows-Facer, *Committee Clerk*

† attended the Committee

Public Bill Committee

Tuesday 14 May 2019

(Afternoon)

[Sir Henry Bellingham *in the Chair*]

National Insurance Contributions (Termination Awards and Sporting Testimonials) Bill

2 pm

The Chair: Good afternoon. Welcome, everyone; please switch your electronic devices to silent. It is quite warm in here, so if anyone would like to remove their jacket, they are welcome to do so.

We are now going to begin the line-by-line consideration of the Bill. The selection list for the day's sitting, which shows how the selected amendments have been grouped together for debate, is available on the Committee Table. Amendments grouped together are generally on the same, or a similar, issue. Decisions on amendments do not take place in the order they are debated, but in the order in which they appear on the amendment paper. The selection and grouping list shows the order of debates. Decisions on each amendment are taken when we come to the part of the Bill that the amendment affects; new clauses are decided at the end.

In this instance, some clauses will be debated early on in proceedings, with the existing clauses with which they are concerned and connected, but the decisions on them will not be taken until later. It might be helpful to the Chair, and indeed to the Front Benchers, if anyone proposing to push an amendment to a Division gave an indication of that at an early stage.

Clause 1

Termination awards: Great Britain

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

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

Clause 2 stand part.

New clause 1—*Report on the impact of Class 1A National Insurance Contributions on termination awards—*

'(1) The Secretary of State must, within 12 months of section 1 of this Act (termination awards: Great Britain) coming into force, lay before Parliament a report on the expected impact of the new Class 1A liability on termination awards in excess of £30,000.

(2) That report must contain an assessment of the expected impact on—

(a) the total net value of termination payments received by individuals;

(b) the average net value of such payments; and

(c) the number of business start-ups using termination payments as funding in their first year in each region of the United Kingdom."

New clause 4—*Review of the impact of Class 1A National Insurance Contributions on termination awards—*

'(1) The Secretary of State must, within 12 months of section 1 of this Act (termination awards: Great Britain) coming into force, undertake a review of the impact of the new Class 1A liability on termination awards in excess of £30,000.

(2) The review under section 1 must contain—

(a) an assessment of the impact the new Class 1A liability has on the level of termination payments workers receive;

(b) an assessment of the impact the new Class 1A liability has on employers;

(c) a distributional analysis of the new Class 1A liability; and

(d) anything else the Secretary of State considers appropriate.

(3) The review under section 1 must be laid before both Houses of Parliament."

The Exchequer Secretary to the Treasury (Robert Jenrick): It is a pleasure to return this afternoon, following my grilling by members of the Committee this morning, to explain the clauses in the Bill, starting—as you said, Sir Henry—with clauses 1 and 2. Before I respond to the hon. Members who have tabled new clauses 1 and 4, it may help the Committee if I begin by explaining some of the background to clauses 1 and 2. My apologies for repeating some of what I said this morning in answer to questions from members of the Committee.

The Office of Tax Simplification, or OTS, stated during its 2013-14 review of the tax and national insurance contributions treatment of these payments that

"the well-advised can often end up better off than the unadvised, as they are more able to structure their employment contract (or, indeed, their termination payment) to achieve the better tax treatment."

One reason why businesses had an incentive to do so was the absence of any employer's national insurance on termination awards of any size. My officials and I outlined some examples of that this morning during questions, which I think was supported by the interesting evidence from Bill Dodwell of the OTS.

Following that report from the OTS, the Government announced in the 2015 summer Budget that they would consult on simplifying the tax and NICs treatment of termination awards. We consulted openly and widely on that policy, receiving responses from 100 stakeholder groups and nine individuals, covering tax experts, law firms, trade unions, business groups and individual businesses. We also held several meetings with stakeholders to discuss their views on our draft proposals. Following that, in the 2016 Budget, we confirmed that we would be taking forward reforms to the tax and NICs treatment of termination awards, and shortly afterwards published draft legislation for consultation.

The income tax measures announced in the 2016 Budget were legislated for in the Finance (No. 2) Act 2017 and took effect from April 2018. The Government then reconfirmed in the 2018 Budget that the associated reforms to NICs legislation would be in place for April 2020. The reforms made by clauses 1 and 2 have therefore been properly consulted on, tested with stakeholders of all kinds and debated by Parliament—both during the process of this Bill and, more particularly, through the passage of the Finance (No. 2) Act. They have also been widely expected by stakeholders for many years.

I now turn to the changes made by clauses 1 and 2. It is important to note that the reforms we are discussing today are the second part of a package of changes, some of which have, as I said, already been approved through the Finance (No. 2) Act and took effect in April 2018. The tax rules for termination awards that

existed before the reforms introduced by the Finance Act (No.2) 2017 were unclear and unnecessarily complicated. Some awards were taxed as earnings, others were taxed only above £30,000, while others were completely free of tax and national insurance contributions. That complexity left the system open to a degree of manipulation that we heard evidence about this morning. The Finance Act (No.2) 2017 tightened the rules on what element of an award is taxed as earnings. From 6 April 2018, the NICs liability was more closely aligned with the tax treatment, so that those amounts taxed as earnings became liable for employer and employee class 1 NICs.

Termination awards that are not earnings are currently charged to income tax on amounts that exceed £30,000, and they are currently entirely exempt from employee and employer national insurance contributions. Allowing the difference between the income tax treatment of that income and the employer national insurance treatment to persist would be confusing, and continue to provide an incentive for employers to manipulate final payments to achieve a tax advantage.

The clause will close that loophole, simplify the tax system, and raise about £200 million in revenue to continue to support the funding of public services in a significant way. Clause 1, which applies to Great Britain, achieves that purpose by ensuring that where an income liability arises on termination awards above £30,000, there will be a corresponding liability to employer class 1A national insurance contributions.

James Cartlidge (South Suffolk) (Con): On Second Reading, not much attention was given to employee benefits. How do they fit into that threshold?

Robert Jenrick: If my hon. Friend is referring to the benefits system, that is completely unrelated. Contractual benefits are liable to a tax liability in addition to that—perhaps I can provide more information on that in a moment. They will be part of taxable income taken in the round, which once generated is then subject to income tax and the employer's national insurance contribution in the final termination payment.

The effect of the change will mean that a 13.8% class 1A secondary employers NICs charge will be applied to income derived from a termination award that is already subject to income tax. In addition, clause 1 also includes other modifications to existing legislation that relates to employer class 1A NICs, to ensure that the new liability for termination awards works as intended. Clause 2 makes corresponding changes for Northern Ireland, ensuring that the provisions apply across the United Kingdom.

Before I address new clauses 1 and 4, let me say a few words about what clauses 1 and 2 do not do. First, they do not introduce a NICs liability on the employee—I hope we made that clear during questions this morning. There remains an unlimited employee national insurance charge exemption on termination awards. Although there is a principled case for greater simplification and alignment by applying employee NICs to that income, the Government have listened carefully to representations made during the consultation, and we believe that our approach strikes the right balance between delivering greater simplification for employers, and fairness to individuals who are undoubtedly in a difficult period of their lives: losing their jobs and having to make the necessary adjustments.

Secondly, the clauses do not reduce or seek new powers to change the existing £30,000 threshold, below which termination awards are entirely tax-free and NICs-free. As we discussed this morning, that threshold remains generous compared with those of many other countries, including the United States and Germany, that tax income linked to a termination from the very first pound. It will ensure that about 80% of awards are unaffected by clauses 1 and 2, and that awards made as statutory redundancy pay are untouched. We have no plans to lower the threshold in future. Any future Government who wished to do so would need parliamentary approval.

Eddie Hughes (Walsall North) (Con): The Minister has not so far mentioned the money that the measure will raise. My understanding is that that has already been taken into account and that if we were not to proceed, the Government would need to find that money from another source. Is that correct?

Robert Jenrick: My hon. Friend is absolutely right. I have said on several occasions that the measure will raise about £200 million a year. Because it was a Budget measure, it has been included in the Government's forecasts and certified by the Office for Budget Responsibility. If any hon. Member wished to take issue with the policy, they would need to find an alternative way to raise £200 million a year, if they wanted to continue to support public services in the way that we have set out in our spending plans.

Finally, the clauses do not introduce any legislation that goes beyond mirroring the effect of the income tax rules with respect to the scope of the change. Instead, by virtue of the clause, the rules that determine liability to income tax will apply directly in calculating the amount of employer class 1A NICs payable on termination awards above £30,000. Therefore, clauses 1 and 2 simplify the tax system and reduce the incentive for manipulating payments to achieve tax advantage.

Eddie Hughes: I am sorry to dwell on the point, but it was raised previously. My recollection is that it would require an affirmative statutory instrument to change the £30,000 figure in future. Is that correct? The Opposition have clearly raised that concern.

Robert Jenrick: That is absolutely right. As I have just said, we have no intention of changing the threshold. If a future Government wished to do so, that would need to be done through an affirmative statutory instrument and the House would have the opportunity to debate it and take issue with it in the usual way, if it wanted to. We have no plans to do so; my hon. Friend is right to seek that clarification.

Mike Wood (Dudley South) (Con): Understandably, several concerns have been expressed about the impact that any changes might have, particularly on people on lower incomes who might have served in a job for many years before being made redundant. Can the Minister explain how the £30,000 threshold compares with the maximum available from statutory redundancy pay, and who might be captured by the measure?

Robert Jenrick: My hon. Friend makes an important point. Statutory redundancy pay is £15,000, so for these purposes, £30,000 appears generous. I have already

[Robert Jenrick]

made the international comparisons. It is also important to point out that there are a number of exemptions altogether, for discrimination, physical harm, disability and so on, set out in other areas of legislation to ensure that those who are particularly vulnerable and deserving are protected when it comes to the payment they receive for their injuries.

I will briefly discuss the amendments that would be made to the Bill if new clauses 1 and 4 were accepted. New clause 1, tabled by the hon. Member for Aberdeen North, seeks to require the Government to produce a report on the impact of class 1A NICs on termination awards. Furthermore, it specifies that the report must contain

"an assessment of the expected impact"

of the changes in certain respects, which I will not list here but which are available in the Bill documents. New clause 4, tabled by the right hon. Member for Hayes and Harlington (John McDonnell) and the hon. Members for Bootle, for Oxford East, for Stalybridge and Hyde (Jonathan Reynolds) and for Manchester, Withington from the official Opposition, also asks the Government to report on several similar issues to those covered in new clause 1.

The new clauses are unnecessary because they seek to force the Government to report on a narrowly prescribed set of issues, most of which have been considered during the detailed consultation that has already been completed and that I have outlined, ahead of new information becoming available. The Government are already committed to reviewing the measures and being transparent about the impact that they are expected to have.

It is worth giving Committee members a little more detail on these issues. First, the Government do not deem it appropriate to conduct reports that have been very narrowly constructed. A report focused exclusively on one aspect of the Government's reforms to termination payments—the distribution analysis, for example—would miss other important aspects such as the impact on the levels of tax avoidance or the funding of public services.

James Cartlidge: My hon. Friend is making an excellent point. Does he agree that we should look at the impact on job creation and the ability of employers to create jobs, particularly on the day we learned that unemployment is at the lowest level of my entire lifetime? I was born in 1974.

2.15 pm

Robert Jenrick: Absolutely. The figures reported by the Office for National Statistics this morning are further evidence of the jobs miracle we have seen since we came to power in 2010. It is important to place these changes and the impact they will have on working people in the context of the fact that, as my hon. Friend said, most of us in this room have never known such a buoyant labour market in our lifetimes—and long may it continue.

On the particular point of the reports, the Government feel it is more appropriate to look at those issues in the round and to take a balanced decision based on all the relevant factors. Secondly, the Government have already consulted on this measure in detail. We have published both the draft policy proposals and the legislation for scrutiny. We explicitly considered the impact on employers and individuals as part of the policy and our development. We decided on an approach that protected those losing their jobs by, for example, retaining the important £30,000 exemption that we have extensively discussed and not seeking to change the position with respect to employee national insurance contributions, but at the same time simplified and aligned the system, reducing the incentives for manipulating payments. We believe we have considered this issue carefully and reached a balanced way forward.

I will add at this point that the policy costing for this measure, as we have already heard in interventions from my hon. Friends, has been signed off and certified by the independent OBR, and the methodology for that assessment is described in the Budget policy costings document. That shows the Government's commitment to transparency and sound public finances.

Finally, the Government have already committed to keeping this measure under review, as new information may become available. The publicly available tax information and impact note, or TIIN, commits the Government to keeping the scheme under review through communication with taxpayer groups affected by the measure and through information collected from tax receipts.

As with all legislation, the Treasury is also required to carry out post-legislative scrutiny of Acts within three to five years of their implementation. As I outlined, I think in response to the question from the hon. Member for Oxford East this morning, the Treasury may well do that before that deadline; it would certainly be required to do so and to report to the Treasury Committee if it had not.

As part of the review process to meet those obligations, HMRC and HM Treasury will speak to stakeholders to gauge their views on how the policy is operating. There are well established lines of communication between HMRC and representative groups, as one would expect, that will provide the basis for a continuous review of the effect of this policy. I am sure that hon. Members will feed back to Ministers any concerns and thoughts regarding how the reforms are working in practice, and of course HM Treasury is always open to suggestions. I hope hon. Members will agree that those points make publishing a review on these matters unnecessary. However, it may also help if I respond specifically to the points raised about the impact of the new class 1A employers' NICs liability.

I would like to make a number of important points in closing. First, no employee will receive a new tax charge as a result of the Bill. The Government have explicitly chosen not to charge employee NICs on the measure and to retain the £30,000 threshold.

Secondly, only about 20% of termination awards will be affected. As we heard this morning, the OBR expects that employers may react by lowering wages or accepting lower profits and has adjusted its forecast for salaries by 0.1% as a result. However, that is a negligible reduction and must be viewed in the context of record employment, record low levels of unemployment and record employment in all categories—disabled persons, women in the employment market, young people in the employment market and so on—a higher living wage, support to businesses through tax cuts such as corporation tax, and other important policy initiatives brought forward by this Government. Also, as the ONS pointed out this morning, wages are rising substantially above inflation.

Thirdly, as I noted in my letter to the Committee, and as I set out again in my answers to questions this morning, where employers face a new charge on termination

awards, we expect this to be disproportionately on payments to higher-rate and additional-rate taxpayers, typically those who are in the top two or three income deciles.

Clause 1 will simplify the tax system, reduce the incentive to manipulate payment, and raise important revenue for our public services. As such, and with the reassurances that I hope that I have been able to give the Committee, I commend clauses 1 and 2.

Peter Dowd (Bootle) (Lab): It is a delight to see you in the Chair, Sir Henry. I thank the people who gave evidence today to the Committee; it was very helpful. I had something like 50 questions to ask. I was unable to ask them all, but I will relieve Members by saying that I will not ask them all now—possibly 45, but not the 50 that I had planned to ask.

Contrary to what the Minister says, we do not, through new clause 1, want to "force" the Government to do this, that or the other; we do, however, want them to come to Parliament and accept parliamentary scrutiny. There have been no amendments to any of the Finance Bill Committees that I have sat on; I think it is four in total. In the mother of Parliaments, we were unable to scrutinise those Bills properly and appropriately—my colleagues will remember several of them—because the Government have tried, and continue to try, to close down any scrutiny. It is very important to get that on the record.

As for the implication that if we do not agree to the proposals, it will somehow have an impact on job creation—that old chestnut—as I said recently on the radio and in other media, the same was said about giving the minimum wage to miners in 1913, and to agricultural workers in 1924. It was said when people started to get holiday pay in 1938. People said that equal pay for women and members of ethnic minorities would cause the economy to crash, and the same things are being said about the minimum wage. It is the old claptrap—I should not say that, in case it is unparliamentary, but that is what it amounts to—about this impacting on jobs.

Yes, we have the highest number of jobs since 1975, or since records began, as the Government keep telling us, but the context is that this is the most precariously placed workforce in decades. Zero-hours contracts abound, and regional imbalances—*[Interruption.]* Government Members mutter, but facts are a stubborn thing; facts remain facts. *[Interruption.]* They are facts; the Minister mutters that they are not. The reality is that a huge number of people are on zero-hours contracts, and huge numbers of people are working two or three hours a week. That is classed as employment. I am sorry, but it is not "employment" to that person, who is not getting any money, or to their family, who perhaps have to send their children to school without breakfast or lunch. Let us get that into context.

The hon. Member for Dudley South effectively said that we will now tax redundancy payments above a certain level. Only the Tories could make a virtue of taxing the redundancy payments of people who have lost their job. The Minister mentioned that the £30,000 figure had been the same since 1998, and said that it was the most generous such amount in—I don't know—the known world. We do not want to make simple comparisons with other countries, because other countries have far more generous reliefs in other areas, so making a direct comparison with other redundancy figures, out of the totality of employment reliefs, is not appropriate.

The hon. Member for Walsall North mentioned the affirmative procedure. If the Government want to reduce the £30,000 limit—as they no doubt will want to, given that that is far too generous for people who have been made redundant and have lost their job—we will be able to vote on that. Perhaps that would, at least, give us a proper opportunity to debate the issue on the Floor of the House, which we have not been able to do. I mentioned our inability to amend the law in the last four, or possibly even five, Finance Bills. That is unprecedented in parliamentary history.

Mike Wood: *rose—*

Peter Dowd: I am happy to give way to the hon. Gentleman, if he wishes to peddle some more Tory twaddle.

Mike Wood: I thank the shadow Minister for giving way. His point is entirely bogus, because as the Minister made clear, and as he knows, the Bill concerns purely employers', and not employees', contributions, so it does not tax anybody's redundancy payment.

Peter Dowd: I will tell the hon. Gentleman what was admitted today: that still reduces people's wages; that is what this comes down to. It could also give companies an incentive not to pay redundancy. I know that he wants to sweep those points aside as though they were irrelevant, but they are not irrelevant to a person who has worked for a company for 25 years and gets a redundancy payment that is taxed more greatly than they expected. That is the context in which I am raising these issues.

Mike Wood: I thank the hon. Gentleman for giving way. Does he accept that the maximum statutory redundancy pay, even for an employee who has worked for 25 years, is barely half of the threshold amount in the Bill, so they would not be affected, even indirectly?

Peter Dowd: There we go again. It is the race to the bottom, isn't it? We are always talking about a statutory minimum. That is what the Tories talk about all the time: the minimum. We do not want people living on the minimum; we want people to have a healthy, full-quality life. This is about the cumulative effect of the Government's fiscal policies, not one isolated issue; it is about the totality. A person might have a job, but it might be a poor, insecure job. It is not just about having a job; it is about the quality and context of that job.

Grahame Morris (Easington) (Lab): That is a valid point, and the expert witnesses supported that this morning. If an employer is designing and costing a redundancy package—I do not know why we use the term "termination" in the Bill; why not say "redundancy"?—surely the additional tax and national insurance must be a factor, and that may well have an impact on the final figure that the employee receives. Government Members say that we have record levels of employment, but there is a report today that 4 million people in employment are living in poverty. That is a feature that we have not seen before, along with declining and stagnating wage growth levels.

Peter Dowd: My hon. Friend makes an important point. The reality is that the only termination under the Tories is termination of the social and economic cohesion of this country. That is the termination that I am deeply worried about.

[Peter Dowd]

Another important point was raised. We always get the same old chestnut from the Conservatives. They say that their proposal will raise £200 million or £300 million —though they often do not raise what they say they will, because they are so incompetent at doing it—and that if we do not agree with it, we will have to find the money elsewhere. However, we have set out where we would find that money. It would not be from people getting redundancy payments; it would be people at the other end of the spectrum, who have significant amounts of money, or employers, who would have to cough up. We will get it from the people who are in the best position, psychologically and financially, to pay it.

Eddie Hughes: I think the hon. Gentleman was casting aspersions on this Government's ability to collect taxes. My vague recollection is that our record is better than the Labour party's. If that is so, what does he have to say about that?

2.30 pm

Peter Dowd: I am pleased that the hon. Gentleman has raised that. Perhaps when we have a little chat in the Tea Room I will give him a copy of the letter from the shadow Leader of the House, my hon. Friend the Member for Walsall South (Valerie Vaz), to the Chancellor, setting out not our plans, but what Labour has done in the past on tax enforcement. *[Interruption.]* The Minister says from a sedentary position that they did not work. He should try telling that to taxpayers, who, as a result of Labour's proposals over the best part of 15 years, raised billions upon billions of pounds, which went into public services. I will send a copy of the letter to the hon. Member for Walsall North, in case I do not bump into him in the Tea Room. I do not think the Chancellor replied; I cannot possibly think why.

Moving on to the substantive issue—*[Interruption.]* I do not mind a little bit of chuntering from Government Members, but if they made it at least marginally coherent, so that I could hear it, that would be really helpful. The Opposition's new clause 4 would require the Government to review the impact of class 1A national insurance contributions on termination awards. The review would include:

"(a) an assessment of the impact the new Class 1A liability has on the level of termination payments workers receive;

(b) an assessment of the impact the new Class 1A liability has on employers;

(c) a distributional analysis of the new Class 1A liability; and

(d) anything else the Secretary of State considers appropriate."

We are being very generous, and are giving the Secretary of State lots of room for manoeuvre in reporting to us on these matters.

As we stated on Second Reading, the condensed Bill before us is a shadow of its former self, standing at just five clauses. In fact, if it was a person, it would resemble a skeleton. The Government's timetable for the Bill has been determined by the internal politics of the Conservative party—that is the reality; it is as simple as that—rather than an honest assessment of the time needed to scrutinise the measures properly.

The origins of the new class 1A contributions charge levied on termination awards can be traced, as Members know, to 2013, when the Office of Tax Simplification published its interim report, "Review of employee benefits and expenses". Following the publication of the final report, the Government consulted on the proposed NIC changes and announced their intention to introduce the measure in the 2016 Budget. Two and a half years later, we are finally scrutinising the Government's NIC reforms to termination awards.

The tax and national insurance treatment of termination payments remains a sensitive topic to workers and employers alike. As I said on Second Reading, employees facing redundancy often consider this final payment an evaluation of the work they have done for their employer. Termination or redundancy payments therefore have both an emotional and financial significance; the financial significance is sometimes slightly out of proportion, but there is nevertheless a relationship.

James Cartlidge: The hon. Gentleman is right about the psychological impact of redundancy payments. Does he therefore agree that we should celebrate from the rooftops that unemployment is at its lowest level since 1974?

Peter Dowd: I celebrate anybody getting a proper, secure, well-paid job. I am afraid that the hon. Gentleman should not expect me to celebrate somebody getting a job on two or three hours a week, and he should not expect me to celebrate the fact that £30 billion-worth of tax credits are going to subsidise people in poorly paid jobs, when only 20 years ago that was £1 billion. Don't ask me to celebrate that. Let us have the full picture. Yes, I always celebrate when somebody gets a decent well-paid, well-trained job with good terms of employment, but no, I do not welcome poorly paid, less well-trained jobs. I am sorry, but I cannot. But for the record, yes I welcome job creation—well-attuned job creation.

To get back to termination payments and their emotional significance, the amount awarded is often determined by painstaking and careful negotiations between managers and trade union representatives. A good employer might offer a generous termination payment to an employee as a sign that it is not a judgment on the intrinsic worth of the staff who are leaving, even though they have had to make them redundant. The job losses might be because of the Government's economic policies.

The Government's rationale for the introduction of a new class 1A employer NIC charge, which will be levied at 13.8% on termination awards above the £30,000 threshold, is to do with ease and simplification. In its "Review of employee benefits and expenses: final report" in 2014, the Office of Tax Simplification stated that

"many employers are unclear about which parts of a termination package qualify for the exemption"

from tax and national insurance. I stand to be corrected, but I am not sure whether we got a significant amount of clarity on that today.

Additionally, Ministers have cited the opportunity for well-advised employers to avoid paying the right amount of tax and national insurance on termination payments as justification for wider reform. However, neither the Office of Tax Simplification nor Treasury Ministers have been able to provide figures on the number of employers who have taken advantage of the existing loophole, nor of the amount lost to the Exchequer as a result of that. That was probably confirmed today—we do not know.

Despite the many claims of Ministers about the desire to simplify the tax and national insurance treatment of termination awards, the Chartered Institute of Taxation and other tax experts have raised concerns around the

lack of information in the Bill about how this new class 1A charge will be collected. We did not get a great deal of clarity on that today. Currently, Ministers plan to leave it up to secondary legislation, as alluded to earlier. That is not only a break from normal practice, but looks set only to confuse employers even more, rather than simplifying the national insurance treatment of termination awards. The people who came to speak to us today were probably a bit too polite to say that.

The provision will also add additional administrative burdens to HMRC at a time when it is hamstrung by what can only be described as the disastrous reorganisation of their estate by the Government—my hon. Friend the Member for Oxford East has been involved significantly with that—the introduction of Making Tax Digital, which has added to the problem, and of course the preparations for a no-deal Brexit, which have compounded it even further. Taken in the round, that is a challenge.

So what is the rationale for the introduction of this new NIC charge on termination awards, if not to make things less confusing for employers or to tackle tax avoidance, which is supposedly rife? I suggest that the Government's rationale is wholly to do with the revenue they expect to raise, and is little more than an attempt to increase national insurance receipts for the Exchequer, while shying away from any major tax or national insurance policy change. I think that there was an acknowledgement of that today. This is just one element of what should have been a wider examination, as set out in the press release to which I referred, on 16 November 2016. This is certainly the opinion that the Office of Tax Simplification advocated in its 2014 report, in which it stated that a new NICs charge could raise revenue for the Exchequer and offset the costs of any tax treatment change affecting termination payments.

The report went on to concede that the policy was likely to lead to increased employer NIC costs and to individual employees receiving reduced termination payments, as employers would be unlikely to increase their redundancy budgets. Similarly, the Government's own impact assessment notes that this measure will present an "additional cost to employers" that will be

"reflected in lower wages and profit margins with a reduction in total wages and salaries of 0.1%"

within the first year of its adoption. My hon. Friend the Member for Oxford East clarified that with the Minister in today's evidence session.

To put it simply, this new NICs charge will lead to added costs to employers, some of whom will be small and medium-sized business owners, and less generous termination payments to employees as a result. At the same time, the Treasury has downgraded its forecast of the likely amounts this new charge will raise for the Exchequer from £485 million to £200 million a year. I am sure the Minister would like to provide clarity on that.

This issue goes to the heart of new clause 4, which seeks a review of the measure's impact on the level of termination payments that employees receive and the cost to employers, and a distributional analysis of this new class 1A charge, which Treasury officials said had not been done. On the ground, it might have been too complicated and the cohort may not have been large enough under the circumstances. Given the likely cost to employers of falling workers' wages and termination payments, as well as the Government's shrinking forecast of the amount of revenue the charge would raise, surely it makes sense to pause and gather further information before proceeding. After all, the Office of Tax Simplification noted in its original report that if Ministers were to follow its recommendations for a new NICs charge on termination awards, more data on the potential winners and losers would be needed. We were not able to establish who they were today. I specifically asked that question and could not get an answer. It was like an aggregate amorphous statement.

Sadly, Ministers have not provided that information, despite having years to do so. Treasury Ministers have refused to undertake a distributional analysis, citing the cost or that the cohort is not large enough as excuses, and they are still unable to provide credible figures on the number of workers who receive statutory redundancy payments versus those who receive non-statutory payments. Uncertainty also remains about whether the Government will seek to lower the £30,000 threshold at a later date through primary legislation or secondary regulations. The Minister said they have no plans to do this, but we already raised this issue during consideration of a previous Finance Bill—in fact, I think I raised it. The question was, "If you have no intention of doing it, why introduce legislation to do it and why introduce it through the process of secondary legislation?" If it were me doing that, I would not be banking a piece of legislation unless I intended to use it. That is the case here; the Government will use this. Otherwise, why take up parliamentary time to do so? If they are taking us on a run-around to fill time, that too is inappropriate.

New clause 4 seeks a review of the proposed class 1A charge, focusing on its impact on workers' wages, on termination payments, added costs for employers and a distributional analysis of the measure. Without such a review, which will provide a wealth of information and further evidence of the likely effect on wages, termination payments and employers, the Opposition will not support this part of the Bill.

I will comment later on new clause 3, but at this particular point, that is all I want to say. I may ask questions of the Minister in due course.

Kirsty Blackman (Aberdeen North) (SNP): I apologise—I expected to be called before the Opposition spokesperson on this section. I will do my best not to repeat things that he has said, but if I do, I shall try to do it in a different way at least.

It is good to be part of a Bill Committee that has taken evidence. We do not take evidence on Finance Bills and we are less knowledgeable and less good at scrutinising the information provided to us as a result. I hope the Minister agrees that the evidence sessions were incredibly useful this morning, even though he was in the hot seat and had questions asked of him. It meant that we will ask fewer stupid questions during this part of the scrutiny process, as well as being in a better position to drill down on some of the issues raised by different individuals.

2.45 pm

I will talk about a few things, including new clause 1, which is in my name, and the Opposition's new clause 4, as well as discussing clauses 1 and 2 of the Bill more generally, all of which we are considering in this part of

our scrutiny. The first part of new clause 1 is very similar to new clause 4. It asks for the report to include the amount of money that individuals receive in termination payments. The Minister suggests that clauses 1 and 2 are a narrow part of the Bill, but for most of our constituents, they are the most important part, as they concern the amount of money people will receive, should they be in that unfortunate situation. That is what they will care about; they will not care so much about how much money the Treasury gets from this change to the policy. What affects their daily lives will be the thing that is incredibly important to them. I am pleased that both we and the Opposition have proposed the same thing in our new clauses.

The second part of new clause 1 asks for the report to include the average net value of termination payments. It is important to look not only at what the OBR says about the overall change in wages as a result of the changes, but the average net value and the changes to that.

The last thing I have asked for in new clause 1 is for the report to look at the number of business start-ups using termination payments as funding in their first year in each region of the United Kingdom and the impact the clauses will have on that. An awful lot of people use termination payments to begin a new business. The Minister is talking about increases in the number of people employed, but we would not see those increases if we did not have new businesses starting and people having the funding to start them. As we know, it is difficult to get bank loans, for example, for many of these things, and a number of businesses are started on the basis of the redundancy payments that people receive. That is important.

The Opposition have tabled new clause 4, which I entirely support. The first part is exactly the same as what we have put forward, it is just in different language. The second part looks for an assessment of the impact that the new class 1A liability will have on employers. That came out clearly in the evidence session this morning. The OTS and the CIOT said that the Bill is not a simplification for employers. Some employers currently have no liability for class 1A national insurance contributions because they deal only in cash and do not deal in benefits in kind. They will be brought into the class 1A situation and will have to pay that liability. For a number of those employers, that may be for the first time.

The other issue for employers is that the Government have chosen to put termination awards as a class 1A liability and to do collection in real time, rather than at the end of the tax year. That is not the way that any other class 1A contributions are paid. It is, however, the way that other pay-as-you-earn contributions, for example, are paid. My understanding from the evidence given this morning is that the Government could have chosen to have termination awards as class 1 contributions, not class 1A contributions, with employee contributions exempted in the same way that those for pensioners are exempted. That would have been a much clearer situation for employers than deciding to do it as a class 1A liability. An awful lot of employers will have a liability as a result of these changes, whereas far fewer would have liability if it was a class 1 liability.

Peter Dowd: I did not want to stop the hon. Lady in her flow, but on her earlier point, I was at a meeting yesterday with many people from the defence industry and in particular the aircraft industry. One Member who does not sit on the Opposition Benches indicated that when a large aerospace manufacturer closed down in his constituency, thousands of small businesses—or at least one or two thousand small businesses—arose as a result of those people getting redundancy payments. That goes to the heart of the hon. Lady's point about the potential impact of the reduction in the amount of money people will get from redundancy payments.

Kirsty Blackman: I absolutely agree. I was thinking specifically of the toastie shop in Aberdeen that does unbelievable toasted cheese sandwiches. Members should look at its Facebook page; it is called Melt and it is absolutely amazing. It sells toasted cheese sandwiches with all your calories for a week in one sandwich. That business was started by a woman who had been made redundant. A lot of people in Aberdeen and Aberdeenshire have been made redundant because of the recent crash in oil and gas prices, and they have been starting new businesses as a result.

I am particularly concerned that any change might stifle the growth of new businesses. I asked the Treasury this morning whether it has figures on the number of new businesses started with termination payments. It does not. It is very difficult for the Treasury to say that this will not have an effect—to be fair, it has not said that, but it cannot because it does not have the quantifiable numbers and cannot project them; it appears not to be keeping track of the information.

Lastly, on Opposition new clause 4, the shadow Minister has also asked for a distributional analysis of the new class 1A liability. Again, it is incredibly important for us to have that information.

The Minister suggested that the Treasury is trying to be as transparent as possible. To be fair, this is one of the more transparent Bills, with more consultation than some of the other Bills that we have seen. The issue is that the information that we are provided with, and that is in the public domain, is not good enough for us to be able to make reasonable judgments about the effect of the policy. It is all well and good for the Minister to say that it will generate £200 million and that we would have a £200 million hole in the Budget. The OBR has verified that figure, but the reality is that we do not have enough of the drill-down information on the people who will be affected.

All of us on this side of the Committee are concerned about the reduced amount that employees will receive. It would have been sensible for the Treasury to have come armed with some kind of projection around that. That would have stopped us from asking all these questions. We might have criticised the figure and said that the measure should not be taken forward, but we would not be having this debate if the Treasury had come forward with detailed figures.

The Minister has spoken in favour of clauses 1 and 2, but for a huge number of employers they do not represent a simplification when it comes to dealing with the tax system. This is a revenue-raising measure and it is about closing a loophole. I am not criticising the Treasury for either of those things, but it has badged the change as a simplification when the two principal things that it tries to do are not that, but revenue raising and closing a loophole; we would have had a very different discussion if the Treasury had made that clear rather than said that it was all about simplification.

I completely agree that the measure came from an Office of Tax Simplification report, but that did not say that class 1A contributions had to be used to achieve this end. That may not be the best possible way to progress. I have already spoken about class 1A. It could have been done in a class 1 way, which would have been clearer for employers to understand.

On collection methods, I have real concerns about this being a real-time collection measure. Less than a year out from implementation, employers may not be aware of the correct computer system or understand correctly how it will work. Obviously, if an employer is making future projections, it is going to be looking at what upgrades it will need for its IT system and be planning that as far in advance as possible. On top of all the uncertainty of Brexit, the Government are adding more complexity and future uncertainty: they are not able to say, "This is exactly how the real-time collection measure will work." They are not able to provide that information to businesses far enough out.

Finally, on the "negligible" reduction, as the Minister described it, of 0.1% on wages, I should say that we are seeing incredibly high levels of in-work poverty. Not a surgery or a day goes by without working people getting in touch with me to say they cannot live on the amount of money they receive. I get such correspondence on a regular basis, as I imagine do all MPs across the House.

The Minister spoke about the national living wage, which is not a living wage and is not for those under 25. As the shadow Minister said, the Government do not want to allow under-25s a wage they could vaguely live on, just in case there are fewer of them employed. I do not think there is any evidence to show that is likely to be the case. It does not cost any less to live at 24 than at 26.

A 0.1% reduction in wages for people who are literally living on the breadline and having to choose between feeding their children and heating their homes cannot be swallowed up by some families. The Government say they are quite happy with a 0.1% reduction in wages as long as they get £200 million in the Treasury's coffers. I do not think that is a sensible way to play these things off. I do not think the measure is worth the £200 million if it means more families in poverty and destitution as a result.

The 0.1% might sound very small but, for someone living on not very much money it can be the difference between being able to feed the kids and not being able to. There are a number of issues with this measure, both technically and with the stance that the Government have chosen to take on it.

Robert Jenrick: I do not intend to repeat all the comments that I made earlier, which I think answered a lot of questions that were put to me. I will try to summarise some of the arguments made by the hon. Member for Aberdeen North. She made a point that came up in questioning around the choice of class 1A, which a number of members of the Committee have raised. We are clear that this is the right choice. We gave the matter careful consideration. There are a couple of central arguments. The choice of class 1A and, therefore, payment in real time was central to alignment with income tax. If we want to have greater alignment and simplicity, that is the way to deliver it.

Secondly, as we heard in evidence this morning, class 1A is a category of national insurance contributions that focuses on the employer. Because we have chosen not to introduce this from an employee NICs perspective, that was the most logical category.

As the hon. Lady and others have mentioned, if there were an intention in future to add employees' national insurance contributions, one would perhaps have chosen class 1 national insurance as the most logical. By choosing class 1A, we made a clear statement that we had no intention of doing that. This is purely focused on the payment from the employer in respect of national insurance contributions.

Finally, as we may come on to later in the passage of the Bill with respect to sporting testimonials, for those individuals giving money to charity it is important for the contribution to be paid through class 1A, because that is the class of national insurance contributions that payroll giving uses. Had we chosen class 1 national insurance contributions, that route would have been closed; if we had wanted to protect charitable giving, we would have had to make alternative arrangements. There were a number of reasons, logical when they are thought through, why we reached this conclusion.

Kirsty Blackman: That is a useful clarification around class 1A and payroll giving that I had not quite understood this morning. If the Minister is saying that class 1A is eligible for real-time payments rather than collection at the end of the tax year, does he intend to move to a system where all class 1A is eligible for payment in real time and not at the end of the tax year?

Robert Jenrick: We do not have any plans to do that, but this measure is designed with termination payments in mind. The Bill does not make any changes elsewhere—other than, obviously, to sporting testimonials. We are trying to provide the greatest degree of alignment with the income tax changes that we have made, and the choice of class 1A enables us to deliver that. If we had chosen a different class, there would have been a greater degree of misalignment. I hope that the hon. Lady will consider those thoughts.

We have already debated at length the issue of whether this was a rushed Bill. I think that argument is difficult to support, on the basis that the policy decision has been around since 2015, consulted on, restated in multiple Budgets, and debated as part of two Finance Bills. The argument that this is a rushed policy decision cannot be sustained. We are bringing this Bill forward at this point so that, assuming it passes through both Houses as soon as possible, there is good time for practitioners in the accounting profession and employers to make the necessary changes to software packages and so on.

We will take seriously the communication that we will do through HMRC. As the Minister, I will follow that up to ensure that employers are properly communicated with and have sufficient guidance to make the changes.

3 pm

The hon. Lady asked again about the statistics on the number of individuals in receipt of a termination payment who go on to set up a small business. We do not collect that data; we do not know what path someone chooses to take after they have been made redundant or had their employment terminated and received a termination payment. It is not an easy statistic to collect, because it

is not easy to follow an individual's path further on to determine what they chose to do next in their career. We simply do not have that information.

As I said in answer to the hon. Lady's question this morning, I have looked at some studies. Some look nationally at the number of individuals who chose to set up a small business following the spike in unemployment after the financial crash. Others are particular studies of certain areas—for example, I have recently seen one about individuals in Teesside who chose to set up small businesses as a result of losing their jobs when the SSI steelworks was closed. However, those studies are not produced by the Government, although some are produced by organisations that the Government support and endorse, such as the Startup Institute. That is not the perfect answer to the hon. Lady's question, but she could look at some of those studies if she wanted.

There has been a debate about distributional impact. I have already made this point on a number of occasions, but it is worth restating that this is not likely to have a significant impact on those who are on low or middle incomes. Some 80% of people in receipt of a termination payment are not going to be affected by these measures; only 20% will be. That 20% will primarily be higher rate taxpayers or payers of the rate beyond that, in the top two or three deciles of income. Those affected really are those in receipt of larger termination payments.

There was a question about the degree of information put into the public domain; actually, we have put quite a lot out. I said this morning that we have modelled this, and I believe that about 72,000 termination payments will be impacted per year. Our modelling also suggests that the average payment that will be affected by this measure is £61,000—a significant size of termination payment. We are not talking about individuals on low salaries.

I now turn to some of the questions raised by the hon. Member for Bootle, most of which I think I have answered in the past. I reject the suggestion that this Bill has been rushed, or that there has not been a high degree of scrutiny; I think that there has been, and that we have put out as much information as was required.

The discrepancy between the £400 million a year figure and the £200 million one that we have been citing today was already referred to this morning, but the hon. Gentleman has asked about it again. As I think was said by my officials this morning, that discrepancy arises from the fact that the £400 million figure includes the income tax changes that have been legislated for separately. The £200 million figure is exclusively for the NICs changes.

The wider point raised by the hon. Gentleman and the hon. Member for Aberdeen North, about why we as a Government chose to take forward a reduced set of national insurance reforms than was originally envisaged, is worth discussing briefly. We as a Government, like others before us, have been interested for some time in how we could reform national insurance; it is an area of the tax arena ripe for reform and further simplification. However, as we heard in evidence this morning, those simplifications are inherently complex and involve both winners and losers.

The original proposal to abolish class 2 national insurance created a small tax advantage for a large number of individuals: about 3 million self-employed people would receive a reduction of just over £100 a year in taxes paid. However, it would have created a substantially higher rate to be paid by several hundred thousand self-employed people who earned less than £8,000 a year.

On balance, thinking carefully about the consequences, we took the view, which I hope would be supported by Members from both sides, that a very modest tax break for 3 million people was outweighed by the cost of a significantly increased rate of national insurance for low earners. That was announced in September last year, and there was relatively little comment thereafter; I think most people agreed that it was a sensible and fair decision.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2 ordered to stand part of the Bill.

Clause 3

SPORTING TESTIMONIALS: GREAT BRITAIN

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

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

Clause 4 stand part.

Amendment 2, in clause 5, page 5, line 39, at end insert—

"(3A) No regulations may be made under subsection (3) to bring section 3 or 4 into force until the Secretary of State has made a Statement to the House of Commons on the expected effects of the provisions of this Act on donations to charities by the recipients of sporting testimonial payments.".

New clause 2—*Report on the impact of Class 1A National Insurance Contributions on sporting testimonials*—

"(1) The Secretary of State must, within 12 months of section 3 of this Act (sporting testimonials: Great Britain) coming into force, lay before Parliament a report on the expected impact of the provisions of this Act on sporting testimonials.

(2) That report must contain an assessment of the expected impact on—

(a) the total amounts received by individuals from sporting testimonials; and

(b) donations made to charity from sporting testimonial proceeds."

New clause 5—*Review of the impact on different sportspeople*—

"(1) The Secretary of State must undertake a review of the impact of this Act on sporting testimonial payments made to—

(a) footballers;

(b) cricketers;

(c) rugby league players;

(d) rugby union players; and

(e) other sportspeople.

(2) The review under section 1 must be laid before both Houses of Parliament within 12 months of section 3 of this Act (sporting testimonials: Great Britain) coming into force.".

Robert Jenrick: Before I address amendment 2 and new clauses 2 and 5, it may help the Committee if I briefly explain the background to clauses 3 and 4. As we have heard at length over the course of the day, a sporting testimonial is a one-off event, or a series of related events, held on behalf of sportspersons who

have played for a certain club, usually for a long time. The testimonial can be used to raise money for the sportsperson before their retirement, in the event of their injury or, sometimes, to raise money for charity.

The historical tax treatment of sporting testimonials relied on the outcome of a tax case from before the second world war, which my officials referred to this morning. That case established the broad principle that the proceeds of a testimonial organised to demonstrate affection and regard for the personal qualities of a sportsperson are not earnings. Since then, other legislation has moved on, and income not directly from an employer is now typically subject to tax and national insurance contributions.

Prior to 2017, HMRC effectively operated an extra-statutory concession, which is clearly not sustainable over the long term, since HMRC must ensure that it operates within the law. As such, the Government announced at the summer Budget in 2015 that they would consult on proposals for clarifying the tax and national insurance contributions treatment of payments made from sporting testimonials. A consultation was published shortly thereafter, and the Government received responses from a range of groups, including tax professionals, accountancy firms and sporting interest groups, including the Football Association, the Professional Footballers' Association, the England and Wales Cricket Board and the Rugby Players Association. In addition, two consultation meetings were held to discuss the detailed proposals, and the Government published draft legislation for consultation, adapting our approach, as I will describe, in response to further feedback.

The changes we are considering are part of that package of legislation, which puts the tax treatment of proceeds from sporting testimonials on the statute book and beyond doubt. This will provide clarity and certainty for sports clubs, sportspersons and those individuals who form the sporting testimonial committee that organises the event—if they are different—and ensure that there is limited impact on a practice that I think all of us support and want to continue.

The relevant income tax changes that form the first half of this package came into force from April 2017, following legislation in the Finance Act 2016. This confirmed that, while income from non-contractual, non-customary sporting testimonials would become taxable, there would be a generous £100,000 exemption to ensure that the change had a limited impact in most cases.

The rules governing sporting testimonials are changing to give clarity to the NICs treatment and align it with the changes to income tax that Parliament has already approved. At present, where a sporting testimonial is non-contractual or non-customary, it can be organised by a third party, rather than the employer, to raise money. As I mentioned earlier, although existing legislation implies that NICs liability already applies, the amounts raised through the third party may not have been subject to NICs because of this long-standing practice and ambiguity. Therefore, this concessionary treatment will end with the passage of this Bill on 6 April 2020, when clause 3 takes effect. Where the employer arranges the testimonial, it is part of the contract or there was an expectation that the sportsperson would be entitled to one, the testimonial is already subject to income tax and NICs in full.

From April 2020, non-contractual and non-customary testimonials arranged by third parties will be subject to NICs above the £100,000 threshold. The third-party testimonial committee will be liable to pay an employer class 1A NICs charge on the amount raised above £100,000, and not on any amount paid below that.

These types of testimonials will not be subject to employee NICs, to ensure that the sportsperson is not adversely affected. I would like to reassure hon. Members that we expect the vast majority of these payments to be unaffected by the Bill, as they will not exceed the threshold of £100,000.

Kirsty Blackman: I have a question that the Minister may not be able to answer now; if he cannot, hopefully he will answer it when he sums up. I am wondering about the definition of sporting testimonials. We are talking about sportspersons, but a lot of people said "sports players" earlier. Does this apply only to those people who have played sport, or does it apply if there is a sporting testimonial arranged, for example, for a manager? It would be incredibly helpful if the Minister could clarify that, either now or when he sums up.

Robert Jenrick: I will ask my officials for a better answer, but my understanding is that this measure applies only to sportspersons. Although there might be arguments for it, it does not apply to managers and auxiliary staff, just as it would not apply to other people who, as I said in answer to a question this morning, are also engaged in careers that can be cut short, such as a ballet dancer, a performing artist or a Minister, and who might deserve it, but who are not sportspeople.

Although this measure will bring in negligible revenue, its value comes in the alignment and simplification of the tax and NICs treatment of sporting testimonials. I cannot emphasise enough that our motivation here is not to raise revenue but to provide greater alignment and simplification. As has been said repeatedly, this measure will bring in only a negligible sum, as certified by the OBR.

The primary purpose of clause 3 is that, with effect from April 2020, the rules determining the NICs treatment of these payments will be aligned with the income tax treatment that has already been legislated for in the Finance Act 2016. This means that a 13.8% class 1A secondary (Employer) NICs charge will be applied to income derived from a sporting testimonial that is already subject to income tax. Clause 4 makes the corresponding changes for Northern Ireland, ensuring that these changes apply throughout the United Kingdom.

In relation to the brief discussion that we had this morning about the definition of a customary testimonial, I would point out that this measure has now been in place, from an income tax perspective, for some time, and we have not had any feedback from sportspersons, sports clubs, sporting testimonial committees or indeed from sports bodies to suggest that there is a problem with that definition.

I can reassure the Committee that clauses 3 and 4 do nothing to affect the ability of sportspersons to make donations to their charitable foundations as part of a testimonial when it is organised by an independent committee and the donation is made through payroll giving. Given the line of questioning from the Committee this morning, and further to the point that I made earlier to the hon. Member for Aberdeen North, it is

[Robert Jenrick]

worth noting that our decision to choose class 1A helps with payroll giving, as this is the class to which it applies, and it would not have been possible if we had chosen another class of national insurance.

I turn now to amendment 2 and to new clauses 2 and 5, which tackle broadly similar issues. These provisions request that the Government report on the impact of the measures in the Bill on the amount of income received from sporting testimonials by sportspeople themselves and by any charities that receive donations linked to a sporting testimonial. I will explain briefly to the hon. Members who tabled the provisions why the Government consider that, on this occasion, they are not necessary.

First, we expect that there will be a very limited impact on sporting testimonials and charitable giving linked to this practice. We expect the majority of non-contractual and non-customary sporting testimonials to fall below the generous £100,000 threshold, with the average income received from a sporting testimonial being around £72,000, based on the work that we did in 2013, although we admit that it is not easy to form a clear judgment, because we had to survey the details of those sporting testimonials that were in the public domain. We then doubled the tax-free and NICs-free threshold for testimonials following the consultation to ensure that there would be a very limited impact indeed. That appeared to supported and welcomed by sporting bodies. As I said earlier, donations made from sporting testimonials via payroll giving will not be subject to income tax and NICs at all—in which case, there would be no impact whatever. It is worth noting that the tax changes affecting this income have been in effect since 2017. As I said earlier, we have not had any representations since that point to suggest there has been a significant adverse impact.

3.15 pm

Secondly, we have subjected this measure to detailed consultation, including on both the initial proposals and the draft legislation. The Government expressly considered the impact on charities and individuals as part of that.

Lastly, I can reassure the Committee that the Government will continue to keep these issues under review once this measure is in force. The published TIIN—tax information and impact note—commits the Government to reviewing the policy through communication with taxpayers' groups affected by the measure, and the Government are committed to carrying out post-legislative scrutiny three to five years after an Act has been passed, as I have said on a number of occasions today.

Clause 3 makes a sensible, proportionate change to the NICs treatment of sporting testimonials, putting their treatment beyond doubt. Given the reassurances that I have provided to hon. Members, both now and in answer to questions this morning, I hope that they will not press their proposals. I beg to move that Clauses 3 and 4 stand part of the Bill.

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to serve in the Committee with you in the Chair, Sir Henry. I am grateful to the Minister for those explanatory comments. However, I would like to speak in favour of the official Opposition's amendment 2 and new clause 5, as well as the SNP's new clause 2, which overlaps with our amendment 2. I do not want to repeat what we have already covered in our discussions today or, indeed, in the House. None the less, even after all that, we surely require more information about the impact of these measures to make a proper judgement about them.

As the Minister acknowledged, our amendment 2 and the SNP's new clause 2 ask for additional information about how the Bill would affect charities, and individual sportspeople and charities, respectively. There are quite a few elements that still remain unclear, even after the discussions we have had. I am sorry to drag us back yet again to the topic of what is customary and what is not, but, surely, when we are looking at the design of tax measures, we need to ensure that there is crystal clarity about what every concept could mean, particularly when there might be manipulation of some of those different concepts.

When we debated the meaning of "custom" in the House, the then Minister, after questioning by the hon. Member for Aberdeen North, said that funds from a testimonial above £100,000 would be subject to NICs where such a payment was "customary". He described "customary" as referring, for example, to cases where, in a particular sports club,

"there is a testimonial every year for a particular player or group of players, and that had been going on for some time".

He said that

"that would be a customary testimonial situation"—[*Official Report*, 30 April 2019; Vol. 659, c. 173.]

I explained in the previous session why I think that that kind of circumstance is extremely unlikely to occur. We need to have a reality check about how things are operating in different sports, so that we can assess them.

I looked at some of the information that has been provided by the Professional Footballers' Association. It noted that, in 2015, about 0.5% of professional footballers had a testimonial to celebrate them, whereas on an average career length of about eight years—that is the average career length, which, as was mentioned before, is much shorter than it was historically, certainly in the professional game—12% of footballers should finish their career each season. Very roughly, that means that about one in 25 of the professional football players we would anticipate being eligible for a testimonial actually receives one. That is clearly a very small proportion of those who could qualify for one, which suggests that this is a very unusual process, so the use of the term "customary" does not have much weight.

I then looked at the evidence from the England and Wales Cricket Board, which states explicitly that there must be no pattern to the granting of testimonials and no specific connection with the player's number of years' service at the club, and that there is no specific period of time that should be seen as an automatic trigger for a testimonial. It appears, in the case of that organisation, that it is not possible for there to be a customary testimonial. It just cannot exist.

James Cartlidge: As I understand it, the difference is between something that is contractual and the fact that it is customary, in the general sense, to have what are called "benefit games" or "testimonials". That does not mean that there has to be a specific number; in fact, if there were, that would presumably be contractual. The fact is that those payments are customary when someone has made a contribution or has been with a team for a long time, however that is defined or specified. It is a tradition of sport; surely that is all we are saying.

Anneliese Dodds: I am grateful to the hon. Gentleman for his passion about this issue, and—I am sure—about the sport of cricket, but he has underlined the point that I was trying to make. He has talked about a particular period of time, "however that is defined". My point is that the quote I read out indicates that, according to the England and Wales Cricket Board, there can be no definition of the period of time that can be used for these testimonials, because if there is an automatic trigger for such an event, that should not be grounds for a testimonial. One assumes that it should instead be due to the fans themselves, the people who are calling for such a testimonial, but there is not an automatic trigger for it. That leads again to the question of what the term "customary" actually means. When we make legislation, it is important that we are clear about what those concepts mean, and whether they have any content. If it is just an empty placeholder, I think we would all agree that the term should not be used.

The Minister maintains that HMRC provides guidance about this. In my lunch break, I tried to look this up—I know how to live, Sir Henry—and I found the information about income tax. This language is already applied to income tax liability, exactly as the Minister mentioned, and reference is made to "normal practice" and case law. However, that information does not specify what the case law is, or indeed what the normal practice is. If there is a pattern to testimonials, one concern is that it would potentially be possible to argue that a pattern somehow is not there, and that a particular testimonial is non-customary, in order to get around having to pay the employer's NICs. Equally, there could be pressure on employers to reduce the number of testimonials that are called for—to dissuade calls for testimonials in order to make them less likely to occur.

Kirsty Blackman: Picking up on that point, we are relying on HMRC guidance, which can be changed in the future. The word "customary" is written here, but that is reliant on guidance alone. If there had been more explanation in the Bill of what "customary" means, or if it had just said "contractual and not customary", we probably would not be in this situation. We would not be relying on guidance that may or may not be accessible, and may or may not change in the future.

Anneliese Dodds: I absolutely agree with that point. Looking at that guidance, it is interesting that there is a lot of detail about certain issues, such as what happens if there is a second testimonial for whatever reason. Let us say that £70,000 was received from the first one, and then the second one goes over the £100,000 threshold; there is detail about what the tax treatment should be. There is detail about what the tax treatment would be if the testimonial was for a player who had, very sadly, died on the pitch, and the money was going to their family. Just about every eventuality is covered, apart from this issue of "customary nature". In the interests of clear tax policy, it would help if we had more detail about that.

Secondly, explicitly concerning the tax treatment of charitable giving, we had a discussion about this before and the Minister referred to it again in his comments. It was argued that testimonial committees could use payroll giving from the testimonial to route funds to charities, given that they would be class 1A employer NICs. Indeed, he mentioned that players could use the gift aid procedures if payments were made directly to them. My hon. Friend the Member for Bootle rightly pointed out—and it was confirmed during the session—that this would add an additional layer of complexity and administration to the process. To inform those reading *Hansard*, the Minister is shaking his head. Perhaps he can explain why that would not be the case. We are talking about potentially large sums here that could provide the largest of any cash boosts received by a player's foundation. We need more detail.

Finally, new clause 5 asks for an assessment of the Bill's impact on testimonial payments made to professionals from different sports, including footballers, cricketers, rugby league players, rugby union players and other sportspeople. It is important that all varieties of sport receive adequate support and it would be helpful to have a better understanding of the likely incidence of the charge in that regard—for example, whether there is a similar rate of use in other sports to that provided by the PFA for professional football, and whether a similar proportion of those testimonials are contractual or non-contractual. As I said before, the implication of the information provided by the England and Wales Cricket Board is that there would be no customary non-contractual testimonials. Is that the case in other sports? We do not know. It would be useful to understand that. We also need that information because favourable tax treatment is still being provided for that first £100,000 of non-contractual, non-customary testimonial payments.

It may well be the case that in different sports, the employment opportunities on retirement as a professional player are very different. Within football, some go on to be agents, coaches, commentators and so on; many others do not. Such roles may not be as available in other sports. It would help if we understood more of the background to this.

Kirsty Blackman: I will not add a huge amount to what the Opposition spokesperson has said on this. I am particularly concerned about the effect on donations to charities that would result from the sporting testimonial changes contained in the Bill. New clause 2 requests a report on the assessment of the expected impact of

"the total amounts received by individuals from sporting testimonials"

which is the other concern here, and also

"the donations made to charity from sporting testimonial proceeds."

If the Government are contending that there will be no change in the amount of money given to charity from sporting testimonial proceeds, it would be useful if they said that. If they believe it is unquantifiable, it would be useful if they said that too, so that we are clear what the Government expect—or what they think they expect—from the changes they are putting forward in the Bill. Once again, the Government have said they are expecting a negligible Exchequer impact from this. It would be useful to know the trade-off: how much they believe charitable organisations will be losing in order to generate a negligible Exchequer impact.

I agree with both of the Labour party positions: on amendment 2, which is similar to mine on donations to charities, but also on the one on the review of different sportspeople. It is important that we work out what is almost a distributional analysis. We all know that footballers in the male professional game get paid an awful lot more money than any other individuals. If we see that

[Kirsty Blackman]

people who are getting paid far less are subject to the highest percentage of impact, there is a problem in what the Government are suggesting.

Lastly, on clauses 3 and 4, I raised the issue this morning and I got an answer—but not a very descriptive one—on the reason that the Government have used the term "general earnings", which is different from the wording used in part 1 of the Bill. I was told that there is a good reason for it, but I am still not clear what that good reason is, although I understand that the Minister believes there is one. It would be useful to know why that change has been made, and whether it makes it easier or harder for the Government to change the threshold level. If changing the £30,000 threshold level in part 1 is by affirmative secondary legislation, how does the difference in language affect whether or not affirmative secondary legislation is required to change the £100,000 threshold as well? Is there a different process because of the choice of language?

3.30 pm

I agree entirely with Labour Front Benchers on issues around "customary". I asked about that on Second Reading, because I could not quite get my head round it. I do not think the definition of that is clear enough. It may have been easier for the Government not to do customary testimonials, but only to do contractual ones in this circumstance. We could end up with people being caught by this who should not be caught, just because every single person who has played striker and spent over 10 years in that role at that club has always received a testimonial, although there might have been only two of them.

Mike Wood: On the example that I think the hon. Lady was starting to give, until fairly recently Reading football club had a tradition that anybody who had played for the club for 10 years received a testimonial. It was not a contractual term, but it is difficult to see how that is anything other than expected earnings as part of employment. Is it not right that it should be taxed accordingly?

Kirsty Blackman: The problem is working out the grey areas in this. It may be the case with everybody at Reading, but if there were only one or two people in that role before who filled the same criteria and this is the third person who happens to fill the same criteria and they get a testimonial, is it the case that that could be considered customary, despite the fact that they had no expectation of the testimonial? I understand that this is only for a certain group of people who have a supported testimonial through third-party organisations, rather than through the club itself. I get that we are not discussing the widest possible definition here, but I am concerned that that particular part of the language is incredibly woolly and could have been made better so that all of us and sportspersons, clubs and third-party organisations could understand the meaning of "customary".

Robert Jenrick: Let me respond to as many of those points as possible. We have had a discussion of the impact of these measures on charities. Without repeating myself too much, we expect this to have a minimal impact. Where the sporting testimonial committee and the sportsperson make use of payroll giving, there would be no impact whatsoever. Were an individual to receive the money themselves and then pay tax and take advantage of gift aid, there would be a different tax treatment. Obviously, that would be the choice of the individual. The sportsperson and the sporting testimonial committee could and should choose to use payroll giving, which is a very generous and unlimited relief.

The hon. Member for Oxford East queried whether the measure would create a new bureaucratic impact on testimonial committees. It should not create any more impact than is already in place because we have already legislated for this from an income tax perspective; that is on the statute book. If a sportsperson wanted to use payroll giving today to avoid the income tax liability and ensure that the greatest possible amount of money went to the charity, the sporting testimonial committee today would already have to register for payroll giving, which they would then be able to use a second time for income tax and for the employer's national insurance liability. This measure does not add bureaucracy. One could argue about the measure that has already been legislated for, but that is already on the statute book and the level of bureaucracy involved is pretty low.

We have had another debate around the definition of customary or non-customary sporting testimonial. The hon. Lady has already used her lunch break to root out the guidance, in her usual assiduous manner. If Members look at it, they will see that it is thorough. It is several pages long and goes into a degree of detail. I am happy to circulate it to other members of the Committee. It sets out that while the concept of "customary" is not defined in legislation, it has its ordinary, everyday meaning. The guidance says that in general, "customary" means a practice that is recognisable as the norm and where a failure to observe it would be exceptional. I think that is pretty clear. That suggests that if it is normal practice, a sportsperson would have a legitimate expectation of that as part of their employment at the club, and if the sportsperson did not receive the testimonial that they were expecting, that would be an exceptional occurrence.

Anneliese Dodds: I am grateful for that explanation, but I am sure the Minister will recall that in the expert evidence session, note was taken of the fact that the scope of that norm is not clearly indicated. One could look at the norm for a whole sport, the norm for a particular club, the norm for one year, and so on. Does he accept the need for greater clarity in the guidelines about what the norm is defined with reference to?

Robert Jenrick: I am happy to review the guidance and see whether we can give more examples. There are a number of examples within the guidance on a range of different issues, but if it would be helpful to give one or two examples on this specific issue, I am happy to do so. Without sounding as though I am not giving serious consideration to the issue, it is worth restating that this has not arisen as an active issue. Sporting bodies, sportspeople and sporting testimonial committees have not raised it. The practice is of long standing; it dates back to 1927. We legislated for it from an income tax perspective two years ago, and we have not had any adverse feedback since then.

Anneliese Dodds: Playing devil's advocate, the whole point surely is that under the rules, if a testimonial is customary, the tax is payable. Therefore, if there is any

ambiguity, one would not necessarily want to go stirring hornets' nests to try to resolve that. Surely the Minister understands what I am trying to get at: the bias would surely be towards not seeking advice, rather than going out of one's way to have the joy of paying tax.

Robert Jenrick: I understand that, although those sporting testimonial committees would want a degree of certainty that they were following the law, particularly if large sums of money were involved. They might seek the guidance of sporting bodies, or HMRC, perhaps on an anonymous basis, and that does not appear to have occurred.

Earlier in the day, the hon. Lady asked whether the customary test is specific or exclusive to sporting testimonials or whether it has a wider basis in law. There are other examples of the use of the customary test in tax law and case law, one being employer accommodation, where two factors are taken into account: first, how long the practice had existed, and secondly, whether it had achieved general acceptance with the relevant employers. There is therefore a history, as we have already described. I am happy to take away from today's debate that we will review the guidance and ensure that there is a sufficient number of examples to provide clarity, should anyone require it, although it is not our experience that individuals have requested further clarification in the past.

The hon. Lady also questioned the wider point about the impact on different sports, which is one of the objectives of new clause 5. HMRC has announced that testimonials for sports other than football are all likely to be unaffected, as they are likely to be below the threshold. The measure is most likely to impact footballing testimonials. As I said earlier, the average testimonial, to the best of our knowledge, is around £72,000 a year and is therefore unaffected by the measure.

Without repeating myself, we have consulted many of the sporting bodies, and in fact, I met some of them. It is worth restating that in this instance, sporting bodies expressed a legitimate concern that the proposed threshold of £50,000 was too low. The Treasury responded by not just increasing it, but doubling it to £100,000. We have to be careful not to create unfairness for other members of society and taxpayers in the way that their payments are treated at the end of their career, or when one occupation ends and they unfortunately have to move on to another.

The hon. Member for Aberdeen North asked this morning, and again this afternoon, why there is a difference in language between part 1 and part 2 of the Bill. My experts at HMRC have looked into that, and the difference in language between the legislation for termination awards and sporting testimonials is accounted for as follows. First, in respect of termination awards, it is a charge on the employer. Secondly, termination awards are treated as earnings of the employment. Thirdly, the liability in respect of sporting testimonials is a charge on a third-party controller of a testimonial. Fourthly, there is no link between sportspeople and the testimonial committee. Fifthly, general earnings include earnings from the employment and any amount treated as earnings in, for example, the testimonial payment. I hope that provides some explanation. If the hon. Lady would like further information, I am happy to write to her and the Committee.

The hon. Lady also questioned the amount of revenue that is likely to be raised from the measure. We have said that it is negligible, which means, in the terminology of the Treasury and the OBR, less than £3 million per annum; but in all likelihood, it will raise significantly less than that. When we modelled it prior to doubling the threshold from £50,000 to £100,000 it was also negligible—less than £3 million a year—so it is likely to be closer to zero than to £3 million, now that the threshold has doubled. Once again, our motivation in introducing the measure is to clean up, and provide certainty and clarity to individuals and those organising such matches, rather than to raise revenue.

Anneliese Dodds: I am grateful to the Minister for that. Is he implying, therefore, that there would be a significant behaviour change as a result of the measure? Surely, otherwise there would not be zero income resultant from it.

Robert Jenrick: No—with respect, I did not say that there would be zero income. I said that within the spectrum of zero to £3 million, the likely amount of revenue raised would be closer to zero than to £3 million. The sums involved are very low—negligible, in our terminology—so I do not have more precise figures, but it helps to give some guidance that it is unlikely to be closer to £3 million. Clearly, the vast majority of testimonials will be excluded, and will be below the £3 million level. I hope that I have been able to allay some of the concerns, and that the amendments will not be pressed.

Question put and agreed to.

Clause 3 accordingly ordered to stand part of the Bill.

Clause 4 ordered to stand part of the Bill.

Clause 5

Extent, commencement and short title

Kirsty Blackman: I beg to move amendment 1, in clause 5, page 5, line 39, at end insert—

'(3A) No regulations may be made under subsection (3) until the Secretary of State has made a Statement to the House of Commons on how the Government intends to raise public awareness of the provisions of this Act, including awareness among people who may attend sporting testimonials that their donations may generate a National Insurance liability."

The Chair: With this it will be convenient to discuss clause stand part.

Kirsty Blackman: A lot of the discussion on sporting testimonials, particularly on Second Reading, concerned potential behavioural change of the people who go along to sporting testimonials, and who pay money so that the person they are attempting to honour can receive the funding. Obviously, fans are aware that some of the money they give will be used to pay for the ground used for the testimonial match, and for food, drink and other costs. However, I am concerned that the Government's introducing this measure without spending enough time ensuring that there is public awareness of the change will mean that fans are not necessarily aware that some of the money will be top-sliced, or will generate a class 1A national insurance liability that HMRC will require to be paid.

I certainly do not think that fans going through the turnstiles at such events imagine that some of their potential donations will go to HMRC. It is incredibly important, if the Government are keen to ensure transparency, that fans are aware of this when they go through the turnstiles. That is probably more important

[Kirsty Blackman]

when payment is made on a donation basis rather than a fixed ticket price basis. People are then giving money that they choose to give. It is important that fans are aware of what proportion of that money beyond £100,000 is likely to go to HMRC, and what will be received by the sporting individual.

3.45 pm

On public awareness of the provisions of the measure, the intention of HMRC and the Government around termination payments is to try to stop companies dodging tax or to close a tax loophole. I understand that there are some cases to back that up whereby companies are perhaps giving pay in lieu of notice as a termination payment, instead of paying in lieu of notice and just ending the contract at that point. If HMRC intends that loophole to be closed, it is important that employers and employees are aware that the loophole has been closed, so that they can comply with the law.

The other point I raised earlier about public awareness, is the importance for employers who will have the class 1A national insurance liability to have as much notice as possible about what new computer systems or changes they will need to make in order to comply with the real-time nature of the collection of the tax and to change their redundancy policy. If they currently have a redundancy policy that involves, in an unspoken way, not paying in lieu of notice and terminating the contract instead with a compensatory payment, those companies will need to ensure that they change their policy in order to comply with the law in the way the Government intend.

Now that I have thought of a clause on public awareness, I might table it in every Bill Committee I sit on. I give the Minister fair notice. It is important that the Government let us know, in terms of transparency, how they intend to communicate with those three classes of people: the employers, the employees and the sporting fans who attend testimonial matches.

Robert Jenrick: I will briefly describe the purpose of clause 5 before turning to the hon. Lady's amendment. First, the clause confirms that the Bill applies across the whole of the UK. That is because national insurance is an excepted matter under the Northern Ireland Act 1998. Secondly, it provides that the clause takes effect on the day that the Bill is passed.

The clause also provides that the provisions in the Bill come into force on a day that regulations specify. It is intended that they will take effect on 6 April 2020. That was previously announced at Budget 2018 and will ensure that the measures come into force at the start of the 2020-21 tax year.

Finally, the clause provides that the Bill, once passed, will be known as the National Insurance Contributions (Termination Awards and Sporting Testimonials) Act 2019. Those are all technical matters and there is no substantive issue to discuss specifically in relation to the clause.

Let me deal with the amendment of the hon. Member for Aberdeen North, which centres on how we might communicate the measure to raise public awareness. Without repeating myself, this is one of those Bills that has been around for some time, has been consulted upon and been part of Budget measures. I will not repeat the list I already read out. It is well known and is expected by members of the public who take an interest in these matters—perhaps a limited number—and by tax professionals and employers. I do not think that on this occasion a specific public communication awareness campaign is necessary.

On sporting testimonials, and whether there would be value in educating members of the public that in some circumstances a proportion of the money they spend on their ticket prices or donations will go to the Exchequer, it is worth remembering that any contractual testimonial is already subject to income tax, and also to employers' and employees' national insurance contributions, as a result of prior legislation in the Finance Act. The income taxes payable above £100,000 for those testimonials fit into that category. Unless it was specifically advertised by the organisation holding the testimonial, there is no way today that an individual would know which of these categories their particular testimonial would fall into. I am not sure that there would be any value in specifically advertising to members of the public that we have made this change. If anything, the changes we are making in the Bill increase alignment and simplicity, and increase the number of occasions when some tax will be paid to the Exchequer when a member of the public goes to a testimonial that raises a significant sum of money.

Without exactly knowing the feelings of all sports fans, in many cases I think they would expect that a particularly well-paid sportsperson holding the testimonial likely to raise in excess of £100,000 at the end of a successful career would be paying their fair share of tax, and that their sporting testimonial committee would be paying employers' national insurance. I do not think that fans' automatic assumption would be that well-paid sportspeople would pay no tax on the money they make. I appreciate that there are many examples of players being injured and so on, where people would feel particular sympathy for them as individuals.

On the wider point of HMRC's communication, we regularly communicate with stakeholder groups, including representative bodies. We have employer bulletins that give news, including our latest developments, through quarterly updates. That would be particularly relevant to termination payments, where employers could access the latest information as a result of the passage of this Bill in due course. We are currently in consultation with software providers to advise them of these changes, should they become law. We hope that they will be able to make those changes as soon as possible.

As I said previously, the purpose of bringing this Bill forward now, rather than delaying it any further, was to ensure that there was good time available for employers to make the necessary changes. We hope that we will be able to have it on the statute book in sufficient time for all the relevant stakeholders to make the necessary changes, subject to the smooth passage of this Bill.

Kirsty Blackman: I thank the Minister for his response, particularly around general public awareness. It is important that sports fans in particular are aware that their donation is likely to generate a tax liability. The fact that that was not done before is a bit of a failure. It should be the case that sports fans should have a higher level of awareness. I do not intend to press the amendment at this stage, and I beg to ask leave to withdraw it.

Amendment, by leave, withdrawn.

Clause 5 ordered to stand part of the Bill.

New Clause 3

REPORT ON EXCHEQUER IMPACT

'(1) The Secretary of State must, within three years of this Act receiving Royal Assent, lay before Parliament a report on its Exchequer impact.

(2) That report must contain an assessment of the additional payments made to the Exchequer by third sector organisations in each industrial category."—*(Kirsty Blackman.)*

Brought up, and read the First time.

Kirsty Blackman: I beg to move, That the clause be read a second time.

I put my hand up and say that I made an error in the drafting of the second part of this clause that probably confused everybody. Subsection (2) should not be there; only subsection (1) should be there. It is my error and I apologise. I will not therefore press the new clause to a vote, but I intend to speak on it.

The Minister will know from my questions this morning and our subsequent discussions of my concerns about the Treasury reporting back, and basically letting us know if a tax change has had the intended effect. I have raised this on a number of occasions, in several different forums, and now I have thought of tabling it as an amendment to the Bill, I may do it more often, particularly to Finance Bills—perhaps on each aspect.

I spoke to the previous Financial Secretary, and perhaps even the one before that, about this issue. When it comes to tax reliefs and such like, the Treasury says, "This is going to generate x amount of revenue for the Treasury." We have no recourse to see whether that amount has been generated for the Exchequer. The Government say they constantly keep things under review. At one point, I asked the Library to provide me with a list of the reviews that it could find for the tax relief measures that had been put in place through Finance Acts to see whether they had generated the level of revenue that was expected. A number of them had not been reviewed.

We are not asking for much here. We are asking the Government to tell us whether the law that they have proposed and taken through Parliament—that they have stood up and told us will generate £200 million of revenue—has actually generated that revenue. We can make better law if we better understand the effects of the previous legislation that we have passed.

The new clause would require the Secretary of State, within three years of Royal Assent, to lay before Parliament a report on the Exchequer impact of the Bill. I appreciate the answers that were given by the Minister and HMRC this morning—within three to five years, a review is undertaken and the intention would be the same on this Bill, and that review would be sent to the Treasury Committee, which would examine it. I have a number of issues with that.

Perhaps no one from the original Bill Committee may be on the Treasury Committee, so we may not see the effect of what we have passed. It would be incredibly useful if the Minister would commit to ensuring that any reviews that happen—preferably all of them—are sent to members of the original Bill Committee, as well as the Treasury Committee. That would be very useful. I know we have a change of personnel sometimes, but that would be a good start.

I have previously criticised the lack of a link between the Treasury Committee and those who sit on Finance Bill Committees. The Treasury Committee does a lot of very good scrutiny, but those of us on Finance Bill Committees may not see or be part of that scrutiny, and therefore, unless we go and dig out the evidence, which we find out from a colleague was given six months ago, we do not necessarily know that it exists. I have criticised the lack of a link previously. It is important that any reporting that is done is not just to the Treasury Committee. I do not suggest for a moment that the Committee is not incredibly competent and very good at its job; I am just suggesting a lack of link-up and communication.

It would be much appreciated if the Minister could commit to taking this on board and to ensuring that there is wider transparency and communication about any review. If it were published in, say, a ministerial statement, and flagged to those of us on the original Bill Committee, that would give us the opportunity to follow up with written parliamentary questions, for example, even though we are not on the Treasury Committee and cannot ask questions in oral evidence sessions. We could do that much more easily if the Minister committed to providing us with that information.

Peter Dowd: We support the new clause, although we will not press it to a vote.

Given that there are not many people in the room and this probably will not be listened to very much, I can say that, as an Everton supporter, I none the less congratulate Liverpool on their 4-0 win. Not many people will hear that. I will deny I said it and will have it struck from *Hansard.* I also congratulate Man City on their win. I wish them the best of luck. At least there is a tenuous link with sporting testimonials.

Robert Jenrick: As a Wolves supporter, I am slightly bitter at the moment.

To answer the point made by the hon. Member for Aberdeen North, without repeating comments already made today, I appreciate her legitimate arguments. We feel that the measures in the Bill have been sufficiently consulted on. The long-standing tradition that a new piece of legislation will be reviewed within three to five years will apply. The review's outcome will be in the public domain. It will be sent to the Treasury Committee. Ordinarily, it would be published on its website, and the hon. Lady or any other interested Members would be able to view it there. It will not be a private document only for the consumption of members of the Committee. I hope that will reassure her that we intend carry out a review in due course and that will be available for those who take an interest in it.

Kirsty Blackman: I thank the Minister for that response—that I should set in my diary between 2023 and 2025 to regularly check the Treasury Committee's website to see whether the review has been published. I am being sarcastic but, to be honest, it would be better if the Treasury could just commit to sending it to those Members on the original Bill Committee in all circumstances, rather than us having to imagine when the Treasury happens to do the review and have to go on and happen to find it on the right possible day. That would make for better lawmaking in this place. I will not push this because of the drafting error—it would not make sense to press something that has a mistake in it—but I will probably return to it on Report.

Clause, by leave, withdrawn.

Bill to be reported, without amendment.

4.1 pm

Committee rose.

Written evidence to be reported to the House

NIC 01 Chartered Institute of Taxation