PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE BILL

Tenth Sitting

Thursday 18 June 2020

(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

Monday 22 June 2020

The Committee consisted of the following Members:

Chairs: Siobhain McDonagh, † Andrew Rosindell

† Badenoch, Kemi *(Exchequer Secretary to the Treasury)*
† Baldwin, Harriett *(West Worcestershire)* (Con)
† Browne, Anthony *(South Cambridgeshire)* (Con)
† Buchan, Felicity *(Kensington)* (Con)
† Cates, Miriam *(Penistone and Stocksbridge)* (Con)
† Flynn, Stephen *(Aberdeen South)* (SNP)
† Jones, Andrew *(Harrogate and Knaresborough)* (Con)
† Millar, Robin *(Aberconwy)* (Con)
† Norman, Jesse *(Financial Secretary to the Treasury)*
† Oppong-Asare, Abena *(Erith and Thamesmead)* (Lab)
† Phillipson, Bridget *(Houghton and Sunderland South)* (Lab)
† Ribeiro-Addy, Bell *(Streatham)* (Lab)
† Rutley, David *(Lord Commissioner of Her Majesty's Treasury)*
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Streeting, Wes *(Ilford North)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)
† Williams, Craig *(Montgomeryshire)* (Con)

Chris Stanton, Kenneth Fox, Johanna Sallberg, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 18 June 2020

(Afternoon)

[Andrew Rosindell *in the Chair*]

Finance Bill

2 pm

The Chair: Good afternoon. As Members are aware, social distancing guidelines are in place, so I remind them to sit only in marked seats. Tea and coffee are not permitted in Committee Rooms. Please will all Members ensure that mobile phones are turned off or switched to silent mode during the sitting? As Members are also aware, the *Hansard* reporters would be most grateful if speaking notes were sent to hansardnotes@parliament.uk.

New Clause 3

Review of impact of Act on nations and regions of the UK

"(1) The Chancellor of the Exchequer must conduct an impact assessment of this Act on the different parts of the United Kingdom and regions of England, and lay this before the House of Commons within six months of Royal Assent.

(2) This assessment must consider the impact on:

(a) Household incomes in each part of the United Kingdom and region of England; and

(b) GDP in each part of the United Kingdom and region of England;

(3) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

and 'regions of England' has the same meaning as that used by the Office of National Statistics."—*(Wes Streeting.)*

This new clause would require the Chancellor of the Exchequer to review the impact of this Bill on the nations and regions of the UK.

Brought up, and read the First time.

Wes Streeting (Ilford North) (Lab): I beg to move, That the clause be read a Second time.

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

New clause 18—*Assessment of impact of provisions of this Act*—

"(1) The Chancellor of the Exchequer must review in parts of the United Kingdom and regions of England the impact of the provisions of this Act and lay a report of that review before the House of Commons within one month of the passing of this Act

(2) A review under this section must consider the effects of the provisions on—

(a) GDP

(b) business investment,

(c) employment,

(d) productivity,

(e) company solvency,

(f) public revenues

(g) poverty, and

(h) public health.

(3) A review under this section must consider the following scenarios:

(a) the Job Retention Scheme, Coronavirus Business Interruption Loan Scheme, Bounceback Loan Scheme and Self-employed Income Support Scheme are continued for the next year; and

(b) the Job Retention Scheme, Coronavirus Business Interruption Loan Scheme, Bounceback Loan Scheme and Self-employed Income Support Scheme are ended or changed in any ways by a Minister of the Crown.

(4) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

'regions of England' has the same meaning as that used by the Office for National Statistics."

This new clause would require a review of the impact of the Bill in different possible scenarios with respect to the continuation of the coronavirus support schemes.

New clause 21—*Sectoral review of impact of Act*—

"(1) The Chancellor of the Exchequer must make an assessment of the impact of this Act on the sectors listed in (2) below and lay a report of that assessment before the House of Commons within six months of Royal Assent.

(2) The sectors to be assessed under (1) are—

(a) leisure,

(b) retail,

(c) hospitality,

(d) tourism,

(e) financial services,

(f) business services,

(g) health/life/medical services,

(h) haulage/logistics,

(i) aviation,

(j) transport,

(k) professional sport,

(l) oil and gas,

(m) universities, and

(n) fairs."

This new clause would require the Government to report on the effect of the Bill on a number of business sectors.

Wes Streeting: It is a pleasure to move new clause 3, in my name and those of my hon. Friends, and to speak to new clauses 18 and 21, which will be put forward by the hon. Member for Glasgow Central.

As this is likely to be the last sitting for line-by-line scrutiny, I would like to take the opportunity to thank you, Mr Rosindell, and Ms McDonagh for so effectively chairing our proceedings in the course of that scrutiny. I thank the staff in the Public Bill Office for all their assistance in putting together various amendments and new clauses. I thank my own team in Westminster—in fact, not in Westminster but working from home—for the efforts that they have made in supporting me and other hon. Members throughout this process, and I

thank staff working in the offices, or not in the offices, of other members of the shadow Treasury team. They have done a sterling job—it should be borne in mind that we do not have the resources of the civil service to support us through all this—and it is much appreciated.

Ours is a great country, full of promise and opportunity. One of the richest countries in the world, we are home to world-class universities, entrepreneurs, captains of industry, groundbreaking scientists and inventors, globally renowned artists and a vibrant civil society. However, as we will consider across a number of our debates this afternoon, this is also a country of staggering inequality, intolerable poverty and wasted potential—and that is before we consider the impact of coronavirus on our country's economic prospects.

I am starting with new clause 3. The economic divisions in our country are not merely reflected through class inequality, but reflected and represented in our geography. Britain is home to nine of the 10 poorest regions in western Europe, but also the richest, in inner London. A child on free school meals in Hackney is still three times more likely to attend university than an equally poor child in Hartlepool. The gap in productivity between English regions is worth about £40 billion a year, with productivity in London and the south-east standing at 50% above the national average.

The past 40 years have seen a significant decline in our country's manufacturing base, with serious social consequences in former industrial towns and profound consequences for people's lives and livelihoods—and our politics. People have seen their jobs disappear as a result of one of the largest deindustrialisations of any major nation, with production exported to countries with cheaper labour costs through outsourcing, or being lost altogether to labour-saving technology.

That is why the so-called levelling-up agenda is so important, and it is made all the more pressing by the covid-19 pandemic. We know from the evidence emerging all the time that without an effective regional response from the Government, the economic crisis brought about by covid-19 risks entrenching existing inequalities in our country and creating new ones that, unchecked, might persist for decades.

According to the RSA, the Royal Society for the encouragement of Arts, Manufactures and Commerce, rural areas and coastal towns in the north and south-west of England are most at risk of covid-19's impact on unemployment. This involves many coastal towns, national parks and tourist hotspots, with economies dependent on hospitality, retail and tourism. The RSA identified the district council of Richmondshire in North Yorkshire, which forms part of the Chancellor's constituency, as the most at-risk area.

Meanwhile, KPMG's chief economist in the UK believes that the west midlands could face the biggest impact. My right hon. Friend the Member for Birmingham, Hodge Hill (Liam Byrne) has been banging the drum for the west midlands economy, highlighting in particular the risks to manufacturing in the region. The weighting of the average sectoral impact, measured by the Office for Budget Responsibility against the distribution of each local authority's gross value added by sector, concluded that the decline in economic output in parts of the midlands and the north-west could be as much as 50% and that nine out of the 10 worst affected local authorities will be located in those regions.

That is not to say that we should not be concerned about our major cities either. Edinburgh, in particular, has the highest level of exposure to the reduction in international tourist spending, with consequences for the city and surrounding regions. Indeed, I hope we can move away from the narrative of London versus the rest of the country. Our capital city is a truly global city, and its success is inseparable from our national success, but London's political leaders and our business leaders recognise the need for a more balanced regional economic settlement and the benefits that that would bring to all of us, wherever we live and work.

As we think about the crisis that we are living through and the recovery that we hope will follow, let us take heed of the warning from the New Local Government Network and so many others that recovery cannot be a synonym for the resurrection of business as usual. It cannot be a coincidence that our country has one of the most imbalanced economies in the developed world and also one of the most centralised systems of government.

As TheCityUK has argued,

"the crisis should prompt policymakers to consider anew some long-standing potential solutions to the problem of regional inequality, such as devolution of political and potentially fiscal powers."

It is important that, at every Budget, Finance Bill and fiscal event, the Treasury looks carefully at whether we are moving the dial in the right direction when it comes to tackling the gross regional inequality in our country. I think it is fair to say that, under successive Governments, the Treasury has had a much more centralising tendency and cultural mindset than other Departments. Of course, it is easy to understand why that is and the appeal of being able to make big decisions and pull big policy levers that have an impact across Government and the country. But the way in which decisions are taken in Whitehall has a direct effect on not just town halls but communities right across our country.

Stephen Flynn (Aberdeen South) (SNP): The hon. Member is making a number of excellent points. He could perhaps go further, because what he is referring to could also be an emboldened and more powerful Scottish Parliament with further devolution to Scotland.

Wes Streeting: I am grateful for that intervention. I was very encouraged by the recent policy position published by the leader of the Scottish Labour party and excitedly relayed to the rest of us by the shadow Secretary of State for Scotland, my hon. Friend the Member for Edinburgh South (Ian Murray). Scottish Labour has come out with some really bold proposals for how devolution could go even further, extending to home rule in Scotland. I know that that is not a position shared by the separatists in the Scottish National party. We could spend the rest of the afternoon discussing the merits or otherwise of Scottish independence, but, to allow SNP Committee members to get back home at the end of the day, perhaps we should not dwell on that this afternoon.

The Financial Secretary to the Treasury (Jesse Norman): It is too tempting for me not to ask the hon. Member to share a few of his views on Unionism in Scotland and whether he thinks that is a good idea.

Wes Streeting: I think that the economic benefits of the Union are so obvious and well rehearsed from the debate on Scottish independence and the referendum campaign, but for me this is not just a question of economics or a statistical debate about the merits of Unionism; it is also about the shared history, shared benefits, shared prosperity and shared identity of the United Kingdom.

I have a great affection for Scotland as a country, and indeed for its history, its separate identity and its separate strength where policy there is different. For example, thinking back to my experience before entering this House, I have always greatly admired the Scottish higher education system, and the way in which issues such as quality enhancement are approached in Scotland. I just think that we are stronger together.

I will now pick some wounds in the other direction, because just as I have never understood how the SNP can be pro-union at a European level but hostile to it at a UK level, so too have I never understood the Conservative party's anti-unionism in relation to the EU and its pro-Unionism in a UK context. In fact, returning to the economic matters addressed by the Bill, I have as much belief in the merits of the single market of the United Kingdom as I have in the merits of the single market of the European Union. Unfortunately, these questions have already been settled—in one case favourably; and in the other unfavourably, in my opinion. But I shall dry my remainer tears and return to our consideration of new clause 3—[Hon. Members: "Hear, hear!"] Government Members are cheering in all the wrong places.

Finance Bills, Budgets and other fiscal events are not simply number-crunching exercises, or processes of bureaucratic tidying up, as much of the Bill is concerned with, important though those often are; they also reflect the political priorities of the Government of the day and send a message to the country about the things that the Government value and want to achieve. Every one of them should move the dial on the big challenges facing our country in the right direction. That is why new clauses 18 and 21, tabled by the hon. Member for Glasgow Central, are also so important.

The economic impact of covid-19 has been felt right across our economy but, as the ONS figures show, some sectors have been hit harder than others, and we know that some sectors will be hit harder for longer. If we take the gross value added figures and look at the percentage change from March to April, we see a fall of 5% in the financial sector, for example, or 6% in agriculture, forestry and fishing. Compare that with a fall of 88% in hospitality, 40% in construction, 40% in arts, entertainment and recreation, and 24% in manufacturing. Those figures are extraordinary.

What makes the country's experience of this crisis so different from that of 10 years ago, in the aftermath of the global financial crisis, is that we are seeing that really significant variation. If we look at the GVA figures for the impact of the financial crisis sector by sector, and then we look at the OBR's projected output figures, as the Resolution Foundation has done, we see such a stark contrast, sector by sector, between the standard deviation 10 years ago and the one projected now.

That is why a one-size-fits-all approach to our economic response to coronavirus simply will not cut it. We of course recognise the steps that the Chancellor has already taken, and my hon. Friend the shadow Chancellor has been keen to work constructively with the Government on the economic response, as indeed have we all, but we are concerned about what lies ahead and about how the Chancellor is proposing to handle the economic response and the long-tail effects. That is why this week we have called on the Chancellor to come forward with a full Budget in March—a back-to-work Budget focused on jobs.

What gets measured is what counts. The Treasury will make better decisions and Parliament will be able to scrutinise more effectively if we look more closely at the impact of Treasury decisions on the issues that matter most to our country. That is why is it so important to consider the impact of the Bill on regional inequality, so I commend to the Committee new clause 3. I also indicate the official Opposition's support for new clauses 18 and 21, which would look at the impact sector by sector and across a range of other important economic factors.

2.15 pm

Alison Thewliss (Glasgow Central) (SNP): It is a pleasure to see you in the Chair, Mr Rosindell.

I will reflect on some of the issues raised by the hon. Member for Ilford North. The Government down in Westminster are doing such a cracking job of selling the Union that a new Panelbase poll at the start of the month put support for independence at 52%; it had 20% of no voters in 2014 now having swapped to be in favour of independence; and most people wanting to see a vote in the next five years. A great commendation of the UK Government on the job that they are doing is that people in Scotland are regretting at a greater rate than ever before how they voted in 2014.

Wes Streeting: Perhaps when the hon. Lady returns to her constituency, she might reassure her constituents who worry about policy making at a UK Government level that, hopefully, we will have a Labour Government again before too long.

Alison Thewliss: People can promise things in the never-never—perhaps that will happen, but we do not quite know. But how Scotland ends up getting governed should not be down to whether votes in England sway one way or the other. We would do a far better job of governing ourselves, as many small independent countries around the world do. Many small independent countries are also making a much better fist of dealing with the coronavirus crisis than the UK is—in fact, most countries in the world are, never mind small ones. Look at how well New Zealand has managed the crisis, and how well it has been able to come out of it, under the brilliant leadership of Jacinda Ardern. We have a lot to learn from other countries about how to do things better in so many ways.

We are very supportive of Labour's new clause 3 and of the complementary new clauses 18 and 21, which I tabled. New clause 18 seeks assessments of the impact of the Bill within a month on various economic variables, comparing situations in which the Treasury ceases or continues its covid-19 support schemes for the next year.

The likely reality is that when the schemes are discontinued, as planned, the economy and people's living standards will be sent reeling. We know that from

the many studies that have been done of people who have taken up the coronavirus job retention scheme—the majority of uptake of the scheme in the hospitality and tourism industries is significant. YouGov polling out yesterday suggested that a huge number of people would lay off their staff if the schemes were withdrawn. The Government need to listen carefully to the experience of people in those sectors on the impact of withdrawing too early.

We feel it is important that that is looked at in the context of the Finance Bill. As everyone has seen, as the Finance Bill progressed from the Budget to where we are now, the world in which we are living changed—changed dramatically—for so many people and their living standards. For the Government to have such a review seems wise.

The schemes covered by new clause 18 are the job retention scheme, the business interruption loan scheme, the bounce-back loan scheme and the self-employed support scheme. We know that the Chancellor has said that he will do "whatever it takes" to protect jobs, but we also know—I am a member of the Treasury Committee, and we have found that from the evidence received from many—that more than 1 million people have fallen through the gaps in the schemes. We need to understand what impact that and the measures in the Finance Bill will have on those groups.

Earlier, the Office for National Statistics revealed that in April the UK's economy suffered its biggest monthly slump in GDP on record—20.4%—due to the pandemic. We therefore think that it would be wise for the Government to expand the support schemes, rather than winding them down. That is also critical for the devolved nations, which are moving at a slightly different pace, due to the circumstances in which we find ourselves, hence why we want to look at the different nations as well.

In new clause 21, we ask the Government to report on the effects of the Bill in a number of different business sectors. Different sectors will be differently affected. The sectors mentioned in the new clause include leisure, retail, hospitality and tourism, all of which we know from our constituency experiences have been severely hit, with retailers having real problems and many in the leisure sector perhaps falling outwith some of the schemes and finding it very difficult to get started up again. As I mentioned earlier, some businesses in my constituency were unable to access the support for various technical reasons. Financial services, business services, health life/medical services, haulage and logistics and aviation have also been severely impacted. Many bus firms and tour firms are struggling to keep going, which will impact on schools as they return. Many are rural schools and so rely on the transport sector to move pupils around. Those factors need to be considered as well.

My hon. Friend the Member for Paisley and Renfrewshire South (Mhairi Black) has spoken a great deal about the impact on the aviation sector, which, in turn, will have a huge impact on the behaviour of BA. The way it is currently treating its staff is absolutely appalling.

We also want to talk about professional sport and oil and gas, which my hon. Friend the Member for Aberdeen South covered so well earlier. Universities will be hugely impacted by the number and ability of foreign students to come here to work, study and live. Those universities have been in contact with me—indeed, several are based in my constituency and several neighbour my constituency—saying that they are very concerned about their future, which the Government have not really talked about to any great extent. Fairs, too, face problems. I have many show people based in my constituency, and they are also very concerned about the loss of their season and their ability to continue trading, because they do rely on that public-facing role—opening up the funfair to people, taking money and exchanging cash. Without that, they have no income at all. They have very few alternatives. Many may operate things such as snack bar vans, which, again, have not been operating to the same extent as previously.

We are keen to press the Government on these things and to understand the impact of what has been proposed here and to see what schemes are running. I am very happy to move these new clauses in my name and the names of my hon. Friends.

Jesse Norman: I rise to urge the Committee to reject these new clauses. Let me say a few things about them and then I will turn to the comments that have been made.

New clause 1 would require the Chancellor to conduct an impact assessment on the effect of household incomes on GDP in each part of the United Kingdom and in each region of England. New clause 18 would require the Government to conduct a review within one month of Royal Assent, of the effect of the Bill on the nations and regions of the United Kingdom if the Government's main coronavirus support schemes continue for the next year—a hypothetical case if that be so—or if they were ended or changed in any way by a Minister of the Crown. The SNP's new clause 21 would require the Chancellor to make an assessment of the impact of the legislation on a large number of different sectors and to lay a report of that assessment before the House of Commons within six months of Royal Assent.

We do not think that any of those clauses are necessary. I should remind the Committee that, apart from the provisions relating to the main rates of income tax, provisions in this Bill will apply across the whole of the United Kingdom and will directly benefit households and businesses in every part of the country. They have been developed with careful consideration of their impact on all regions and sectors of the United Kingdom. It is worth just saying that Ministers assess individual measures as well as the package as a whole for the differential impacts that they may have on each part of the UK throughout the policy development process, and they are under a statutory duty to assess the equalities impact of the provisions contained in the Bill, and those have been analysed and published.

In addition, the Treasury publishes extensive distributional analysis of the impacts of this Bill, together with the impact of the Government's decisions on welfare and public services. What that amounts to is a rigorous and detailed record of the impact of the Government's policies on households. The Office for National Statistics also publishes monthly estimates of GDP, and analysis of the impact of Government decisions on GDP is also carried out by the Office for Budget Responsibility, which is itself independent.

Therefore, between those checks and balances and that degree of inbuilt institutional consideration and the packages of support that we have offered, I think that it should be fairly plain that these new clauses are

[Jesse Norman]

not required. We continue to monitor the impact of the coronavirus crisis closely as well as the response to the schemes that have been put in place. It is right that we should do so alongside the general continuous review of tax and the economy in relation to policy.

Let me remind the Committee that the Government have a commitment to consult—and they do consult—regularly on new tax policy and tax legislation in order to make sure that as wide a range of views and impacts as possible are captured during the tax policy-making process. We have touched on that matter in a previous discussion.

Let me come quickly to the points raised by the hon. Members opposite. The hon. Member for Ilford North rightly highlighted the levelling-up agenda, and he was fully justified in doing so. He said that London was a global city and should be understood as such, but that the Government's attention should properly be on all the regions and nations of the country, and of course I share that view.

The hon. Gentleman talked about centralisation within the Treasury. I have been a trenchant critic of centralisation in the Treasury historically and on the public record, and I think it reached a bit of an apogee under the last Labour Government—I would say that, wouldn't I? But I still think it is true—there was a tendency to view every problem as potentially soluble by tweaking the marginal costs and benefits of a system. In some respects, we have had to counteract that tendency in order to give us more of an inclusive view of what ultimately are a set of devolved settlements as well as a UK picture.

The hon. Member for Glasgow Central said something that I thought was quite bold: that the Scottish Government would do a far better job of governing Scotland than the UK Government do within a UK national framework. Of course, the UK does not govern Scotland; it has areas that are reserved and areas that are devolved, and many areas, including higher education, are devolved in Scotland.

I must say that I share the high regard that the hon. Member for Ilford North has for the history of higher education in Scotland. He will know that for many hundreds of years there were two universities in England and five in Scotland, which represented and reflected a high-quality orientation and a commitment to higher education. Unfortunately, it is in the record that Scottish higher education has not made the same kind of progress under the Scottish National party Government, particularly in relation to minorities and equalities, which is a terrible, terrible shame. I wish it were otherwise. So I would not accept the suggestion made by the hon. Member for Glasgow Central, but I will invite the Committee to reject these clauses.

The Chair: Does the hon. Gentleman intend to press the new clause to a vote?

Wes Streeting: Yes, Mr Rosindell.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 8]

AYES

Flynn, Stephen	Smith, Jeff
Oppong-Asare, Abena	Streeting, Wes
Phillipson, Bridget	Thewliss, Alison
Ribeiro-Addy, Bell	

NOES

Badenoch, Kemi	Millar, Robin
Baldwin, Harriett	Norman, rh Jesse
Browne, Anthony	Rutley, David
Cates, Miriam	Williams, Craig
Jones, Andrew	

Question accordingly negatived.

New Clause 4

REVIEW OF IMPACT OF ACT ON THE ENVIRONMENT

"(1) The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on the environment, and lay this before the House of Commons within six months of Royal Assent.

(2) This assessment must consider the impact on:

(a) the United Kingdom's ability to achieve the 2050 target for net zero carbon emissions,

(b) the United Kingdom's ability to comply with its third, fourth and fifth carbon budgets,

(c) air quality standards, and

(d) biodiversity."—*(Wes Streeting.)*

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on the environment.

Brought up, and read the First time.

Wes Streeting: I beg to move, That the clause be read a Second time.

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

New clause 19—*Review of impact of Act on UK meeting UN Sustainable Development Goals—*

"The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on the UK meeting the UN Sustainable Development Goals, and lay this before the House of Commons within six months of Royal Assent."

New clause 20—*Review of impact of Act on UK meeting Paris climate change commitments—*

"The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on the UK meeting its Paris climate change commitments, and lay this before the House of Commons within six months of Royal Assent."

Wes Streeting: It is a pleasure to rise to move new clause 4, which asks that the Government review the impact of this Bill on the environment. As I said earlier in our discussions on the Bill, this is where the Government's stated ambitions on tackling climate change are not yet matched by action.

2.30 pm

We know what an emergency response to a national emergency looks like. We have seen the sweeping policy decisions and extraordinary levels of public spending

that have gone into addressing a public health emergency in the form of the coronavirus and its impact on our economy. The climate emergency, which has been declared as such by Parliament and apparently recognised by the Government, is a global emergency with hugely damaging consequences nationally and for the entire human race, unless we get this right.

To put that emergency into context, the UK and Europe are already experiencing the impact of environmental decline. According to the World Meteorological Organization, the past 22 years have produced 20 of the warmest years on record, with the hottest four occurring consecutively between 2015 and 2018. Prolonged summer heatwaves are crippling infrastructure and causing public health crises. On 25 July 2019, the UK Met Office declared a temperature of 38.7° C to be the hottest day on record. Temperatures such as those are set to become the norm, with London in the summer months predicted to become as hot as Barcelona by 2050. Before that excites too many people with memories of their own summer holidays in Barcelona, we should remember that Barcelona temperatures do not necessarily deliver a Barcelona holiday experience in terms of the pleasantness of the temperatures.

Hotter temperatures have much broader consequences for our way of life. Other climate-related processes will permanently change the face of Britain if we maintain current levels of greenhouse gas emissions. Sea levels around London are predicted to rise between 0.53 and 1.15 metres. That does not sound like a lot, but it threatens the safety of our capital and surrounding regions. Across the UK, the Met Office forecasts that flash flooding caused by the intense rainfall, which has already caused such misery in recent flooding events right across the country, could become five times as frequent by the end of the century if urgent steps are not taken.

Beyond our own shores, the consequences of climate change across the world will be profound. One need only to look at the homes lost in the California wildfires or the impact of global warming on the Arctic region, which has faced unprecedented environmental catastrophe. The melting rate of Greenland's ice has risen to three Olympic-size swimming pools every second. Wildfires have been visible from space raging through parts of Siberia, Antarctica and Greenland. These caused the release of up to 50 megatonnes of CO_2, a quantity larger than that released by all other Arctic circle fires in June from 2010 to 2018 combined.

Ultimately—this is particularly topical, given some of the wider discussions going on in the main Chamber across this week—the people of the global south will be disproportionately affected by the developing climate emergency, with 95% of the cities at extreme climate risk situated in Asia and Africa. In 2018, widespread drought-related food scarcity caused extreme food shortages for almost 840,000 people in South America. Food shortages are a major factor in mass migration and political instability. The World Bank believes that the total number of globally displaced people is set to reach 140 million by 2050, due to rising sea levels, droughts, extreme weather events and subsequent conflicts that will come to pass as a result. We simply cannot afford to bury our heads in the sand.

The Government claim to be among world leaders when it comes to tackling climate change. I am not sure that the boldness of that claim is justified when one looks at the evidence more closely. On our commitment to achieving net zero, policy has fallen short of bringing about the measures required to put the UK on course to meet its original long-term ambition of an 80% reduction, let alone the recently agreed net zero ambition. The most recent report by the IPPR's environmental justice commission, "Faster, further, fairer", estimated that the Government needed to invest an additional £33 billion per year just to meet their own 2050 net zero target, but so far less than 10% of that investment has been committed.

We recognise that the UK was the first country to set legally binding carbon budgets, and that is to be welcomed. The July 2019 report by the Committee on Climate Change on how the UK met its carbon budget shows that much of it can be attributed to accounting revisions in the UK's share of the EU emissions-trading system. Had the global financial crisis not occurred and had economic growth turned out as expected when the carbon budgets were set, the second carbon budget would have been missed by a significant margin. As the IPPR's commission noted in its interim report:

"At present, the UK is set to miss its legally binding fourth and fifth carbon budgets".

On air quality, we need to make accessible and sustainable forms of transport more widely available, as we discussed in the debate on clause 83 when we considered the impact on electric vehicles. Much further work needs to be done to expand the take-up of environmentally friendly modes of transportation, including on the personal use of electric vehicles.

The UK is one of the most nature-depleted developed countries in the world: despite its being a signatory to the convention on biological diversity, 41% of species in the UK have decreased in abundance over the past 50 years, and 15% of species are threatened with extinction, according to the 2019 report by the State of Nature partnership. There are clearly big challenges in respect of our own biodiversity, and much further work is needed.

New clause 19, tabled by the hon. Member for Glasgow Central and her colleagues, would require the UK Government, through the Chancellor of the Exchequer, to

"conduct an assessment of the impact of this Act on the UK meeting the UN Sustainable Development Goals"

and to report on that within six months of Royal Assent. I will not dwell on the new clause for too long—I look forward to the speeches from our SNP colleagues on the Opposition Benches—but it is worth highlighting a few of the UN sustainable development goals in respect of which Government action falls short of the commitments that we have undertaken.

The first UN sustainable development goal is:

"End poverty in all its forms everywhere".

The global challenge of eliminating poverty is enormous, and this country, through the Department for International Development—the demise of which we lament and oppose ferociously—has made enormous strides in lifting millions of the world's poorest people out of poverty yet, as I will discuss later, there is simply no excuse for poverty existing in this country, which is one of the richest in the world.

The second goal is a commitment to "Zero hunger". It should not take an England footballer to draw the Prime Minister's attention to holiday hunger among

school-age children in this country. Food-poverty charities have been talking about the issue for years. They warned last summer that 3 million children risked going hungry over the summer period. It is a source of national shame and embarrassment that people in our country today are forced to rely on food banks to feed themselves. A report asking the Government to consider the impact of the legislation on achieving the SDGs would be helpful—although sadly not in celebrating progress but in demonstrating where further action is required.

New clause 20 would require a review of the Bill's impact on the UK meeting its Paris climate change commitments. Again, we have a lot further to go if we want to meet our commitments. Our global voice in leading the world on climate change is important, particularly when some of our closest allies—I am thinking of the United States of America—are putting the world at risk by reneging on commitments made in Paris. Let us hope that a change of Administration brings about a change in policy.

In the light of the covid crisis, there has been a great deal of talk about a green recovery and a just recovery. Indeed, I have heard Ministers talk about the importance of a green recovery. I welcome the rhetoric, but it troubles me that the policies through which the Government envisage bringing about a green recovery are much less clear than the stated commitment. This crisis has exposed the weaknesses of the UK and shown our citizens what happens if we do not build resilience into public policy to prevent serious catastrophes. It is not too late for us to put a stop to destructive climate change on earth, but we will have to treat it as a genuine emergency. Although this House has declared a climate emergency, it is not clear from the Government's policies that we have a response worthy of the urgency and seriousness of the situation.

Stephen Flynn: New clause 4 closely aligns with what the SNP seeks to promote in new clauses 19 and 20, and I will address each of them in turn. First, new clause 19 would require a review of the Bill's impact on the UK meeting the UN sustainable development goals. The obvious thing that must be said to start with is, why would we not want to do that? Why would we not want to know whether our actions are complementing the UN sustainable development goals? We heard from the hon. Member for Ilford North, who helpfully stole some of my lines, about how important the UN sustainable development goals are. That perhaps suggests why the Government may be reluctant to agree to this new clause, although I hold out hope that the Financial Secretary to the Treasury will rise and show that my doubts are misplaced.

The first sustainable development goal is on ending poverty. Quite frankly, it is absurd that poverty exists in these isles. Unfortunately, the UK Government have been in charge for much of my lifetime, and during that period, poverty has been prevalent because of the actions and decisions that they have taken—we cannot escape that fact. Whether in more recent times through universal credit and the two-child cap, or regarding their inability even to provide free school meals to children in England, the consequences of their actions are great. We have heard that Marcus Rashford achieved more in a matter of days than the Government managed to achieve in a number of years, but that is not something the Government should be proud of. It should not take a footballer to change their direction; that is not how politics should work at the best of times.

The last UN sustainable development goal is on partnerships to achieve the goals. We heard from the hon. Member for Ilford North that the Department for International Development has been completely disbanded and is getting moved into the Foreign and Commonwealth Office. That is an absurd move by the Government, and it flies in the face of sustainable development goal 17, on partnerships to achieve the goals. DFID has done so much to foster good relations across the world, which has allowed us to play a leading role in trying to improve the lives of those whose life chances, quite frankly, are worse than anything we can possibly imagine.

The simple question is, why would the Government not wish to support the new clause? The answer is perhaps that their own record shames them from doing so. If they were to support it, they would be following the path of the Scottish Government, who embedded the sustainable development goals in our national performance framework—Scotland's vision for national wellbeing—following consultation with the public, trade unions, business organisations, local government, voluntary organisations and wider civic society. It can be done, and in a positive and proactive way, with community groups from across the spectrum. Where Scotland leads, the UK Government have the opportunity to follow

2.45 pm

That takes me to new clause 20, which seeks a review of the impact of the Bill on the UK meeting its Paris climate change commitments. Again, the obvious question is why would we not want to support this, particularly when COP26 is on the horizon? COP26 provides us an opportunity to shape things in a new direction, just as the current pandemic does. I made great waves earlier in relation to the oil and gas sector and my support for it, so it may seem a little bizarre that I want to talk about sustainable climate change commitments, but the reality is that the climate crisis is upon us, and if we do not grasp the thistle now, where will we be? The climate emergency has not gone away.

That takes me back to something I touched on earlier—the oil and gas sector deal; or the UK Government's inability, so far, to sign an oil and gas sector deal. In response to written questions that I posed, they do not even seem to have a timeline as to when an oil and gas sector deal will be signed off and delivered. The key thing about such a deal is that not only will it provide immediate support to the oil and gas sector but will ensure that there is a sustainable transition, that investment is there to allow for a sustainable future, and that jobs are protected in that regard.

Again, hopefully it will come as no surprise to Members that the Scottish Government have been on the front foot in this regard. Just last week, they invested £62 million in a number of projects in the north-east of Scotland, including an energy transition zone, the Acorn project in Peterhead, a hydrogen hub in Aberdeen itself and a global underwater hub. That is where we want to go. We recognise that we need to invest in order to create that sustainable transition. The UK Government should work to do that too, particularly given that, as I said, they have reaped the revenue benefits of North sea

oil and gas for decades. It is now time to give back, and to give back in spades, to make sure that that sustainable transition can happen.

The reality is that we cannot afford to wait. We cannot afford to wait in the short term, because jobs rely on this, and we cannot afford to wait in the long term, because our climate cannot wait. We need to protect ourselves from climate change, but we need to protect many other countries and individuals across the world, so I say to the Government: why would you not support this new clause?

The Exchequer Secretary to the Treasury (Kemi Badenoch): New clauses 4, 19 and 20 would require the Chancellor to review the environmental impact of the Finance Bill and its impact on the UK's meeting the UN sustainable development goals and UN Paris climate change commitments. The new clauses are not necessary and should not stand part of the Bill. Tackling climate change is a top priority for the Government, as demonstrated by the UK becoming the first major economy to pass legislation committing to reach net-zero emissions by 2050. The Bill builds on the UK's existing strong environmental record and commitments by delivering new policies to reduce carbon emissions and enhance the environment, and it provides significant incentives to support the continued decarbonisation of transport.

Clause 83 establishes tax support for zero-emissions vehicles, exempting them from the vehicle excise duty expensive car supplement. From April 2020, vehicle excise duty and company car tax will also be based on a new, improved laboratory test known as the worldwide harmonised light vehicle test procedure, or WLTP, which aims to help reduce the 40% gap between the previous lab tests and real-world carbon dioxide emissions.

The Bill will ensure that HMRC can make preparations for the introduction of the plastic packaging tax, which will incentivise businesses to use 30% recycled plastic instead of new material in plastic packaging from April 2022, stimulating increased recycling. The Government are also reopening and extending the climate change agreement scheme to support energy-intensive businesses to operate in a more environmentally friendly way.

Clause 93, which establishes a UK emissions trading system, and clause 92, which updates legislation relating to the carbon emissions tax, ensure that polluters will continue to pay a price for their emissions once our membership of the EU and the emissions trading system ends following the transition period.

New clause 4 would require an impact assessment of the Bill on the environment to be laid before Parliament within six months of Royal Assent. Where tax policies have a particular environmental impact, the Government will take that into account during the tax policy making process and, where appropriate, publish a summary of the impact in the relevant tax information and impact note, or TIIN, as it is otherwise known. The Bill's clauses demonstrate our progress towards tackling climate change as well as towards international deals and agreements, without the need for an additional environmental impact review.

The hon. Member for Ilford North made several comments about our spending more money on coronavirus than on climate change and about our not being on track to meet our net zero targets. All I can say to him is that many of the actions that we need to take to deliver our climate targets also help the UK's economy to recover from the impacts of covid-19. We do not look at those issues separately. He must remember that between 1990 and 2017 the UK reduced its emissions by 42% while growing the economy by more than two thirds. It is simply wrong to say that we are not doing enough on climate change.

Building on our ambitious announcements in the Budget, such as the £800 million fund for carbon capture and storage, we are developing ideas for how we can go further using clean, sustainable and resilient growth as a guiding principle for our strategy to recover from the impact of the virus.

New clauses 19 and 20 would require a review of the impact of the Bill on the UK's meeting the UN sustainable development goals and Paris climate change agreements. The UK published a voluntary national review setting out in detail our progress towards the sustainable development goals and identifying areas of further work in June 2019. We remain committed to supporting implementation of the sustainable development goals, including to help us build back better from the covid-19 crisis. By working to achieve the sustainable development goals, we will also be better placed to withstand future crises.

Under the Paris agreement, the Government must maintain and report on their emissions reduction commitments in the form of a nationally determined contribution. The UK's legally binding commitment to reduce emissions to net zero by 2050 is among the most stringent in the world, and the system of governance implementing the commitment under the Climate Change Act 2008 is world leading.

The Committee on Climate Change, established under the CCA 2008, provides independent evidence-based advice to the UK Government on how to achieve the targets. It reports to Parliament annually on progress made in reducing greenhouse gas emissions and on preparing for and adapting to the impacts of climate change. The Government are committed to tackling climate change. The measures in the Bill already demonstrate that, as well as highlighting our progress towards achieving net zero emissions by 2050, which is one of the most ambitious climate change commitments in the world. In this context, a separate review of the environmental impact of the Bill and how it meets international agreement is unnecessary. I therefore ask the Committee to reject the amendments.

Wes Streeting: I am concerned by the complacency of the speech that we have just heard from the Exchequer Secretary. I do not think it is sufficient to say that the UK is doing enough to tackle climate change and to meet our net zero ambition when all of the evidence suggests that that is not the case. That reinforces even further the case to run a proper impact assessment on the Bill.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 9.

Division No. 9]

AYES

Flynn, Stephen	Smith, Jeff
Oppong-Asare, Abena	Streeting, Wes
Phillipson, Bridget	Thewliss, Alison

NOES

Badenoch, Kemi	Millar, Robin
Baldwin, Harriett	Norman, rh Jesse
Browne, Anthony	Rutley, David
Cates, Miriam	Williams, Craig
Jones, Andrew	

Question accordingly negatived.

New Clause 5

REVIEW OF IMPACT OF ACT ON EQUALITIES

(1) The Chancellor of the Exchequer must conduct an equality impact assessment of the Act, and lay this before the House of Commons within six months of Royal Assent.

(2) This assessment must consider the possible impacts of this Act on individuals and groups with protected characteristics under the Equality Act 2010."—*(Wes Streeting.)*

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on equalities.

Brought up, and read the First time.

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

New clause 17—*Assessment of equality impact of measures in Act*—

(1) The Chancellor of the Exchequer must lay before the House of Commons a report assessing the effects on equalities of the provisions of this Act within 12 months of the passing of this Act.

(2) The review must make a separate assessment with respect to each of the protected characteristics set out in section 4 of the Equality Act 2010.

(3) Each assessment under (2) must report separately on the effects in in each part of the United Kingdom and each region of England.

(4) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

'regions of England'

has the same meaning as that used by the Office for National Statistics."

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on equalities.

Wes Streeting: New clause 5 requires the Chancellor of the Exchequer to review the impact of the Bill on individuals or groups with protected characteristics defined under the Equality Act 2010. The Equality Act, passed by the last Labour Government, was one of the most important pieces of legislation that we passed. It aimed to accelerate the advance this country has made over successive decades in trying to eliminate the discrimination, prejudices and inequalities experienced by people on the grounds of race, ethnicity, gender, sexual orientation, gender identity, religious beliefs and so on.

Throughout my life, I have felt an almost certain sense of inevitability that Martin Luther King was right when he said that

"the arc of the moral universe is long but it bends towards justice."

It implies the onward march of social progress. We have seen that in this country. On discrimination against people based on their race, the indicators have improved. Action has been taken to tackle gender equality and the role of women in our society. The Labour Government delivered historic changes in terms of the treatment of LGBT people and established such a consensus that the coalition Government built on that record with legislation on equal marriage. The Disability Discrimination Act 2005 improved the treatment of disabled people.

However, inequality is still present in our society and injustice is still too frequent. I am not sure we can say with the same sense of certainty I used to feel that the onward march of social progress is inevitable. Progress has to be defended otherwise it gets rolled back. Unless there is a relentless and genuine commitment to tackling inequalities, they continue to persist. It is not just that people are victims of deliberate and conscious bias and discrimination. Often they are victims of unconscious bias and discrimination, and that is why the evidence and the data are so important. It is not enough just to reassure ourselves that we are nice people and we like treating one another fairly. We have to look at, and be guided by, the evidence. Even those of us with deep personal convictions when it comes to tackling inequality and injustice can make mistakes. We are all affected by biases and preconceptions, and we have to remain constantly alive to them.

I do not think the picture painted in our country today is one we ought to be satisfied with. Women make up 69% of low-paid earners and the majority of people living in poverty, including 90% of lone parents, almost half of whom are living in poverty. Many of those women are disabled or face racial inequality, a reminder that although we understandably and rightly set out in legislation those protected characteristics one by one, the discrimination, prejudices and biases that people are subjected to are often intersectional. Sometimes people face discrimination, whether deliberate or otherwise, twofold, threefold or fourfold. Women are disproportionately likely to work in sectors that have been hardest hit by the lockdown we are experiencing as a result of coronavirus. Figures from the Institute for Fiscal Studies show that 36% of young women work in sectors that have been closed down, including restaurants, tourism and retail.

Almost half of people living in poverty today in the UK are disabled or live with someone who is. The Runnymede Trust has found that black African and Bangladeshi households have 10 times less wealth than white British households, and black Caribbean households have about 20p of wealth for every £1 of white British wealth. Around 18% of Bangladeshi workers are paid below the minimum wage, compared with 3% of their white counterparts. That is a reminder and recognition of the fact that although we use the term "black and minority ethnic" as a catch-all, there are many different experiences among people of different races and ethnicities. We have to pay attention to the different variables and factors that have an impact on people.

3 pm

We see on the annunciator that there is a debate going on in the Chamber on the impact of covid-19 on BAME communities in this country. What happened in the United States of America to George Floyd and the prominence that it brought to the Black Lives Matter movement make this issue extraordinarily salient. The world was presented with a most egregious example of racial discrimination—a total abuse of power: someone acting with state authority murdered someone by brute

force, live on camera for the whole world to see. In response, there has been outrage, but also people indulging in culture wars, and there have been distractions and deflections, rather than our trying to seize the moment for what it could do: bring about a sea change in our approach to race relations in this country and so many others around the world.

I was really disappointed, especially as a London MP, to see that when people marched outside Parliament a couple of weekends ago, the response by some of our political leaders was not to say how extraordinary it was that people who know that they are disproportionately affected by covid-19 put themselves at greater risk by marching through the streets of London—that tells us something profound; we must respond in an equally profound way. The response was to compare—almost equate—that march to a far-right, racist demonstration that took place the following week, as if a small number of troublemakers at an anti-racism demonstration was equivalent to a pro-racist demonstration, at which, by definition, everyone who turned up was a troublemaker. The political response to this crisis has not met the challenge and demand of the moment.

In any event, putting aside current events, we know from looking at the evidence that on any given day of the week, and in any given month of the year, prejudice still exists in our society, and that we ought to do something about it. That is why, when the Government announced their plans for a new review of racial inequality in our country, they were met not with a broad welcome by Members across the House, but with exasperation—certainly by my right hon. Friend the Member for Tottenham (Mr Lammy), the shadow Justice Secretary, speaking on the "Today" programme.

The evidence is there, and there are many reviews and recommendations. The Government just have to implement them, and that is a question of political will and leadership. Opposition Members who speak on these issues would dearly love to be in a position to enact those recommendations and make a difference. I do not know why the current occupant of No. 10 often behaves as a passive bystander, seemingly unable to grasp the opportunities available to him to make a real difference to people in our country.

That is why new clause 5 really matters. It is important that we measure the impact of Government policies and legislation on the inequalities that still blight our country. Having been critical of this Government and their failure to take these issues seriously in the current climate and in recent years, let me give a positive example of why Treasury Ministers should embrace the new clause enthusiastically. We saw through the Women in Finance charter, championed by the Treasury, what strong political leadership can do. In the last Parliament, I was a member of the Treasury Committee. We went around the world talking about the Women in Finance charter, and the evidence we took showed that although it by no means solved all problems, leadership from the Treasury, and clear expectation, drove real behavioural change in finance. Given the UK's role as a financial centre and a financial leader, that has had an impact across the world. As she is here this afternoon, I warmly pay tribute to the work of the hon. Member for West Worcestershire in that regard.

Having admonished the Government for their inaction and failures, I hope they will find inspiration from their own examples of the positive difference that they can make in government, if only they grasp the opportunity given to them by the British people at the recent general election. Inequality and injustice do not harm only those who are direct victims, but harm us all, because injustice for one is injustice for all. There cannot be equality for one unless there is equality for all. I commend new clause 5 to the House.

Alison Thewliss: I rise to speak to new clause 17 and associate myself with the remarks of the hon. Member for Ilford North, with which I broadly agree and support. We certainly support new clause 5, which chimes with our new clause. We live in a society where it is clear and evident that able-bodied older white men do better than almost everybody else, so what we want to see from the Finance Bill is who benefits from the measures within it and how we know that. We do not know that from how the Government have acted, as they have conducted a very light-touch equality impact assessment on the Budget.

The Women's Budget Group has produced an excellent briefing, and it calls the Treasury out on failing to publish comprehensive equality impact assessments:

> "The only impact assessment relating to protected characteristics in the Budget documents are the Tax Information and Impact Notes (TIINS) produced by HMRC. Only a few measures were recognised to have any equalities impact at all and even here the analysis is cursory, based on limited evidence and with a poor understanding of equality impact…In the absence of a meaningful cumulative equality impact assessment of the budget as a whole it is impossible to judge whether the Treasury has met its obligation under the Public Sector Equality Duty to have 'due regard' to equality."

That is pretty damning on the equality impact assessments that Ministers say they have carried out.

Under the measures assessed as having an equalities impact in the equality impact assessment, the Women's Budget Group notes that for the lifetime limit for capital gains tax entrepreneurs' relief, the assessment recognises that

> "claimants tend to be older, men, of above-average means, and include individuals who are selling their business or their company's shares on retirement",

and does not anticipate an impact on any other groups sharing a protected characteristic, but there is no working to show how the Government arrived at that. There is no further analysis as to why they think that no other groups will be affected. It is one thing to assert that, but the Government have to show their working, and they have not done that.

The Women's Budget Group also notes that the equality impact assessment states that the measure on pensions tax income thresholds for calculating the tapered annual allowance will impact more on men than on women. The assessment states that it is

> "not anticipated that there will be impacts on any other groups sharing protected characteristics".

However, the Women's Budget Group points out that the family resources survey could have been used to assess the impact by age, ethnicity, disability and various other characteristics, but that was not done. Again, it is not a full equality impact assessment; it is very light touch.

The WBG also mentions the changes to the disguised remuneration loan charge as referenced in the equality impact assessment. The analysis states that,

> "broadly the measure is expected to affect more males than females",

[Alison Thewliss]

but that it is

"not anticipated that this measure will have a significant, or disproportionate, impact on groups with protected characteristics".

However, there is no explanation for that. It might well be true, but we cannot tell because the Government have not shown their working.

The Women's Budget Group analysis also discusses measures where no equalities impact is identified at all, when it really should have been. I do not want to go into all of these things, because they are multiple, and we would be here all afternoon, but I will touch on the changes to the van benefit charge and fuel benefit charges for cars and vans and the taxable benefits regime for measuring CO_2 emissions, which primarily impact on

"individuals who use a company van or car which is available for their private use and/or who are provided with fuel for their private use by their employer".

Those people are far more likely to be men. We might guess that, or we might anticipate that. The Government's statistics on driving licences show that in 2018, 81% of men had a driving licence, compared with 70% of women. There are also issues of race, because 62% of people designated as Asian, 52% who are black, and 76% of people who are white have driving licences. That is a clear discrepancy and will have a clear differential effect as to who will or will not benefit from the measures. The Government already have those statistics but have not chosen to do an equalities impact assessment on them. There will be a differential impact because not everyone has a driving licence and those who do have one are predominantly white men.

The Government might want to look at the sectors that would benefit. There may be differences in the types of people who would do jobs with a company car or van. The Government might want to look at those sectors and say, "Actually, there is a disproportionate number of people of a particular background in there." That has not been done. If we do not count those things we do not know what the impact is. We do not know who benefits and why, or what we can do to make sure that everyone benefits from the measures that the Government propose.

That, I suppose, is just a small example of why the impact assessment is needed. There are clear disparities across society and clear inequalities. If we do not count in the Finance Bill who benefits, why, and what can be done to redress the imbalances that we see in society in front of us, by taxation or other measures, we will never be able to address those inequalities and go to a more equal society.

Kemi Badenoch: New clause 5 would require the Chancellor to conduct and lay before the House an equality impact assessment of the Act within six months of Royal Assent. New clause 17 would require him to lay a similar report within 12 months. Those additional reporting requirements are not necessary. The Treasury considers carefully the equality impacts of the individual measures mentioned and announced at fiscal events on those sharing protected characteristics, including gender, race and disability, in line with its legal obligations and its strong commitment to equality issues.

The outcome of all fiscal events is published, and is subject to much parliamentary and public scrutiny. The Treasury also takes care to pay due regard to the equality impact of its policy decisions relating to the covid-19 outbreak, in line with all legal requirements and the Government's commitment to promoting equality. There are internal procedural requirements and support in place, to ensure that such considerations inform decisions taken by Ministers.

In the interest of transparency the Treasury and HMRC publish tax information and impact notes for individual tax measures that include in summary form assessments of their expected equalities impacts. The system of accompanying tax legislation with TIINs was introduced under this Government, and the notes include headline summaries of equality impacts, as well as other important information that reflects internal assessments carried out as an integral part of decision making.

In addition, the Treasury already publishes analyses of the impacts of the Government's measures on households at different levels of income, in the "Impact on households" report, which is published separately alongside each Budget, along with trends in living standards and the labour market, by region and income level. That is the most comprehensive analysis of its type available, and it shows that as a result of decisions taking in Spending Round 2019 and Budget 2020 the poorest households have gained the most as a percentage of net income.

That brings me to the comments of the hon. Member for Ilford North and the hon. Member for Glasgow Central. They keep talking about the Government not doing enough on inequalities. Actually the Government have done quite a lot, but the hon. Members refuse to acknowledge it. When we have commissions and recommendations the hon. Member for Ilford North complains about a new commission. We have carried out recommendations, and the hon. Members pretend that nothing has happened. The hon. Gentleman mentioned the shadow Justice Secretary. Did he ask him about the progress that we have made on the Lammy report? We have carried out many of those recommendations, but hon. Members stand up in Parliament and pretend that nothing has happened. They continue to use incendiary and inflammatory rhetoric. Is it any wonder that there are people out there who feel that the Government are doing nothing, when so many MPs in this House stand up and say so? It is a shame, and as Equalities Minister I think it is a disgrace.

3.15 pm

In a debate in the House on 4 June a Labour MP used at column 1008 the offensive phrase about being black that it is "a death sentence". What do Labour MPs think that people outside this place are hearing? I am not going to stand here and allow Opposition Members to tell me, the Minister for Equalities, what the Government are doing; instead, I shall tell the Committee.

We are tackling inequalities in all areas of life, and to date have made great progress, including on BME employment, which has been at a record high, meaning that more people have the security of a regular wage. More than 13,000 BME-led businesses have received start-up loans, and since we launched the scheme in 2012, more than one in five loans have gone to BME recipients.

Record numbers of young people from ethnic minority backgrounds are attending university, with an increase from 17.9% to 24.8% in 2019-20. Building on the work of the race disparity audit, we continue to improve the quality of evidence and data in Government on the barriers that different groups can face, ensuring that fairness is at the heart of everything we do.

One thing that we must do in the House is ensure that we speak the truth and not use people from ethnic minority backgrounds as political footballs. It is so, so dangerous. So many people speak in this House who do not take the time to understand the issues we are talking about, but instead come here and try to inflame tensions. *[Interruption.]* The hon. Member for Glasgow Central is shaking her head. She uses the example of driving licences; I can tell her that the reason why that disparity exists is that the vast majority of black people live in urban constituencies and do not need driving licences. If she came to my constituency of Saffron Walden, she would find that the vast majority of people are white and they need to drive. Once that is accounted for, those disparities disappear. I ask her to take some time to find out the reasons behind—

Alison Thewliss *rose—*

Kemi Badenoch: No, I am not giving way; Opposition Members have had their time. I ask the hon. Lady, instead of trying to give me lectures, to take some time to learn a little more about what is going on. Even the phrase she talks about—"people with protected characteristics"—is wrong; we all have protected characteristics. The Equality Act is for everybody and not for specific groups of people.

On that note, neither of the new clauses would be useful in finding out more about the impact on equality, because the Government regularly publish in summary form the equality impact assessments for the legislation that we introduce. The reports required by the new clauses would not add any genuine value, so I ask the Committee to reject them.

Wes Streeting: That speech was really quite extraordinary and incendiary itself in response to what has been said. We are giving voice to the statistics and the data. Speaking for myself—I imagine this is also true for the SNP spokesperson—I am particularly giving voice to the concerns of my constituents. I represent one of the most ethnically and religiously diverse constituencies in the country. People who have written to me in recent weeks have not done so simply out of anger or emotion, and certainly not because they have read something that I have said in *Hansard*—that would be a novelty—but because of their own lived experiences. That is the frustration for me.

It would be one thing had the Government said this afternoon, "This is what we have done, but we recognise that there are big challenges, so this is what we still plan to do," but their response to the protests of recent weeks has been tone deaf, for the most part, and actively irresponsible in other respects. It is regrettable that we do not seem to be seizing the moment, either in Government or as a Parliament, to reassure people throughout the country that we will leap on this moment. If we look throughout history, we see that sometimes events occur and there are big moments that can positively shift the dial in the most remarkable way. That is what we should be seeking to do here. I have actually seen a better response in that respect from the private sector than from our own Government. The private sector does not have a democratic accountability to the people—it has a commercial one and a profit motive; if companies are doing these things out of a sense of corporate social responsibility, that is good for them—but the Government have democratic accountability.

The Government's efforts on equalities do not match the rhetoric we heard from the Minister. The Treasury has a particular leadership role to play, particularly on tackling economic inequalities that have an impact on people from a range of characteristics, for a range of reasons, and in different ways. With that in mind, I want to press new clause 5 to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 10]

AYES

Flynn, Stephen	Smith, Jeff
Oppong-Asare, Abena	Streeting, Wes
Phillipson, Bridget	Thewliss, Alison
Ribeiro-Addy, Bell	

NOES

Badenoch, Kemi	Millar, Robin
Baldwin, Harriett	Norman, rh Jesse
Browne, Anthony	Rutley, David
Cates, Miriam	Williams, Craig
Jones, Andrew	

Question accordingly negatived.

New Clause 6

REVIEW OF TAX RELIEFS

"The Chancellor must lay before the House of Commons within a year of Royal Assent a review of the tax reliefs contained in this Act which must contain the following:

(1) the number of tax reliefs;

(2) the effect on taxation revenue of each of the tax reliefs; and

(3) an assessment the efficacy of systems for designing, monitoring and evaluating the effect of the tax reliefs."—*(Bridget Phillipson.)*

This new clause would require the Chancellor of the Exchequer to report to Parliament on the number and revenue effect of the tax reliefs contained in the Bill, and on the efficiency of systems for designing, and assessing the effects of, such reliefs.

Brought up, and read the First time.

Bridget Phillipson (Houghton and Sunderland South) (Lab): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 22—*Review of effect of Act on tax revenues—*

"(1) The Chancellor of the Exchequer must review the effects on tax revenues of the Act and lay a report of that review before the House of Commons within six months of Royal Assent.

(2) The review under (1) must contain an estimate of any change attributable to the provisions in this Act in the difference between the amount of tax required to be paid to the Commissioners and the amount paid.

(3) The estimate under (2) must report separately on taxes payable by the owners and employees of Scottish Limited Partnerships."

This new clause would require the Chancellor of the Exchequer to review the effect on public finances, and on reducing the tax gap, of the Bill; and in particular on the taxes payable by owners and employees of Scottish Limited Partnerships.

Bridget Phillipson: It is a pleasure to take over from my hon. Friend the Member for Ilford North, and to see you back in the Chair this afternoon, Mr Rosindell.

Throughout proceedings in Committee we have repeatedly touched on the changes that the Government wish to make to tax reliefs. The regularity with which we have discussed such matters is not surprising when we consider that the UK had 1,190 tax reliefs as of October 2019, including 362 so-called tax expenditures—in other words, reliefs that support specific Government objectives.

HMRC has identified that the cost of policy-motivated tax expenditures is large both in absolute terms—approaching 8% of GDP—and by international standards. That is the reason behind this new clause. As I argued earlier in Committee, we on the Opposition Benches would like to see a broad review of tax reliefs, to determine exactly who is benefiting from the hundreds that exist, whether they are fair, whether they represent good value for money and whether they are securing the policy outcomes originally intended.

We believe the Government could start improving the scrutiny of tax reliefs by supporting the new clause to ensure that those contained in the Bill are monitored properly and transparently and that Parliament can debate whether they are having the desired effect and represent value for money for the taxpayer. Points raised earlier in our debates demonstrate the merits of embedding such a practice.

On clause 21, we highlighted how changes to pensions tax relief around the tapered annual allowance will affect all pensions, not just those of the senior clinicians and other public sector workers who have been adversely affected by recent changes. We should therefore be reviewing the impact of that measure, not only to ensure that it reverses the worrying trend we have seen in the retention of senior medical staff, but to consider the overall impact on taxation revenue.

On clause 22, relating to entrepreneurs' relief, I raised concerns that the measure had benefited a small number of wealthier claimants and had a negligible effect as an incentive for investment decision making. The Minister responded that the Government had conducted an internal review that had influenced the reform and that he would review and monitor the effects of the change as standard.

It is reassuring to know that there are reviews of some of these reliefs, but as the Minister will know from the National Audit Office's report, the Government's monitoring of tax reliefs is just not what it could be. Indeed, the Government are not reporting costs on more than two thirds of tax reliefs, and HMRC does not know whether most tax reliefs offer value for money. Furthermore, internal reviews, where they occur, do not go far enough and do not lead to an adequate level of debate or scrutiny.

I know that we have all enjoyed delving into the finer details of Government tax policy in recent weeks. Although we might return to this soon, we should accept that such opportunities are fleeting, and little is done to facilitate ongoing scrutiny of tax reliefs. Other countries do this much more regularly, and I will return to that point. No doubt the intention behind tax reliefs is often positive—namely, to incentivise a certain type of social or economic behaviour that is of some benefit to the country—yet the lack of adequate monitoring and oversight makes determining whether they are having the desired effect more difficult. In many instances, we have seen costs spiral out of control, differing substantially from initial projections.

Of course, cost is not the only metric by which we might want to measure the success or otherwise of a tax relief. There are other—particularly behavioural—impacts that we may want to consider. That is why proper parliamentary scrutiny of these policies, which takes into account the full picture, is so important. This new clause would enable that to happen. In addition, it would help to embed the processes being undertaken by HMRC and the Treasury, which have been noted by the National Audit Office.

Our concerns about the adequate scrutiny of tax reliefs go beyond those included in the Bill, and I would like to draw the Minister's attention to the concerns raised in the NAO report. It notes that the estimated cost of tax expenditures was £155 billion in 2018-19. Some of that will obviously go to achieve worthwhile social or economic objectives, but the NAO says that

"it does not reflect the amount of tax that would be generated if tax expenditures were removed"

due to any corresponding behavioural change and the economic impact that would result.

There remains a concern that, for something that is such a cost to the Government, there is little in the way of evaluation to ensure value for money. Of the 362 tax expenditures that exist, 111 have been costed by HMRC, 63 have been assessed by the Treasury, and only 15 have had published evaluations since 2015. That is despite their cost having grown in recent years. In July 2019, the OBR reported that the known cost of tax expenditures had risen in the past decade. That is a 5% real increase in the summed estimated cost of tax expenditures from 2014-15 to 2018-19.

The mounting number and cost of tax reliefs adds complexity to our tax system and to evaluating fairness and value for money. Despite warnings, we have not seen enough progress on this front. The NAO stated in 2014 that there was little in the way of "a framework or principles" to guide the administration of tax reliefs. In 2018, the Public Accounts Committee concluded that HMRC did not know whether a large number of tax reliefs were delivering value for money. It should be acknowledged that both HMRC and the Treasury have since taken steps to increase their oversight of tax expenditures and actively consider their value for money, but that has not allayed concerns. In July 2019, the OBR identified the costs of tax reliefs as one of four new fiscal risks to the public finances. It stated:

"The Government does not seem to have a systematic way of evaluating the effectiveness of those tax reliefs and expenditures with a stated policy objective."

The International Monetary Fund has also stated that tax expenditures require the same amount of Government oversight as public spending.

Despite those warnings and recommendations, we have simply not seen the necessary progress from Government in implementing the measures that would allow for the proper scrutiny of tax reliefs. This new clause would help us to turn a page on this, by establishing the principle that Parliament should play an ongoing role in this process. As I mentioned earlier, in relation to

the annual allowance and entrepreneurs' relief, we should be able to assess whether these reforms are having the right effect and debate this in Parliament.

Other measures in the Bill demand similar levels of ongoing scrutiny. As we heard in the debate on clause 27, many businesses are set to benefit from increases to the rate of relief for investing in research and development. In that debate, my hon. Friend the Member for Ilford North noted:

"We have to ensure that any uplift in innovation investment also ensures value for money, and that we are more ruthless about returns for the taxpayer and our economy."—[*Official Report, Finance Public Bill Committee,* 9 June 2020; c. 90.]

Such a warning is pertinent, given the NAO's observation that R&D tax credits have been subject to increased levels of abuse, including by companies with a limited UK tax presence. As the OBR states, when a tax credit becomes more generous,

"it increases incentives to re-badge existing expenditure as qualifying R&D or to engage in fraudulent claims."

It is welcome that the NAO has found that HMRC has been working to better understand factors affecting the cost of R&D reliefs and others, including entrepreneurs' relief. Rigorous parliamentary oversight would ensure that any abuse of tax relief measures is properly investigated.

The wider point about the potential abuse of tax reliefs is worth exploring further. I am grateful to the research of TaxWatch UK, which highlights the troubling extent of these practices. For example, it points out, in relation to the video games tax relief, that some companies claiming significant amounts in tax credits were not even paying corporation tax. The relief was initially estimated by the Government to cost £35 million a year. Ministers committed to reviewing the relief after three years of operation to determine whether it had been effective. However, it is not clear whether a review has taken place, and in the meanwhile the cost of the relief has substantially exceeded what was forecast, reaching £108 million in 2017-18.

3.30 pm

TaxWatch highlights how Netflix has similarly benefited from tax reliefs, despite operating a tax avoidance structure to minimise its tax liability in the UK. Those cases highlight the real potential for unfairness in our tax relief system—something that is all the more jarring when we consider the wider changes in both social security and tax reliefs over the last decade, which have had a disproportionate impact on working families.

As the Fabian Society's 2019 report on tax reliefs makes clear, if we look broadly at all benefits and tax reliefs, we see that the Government now provide more support to the richest fifth of non-retired households than to the poorest fifth. Between 2010-11 and 2017-18, the value of Government financial support, including tax reliefs, grew by 6% or or £437 a year for the poorest fifth, and by 31% or £1,850 a year for those in the fourth quintile. On average, households in the fourth and fifth income quintiles receive more in tax reliefs than households in the poorest fifth receive in means-tested benefits. Those statistics only reinforce the importance of change in this area. We need to be able to monitor the impact of tax reliefs and to consider whether the system is working fairly and delivering value for money.

We would not want to give a wholly negative account of tax reliefs, which, as I have said, can play a valuable role in driving socioeconomic outcomes. The Minister may well be aware of the letter from my hon. Friends the Members for Ilford North, and for Liverpool, Walton (Dan Carden), about the social investment tax relief. The Government introduced that relief, which is the only tax break specifically for social enterprises and charities, in 2014, and it has gone on to help 76 social enterprises to deliver a public benefit. My hon. Friends' letter makes clear the case for extending the social investment tax relief's end date from April 2021 to April 2023. Unfortunately, I am not aware that a response has been received to that request. I hope that the Minister can comment on that.

The parliamentary scrutiny that we seek through the new clause would enable us to preserve and enhance those tax reliefs that are having desirable outcomes, as well as establish a process for monitoring and evaluating tax reliefs more generally. That should not be beyond the imagination of Government. It is regrettable that the UK lags so far behind many other countries that undertake far more rigorous scrutiny of tax expenditure.

One comparative assessment of tax expenditure reporting in 43 G20 and OECD countries concluded that the UK falls into a group of 26 countries deemed to produce only "basic" reporting of tax expenditures. That contrasts with other countries, including Australia, Austria, Canada, France, Germany, Italy, the Netherlands, Korea and Sweden, which, it is argued, have detailed and comprehensive reporting on tax expenditure. It looks at best practice with regard to the frequency of reporting, whether there is a legal requirement to report, whether reports are integrated into budgets, the number of estimations and the quality of accompanying descriptions.

The Resolution Foundation points out that the Governments of Canada, Australia and New Zealand produce annual tax expenditure statements. Those can include projections for the forecast period, which can be compared to out-turn, and that can be accompanied by parliamentary debate. We want to see such parliamentary debate about tax reliefs—a point echoed by the 2017 report, "Better Budgets: Making tax policy better", a joint effort by the Institute for Fiscal Studies, the Institute for Government and the Chartered Institute of Taxation. They say that when Parliament does engage on tax issues, it usually focuses on new proposals, as is the case today, rather than the effectiveness of past measures. They recommend increased support for Parliament on tax issues.

The case for improved parliamentary scrutiny of tax reliefs is hard to deny, given their substantial and increasing cost at a time of pressure on public finances, and harder still when we compare the zeal with which the Government have cut public spending over the last decade with the largesse they have shown through certain tax reliefs that have benefited the wealthiest in our society. That needs to change, and our new clause is designed to effect that change.

I will also touch on new clause 22, tabled by the Scottish National party, calling for a report on the effect of the Bill on tax revenues with a specific focus on the tax gap and the effect on Scottish limited partnerships. I appreciate the concerns raised by SNP Members in our earlier debates on Scottish limited partnerships. The new clause echoes points made at the beginning of

the Committee by Labour Members—that we want to see more active scrutiny of the revenue effects of measures in the Bill and particularly their distributional effects.

As we have said throughout, we are living through times like no others. We recognise that. We understand the pressures on the public finances and the need to properly fund all our public services, but it is vital that measures put forward by Government meet the scale of the challenge that the crisis presents, and that the burden of ensuring sustainable public finances is shared right across our society, particularly by those with the broadest shoulders. That burden should not, as it has done over the last decade, fall disproportionately on working people.

Alison Thewliss: I agree wholeheartedly with the hon. Member for Houghton and Sunderland South. She has gone into extensive detail, and I am sure everybody will be glad to know that I do not aim to repeat what she said, but the notion of the tax gap, and the fact that money is not coming in that our public services desperately need, particularly at this time, is very serious. The UK Government should be seized of the significance of this, and should do everything they can to eliminate the tax gap.

In many cases, the tax gap arises because of the complexity of our tax system. Those who are looking for loopholes—who are looking not to pay their taxes, and to divert and dodge—find ample opportunity to do so. It is not acceptable that this and successive Governments have played whack-a-mole with all these tax schemes as they have appeared. As soon as one appears, the Government shut it down, and then another one, or several more, emerge. A whole lot more needs to be done on anti-avoidance, rather than our being reactive to all this. A comprehensive anti-avoidance rule, and measures to make sure that the tax that is supposed to come in does so, ought to be a priority for the Government.

Our new clause—it is similar to Labour's new clause, which we fully support—states:

"The Chancellor…must review the effects on tax revenues"

of the measures in the Act and bring that review before the House of Commons. It asks that

"any change attributable to the provisions in this Act in the difference between the amount of tax required to be paid…and the amount paid"

be reported on.

However, I want to touch more on Scottish limited partnerships, because this issue is not going away. The Government have failed to deal with it comprehensively. There is a continuing problem, both in respect of Companies House and in respect of how the partnerships are dealt with; that includes fines not being enforced and collected. Again, that money should be in the Government's bank account, but if they are not going to enforce the rules, they will not get the fines. The fines would have been quite substantial had they been enforced since the measures came into place a couple of years ago.

The system allows those with an intent to conceal or deceive to do so easily by registering in secret as an SLP. These vehicles have a legal personality that makes them quite different from English limited liability partnerships. It means that individuals can make agreements in the name of the financial product without ever having to name the person or the people who control it. They have been used for years to funnel millions of pounds of dirty money created by illicit business activities, and this is still ongoing.

I can quote headlines to the Committee. There is, "How a Scots council house was secret base for criminals busting Putin sanctions". There is one about Scotland's firms and bribes to Argentina and Uzbekistan. There is, "Russian gang leader jailed for faking metal exports to Scotland", and "Ukrainian mercenaries are using Scottish 'tax haven' firm as front". There are headlines about money coming through Baltic banks, the effect on issues in Peru and a private war in Libya funded by Scottish funds. These are all current or previous issues in which Scottish limited partnerships have been involved. As I said in a previous debate, this is having an impact on Scotland's reputation in the world. Most recently, just last month, David Leask and Richard Smith, who have been brilliant campaigners on this issue, revealed that more than 700 British firms have been blacklisted in Ukraine for suspicious activity related to money laundering across the former Soviet Union, and all involve Scottish limited partnerships.

That is why we in the SNP keep pushing on this issue; that is why it is so important to us. There is dirty money going around the world, fuelled in part by SLPs and the way in which they work. Also, the Government are not collecting tax on any of this money, and that contributes to the tax gap—the money that is not going to the Exchequer—as well as to global criminality.

If the Minister will not accept the new clause—given all the new clauses that the Government have not accepted, I suspect that they will not accept this one either—I urge him, at the very least, to listen to my concerns and those of campaigners about SLPs, and to take action to close the loopholes, including by fining the companies that are still flouting the rules, which the Government are not doing, and making sure that the money collected goes to the Exchequer, where it can be spent for the benefit of all our constituents.

Jesse Norman: I thank the hon. Members for Houghton and Sunderland South, and for Glasgow Central, for their comments, which I will respond to in due course.

New clause 6 would require the Government to review all tax reliefs in the Bill within a year, while new clause 22 would require the Government to review the effect on tax revenue of the Bill within six months of it being passed into law. These amendments are not necessary. Let me deal first with new clause 6 and then turn to new clause 22.

As Members will know, the Government keep all tax reliefs under review, to ensure that they strike the right balance between simplicity, effective targeting and overall yield. When a new tax relief is announced at a fiscal event, the Government publish estimates of the Exchequer impacts of the policy change in the Budget document.

The Government also consult on new tax reliefs and proposed changes to tax reliefs, bringing in external expertise as part of the policy-making cycle. Officials are constantly working on ways to improve policy development and administration, and management of reliefs.

The Government also conduct evaluations, including of a number of quite significant reliefs, such as research and development expenditure credit, or R&D tax credits,

and entrepreneurs' relief. In 2015, Her Majesty's Revenue and Customs published an evaluation of R&D tax credits. In 2017, it commissioned an evaluation of entrepreneurs' relief that led to a series of reforms—most recently, in Budget 2020, a significant reduction in the lifetime limit. HMRC will continue to monitor and evaluate reliefs, and it will bring forward a pipeline of further evaluations in due course.

HMRC is also considering—very much at my insistence—a proposal for a more systematic evaluation programme for tax reliefs, which would respond to the concern raised by the hon. Member for Houghton and Sunderland South, and it already monitors the effect of tax reliefs on taxation revenue.

HMRC issues an annual tax reliefs statistics publication, which includes estimates of the costs of tax reliefs. It is also undertaking a project to expand its published cost information, and I am pleased to remind the Committee that in May HMRC published cost estimates for a further 47 previously uncosted tax reliefs.

New clause 22 would require the Government to review the impact of the Bill on tax revenues within six months of it receiving Royal Assent. As I have said, the Government keep all taxes under review, and will continue to measure and publish annual statistics on the tax gap.

HMRC's annual "Measuring tax gaps" report estimates the difference between the amount of tax due to be paid to HMRC and what is actually paid. It provides a breakdown of different kinds of behaviour, taxpayer groups and changes over time. However, the tax gap report is retrospective, with some time lag, due to the dates on which data become available. For example, estimates for 2018-19 are due for publication in July 2020, with some components projected in this year.

In addition, data limitations mean the tax gap is not suitable for evaluation at a granular level. For this reason, it would not be possible to disaggregate the impact of the compliance, for example, of SLPs. Furthermore, the tax gap may rise or fall due to a number of external factors that are unrelated to the actions of the Government.

HMRC also publishes annual reports and accounts, which include detailed information on revenue collection and on additional yield from compliance activity. It is committed to providing transparency to taxpayers about its activities, and these publications are important in demonstrating that commitment.

I now come to some of the points made by the hon. Members for Houghton and Sunderland South, and for Glasgow Central. The hon. Member for Houghton and Sunderland South, who I welcome back to the Committee after her period of absence, is absolutely right that tax reliefs can play a valuable role. However, she is also right that there are reliefs that can and should be reduced. That is, as I have said, a matter on which the Government are closely focused.

3.45 pm

The hon. Lady raised the question of the social investment tax relief. First, I have not actually seen the letter from the hon. Member for Ilford North, but I have asked my officials to dig it out. What I have done, as she and he will know, is respond to a bunch of letters from interested stakeholder groups and other organisations that benefit from, or have a different interest in, the preservation of that relief. We have reached no view as to the relief. The concern, which I think would be shared by a Government of any stamp, is that the relief has been on the books for five years or so, and has been very little used—much less used than I think was anticipated. The question is: can it be made more effective, and if so, how? I have written to key stakeholders to ask whether they can help us to identify a pipeline of interested capital that would like to use these reliefs, and a pipeline of interested projects that could benefit from it. If they can come forward with strong evidence, or even just evidence, that we can assess—but with a degree of credibility behind it, rather than simply empty promises, which occasionally one sees in other contexts—we of course will take that very seriously.

The hon. Member for Glasgow Central seems not to be aware that the tax gap remains the object of our very, very careful scrutiny, and that it has reduced very significantly in regard to avoidance over the past few years. The avoidance tax gap fell from about £5 billion in 2005-06 to an estimated £1.8 billion in 2017-18, and the tax gap as a whole has fallen, from memory, by about 1% over the last 10, 13 or 14 years—from the time under the last Government to the present one. We remain closely focused on that issue. With that in mind, I encourage the Committee to reject new clauses 6 and 22.

Bridget Phillipson: I welcome the Minister's suggestion that the Government will look more systematically at the whole range of tax reliefs that are available, but it is not clear to me that, without the sterling work of the National Audit Office, we would have seen much progress at all in this area. The Government must seek to do a lot more. We believe that there is a strong case for additional parliamentary scrutiny in this area, so I would like to test the will of the Committee on new clause 6.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 11]

AYES

Flynn, Stephen	Smith, Jeff
Oppong-Asare, Abena	Streeting, Wes
Phillipson, Bridget	Thewliss, Alison
Ribeiro-Addy, Bell	

NOES

Badenoch, Kemi	Millar, Robin
Baldwin, Harriett	Norman, rh Jesse
Browne, Anthony	Rutley, David
Cates, Miriam	Williams, Craig
Jones, Andrew	

Question accordingly negatived.

New Clause 7

LOAN CHARGE: REPORT ON EFFECT OF THE SCHEME

"(1) The Chancellor of the Exchequer must commission a review, to be carried out by an independent panel, of the impact in parts of the United Kingdom and regions of England of the scheme established under sections 19 and 20 and lay the report of that review before the House of Commons within six months of the passing of this Act.

(2) A review under this section must consider the effects of the provisions on—

(a) business investment,

(b) employment,

(c) productivity, and

(d) company solvency.

(3) A review under this section must consider the fairness with which HMRC has implemented the policy, including whether HMRC has provided reasonable flexibility around repayment plans with the aim of avoiding business failures and individual bankruptcies.

In this section 'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

and 'regions of England' has the same meaning as that used by the Office for National Statistics."—*(Alison Thewliss.)*

This new clause would require a review of the impact of the scheme to be established under Clauses 19 and 20.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

Question negatived.

New Clause 10

STRUCTURES AND BUILDINGS ALLOWANCES: REVIEW

"(1) The Chancellor of the Exchequer must review the impact on investment in parts of the United Kingdom and regions of England of the changes made by section 29 and Schedule 4 of this Act and lay a report of that review before the House of Commons within six months of the passing of this Act.

(2) A review under this section must consider the effects of the provisions on—

(a) business investment,

(b) employment,

(c) productivity, and

(d) energy efficiency.

(3) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

'regions of England' has the same meaning as that used by the Office for National Statistics."—*(Alison Thewliss.)*

This new clause would require a review of the impact on investment of the changes made to structures and buildings allowances in Schedule 4.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

Question negatived.

New Clause 12

GENERAL ANTI-ABUSE RULE: REVIEW OF EFFECT ON TAX REVENUES

"(1) The Chancellor of the Exchequer must review the effects on tax revenues of section 98 and Schedule 13 and lay a report of that review before the House of Commons within six months of the passing of this Act.

(2) The review under sub-paragraph (1) must consider—

(a) the expected change in corporation and income tax paid attributable to the provisions in this Schedule; and

(b) an estimate of any change, attributable to the provisions in this Schedule, in the difference between the amount of tax required to be paid to the Commissioners and the amount paid.

(3) The review under subparagraph (2)(b) must consider taxes payable by the owners and employees of Scottish Limited Partnerships."—*(Alison Thewliss.)*

This new clause would require the Chancellor of the Exchequer to review the effect on public finances, and on reducing the tax gap, of Clause 98 and Schedule 13, and in particular on the taxes payable by owners and employees of Scottish Limited Partnerships.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

Question negatived.

New Clause 14

REVIEW OF EFFECTS ON MEASURES IN ACT OF CERTAIN CHANGES IN MIGRATION LEVELS

"(1) The Chancellor of the Exchequer must review the effects on the provisions of this Act of migration in each of the scenarios in subsection (2) and lay a report of that review before the House of Commons within one month of the passing of this Act.

(2) Those scenarios are that—

(a) the UK leaves the EU withdrawal transition period without a negotiated future trade agreement,

(b) the UK leaves the EU withdrawal transition period following a negotiated future trade agreement, and remains in the single market and customs union, and

(c) the UK leaves the EU withdrawal transition period following a negotiated trade agreement, and does not remain in the single market and customs union.

(3) In respect of each of those scenarios the review must consider separately the effects of—

(a) migration by EU nationals, and

(b) migration by non-EU nationals.

(4) In respect of each of those scenarios the review must consider separately the effects on the measures in each part of the United Kingdom and each region of England.

(5) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

and 'regions of England' has the same meaning as that used by the Office for National Statistics."—*(Stephen Flynn.)*

This new clause would require a Government review of the effects on measures in the Bill of certain changes in migration levels.

Brought up, and read the First time.

Stephen Flynn: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss

New clause 15—*Review of effects on migration of measures in Act—*

"(1) The Chancellor of the Exchequer must review the effects on migration of the provisions of this Act in each of the scenarios in subsection (2) and lay a report of that review before the House of Commons within one month of the passing of this Act.

(2) Those scenarios are that—

(a) the UK leaves the EU withdrawal transition period without a negotiated future trade agreement

(b) the UK leaves the EU withdrawal transition period following a negotiated future trade agreement, and remains in the single market and customs union, and

(c) the UK leaves the EU withdrawal transition period following a negotiated trade agreement, and does not remain in the single market and customs union.

(3) In respect of each of those scenarios the review must consider separately the effects on—

(a) migration by EU nationals, and

(b) migration by non-EU nationals.

(4) In respect of each of those scenarios the review must consider separately the effects in each part of the United Kingdom and each region of England.

(5) In this section—

'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

and 'regions of England' has the same meaning as that used by the Office for National Statistics."

This new clause would require a Government review of the effects of the measures in the Bill on migration levels.

Stephen Flynn: New clauses 14 and 15 together provide for a review of the effects of measures in the Bill on migration. Has there ever been a more apt time to assess the impact of the Finance Bill on migration, as the UK steams ahead with dragging Scotland out of the European Union against its will and, in doing so, removes the ability for us to move freely across the continent of Europe and for Europeans to move freely into Scotland to take on the jobs that we so desperately need them to take, as well as providing the cultural and economic support that our society needs and deserves?

The debate about migration has been had on many occasions in the Chamber and in many Committees in Parliament, but it is particularly important in relation to the Finance Bill, given the fact that migration is unequivocally a positive thing for our economy, in particular in Scotland. I will reflect briefly on an example from my constituency. A company called John Ross Jr makes smoked salmon so good—the kilns are good—that even the Queen enjoys it. It is a world-renowned company. When the company had sight of the UK Government's plans for immigration, it wrote to me describing as "catastrophic" the impact of removing free movement of people into Scotland.

That company's labour force has been heavily dominated by people from fellow European nations. They have driven that organisation forward, which is a positive thing that we should welcome and encourage. It is good for Scottish business, it is good for the Scottish economy and therefore it is good for the wider UK economy.

However, for some reason, the UK Government seem intent on dragging Scotland away from that situation, which is deeply disappointing, because Scotland faces a wider demographic challenge—a demographic time bomb, so to speak. Our working-age population continues to decrease and migration is one of the easiest solutions to that problem.

The Scottish Government have sought to be pragmatic in that regard. They came forward to the UK Government in good faith, with proposals for a Scottish visa that would not be different from what is being put in place by the UK Government, but with an additional element that which would allow us to attract the workforce that we need. It would perhaps replicate what is in place in Canada and Australia, but it was rejected out of hand—in fact, I think that it was rejected out of hand within 20 minutes—despite the fact that it is in Scotland's best interests.

Earlier, we heard—I think it was from the Minister—how the UK Government do not have control over all aspects of life in Scotland. However, where they do have control on immigration, they are doing severe damage, which will not be forgotten by Scottish business nor by the Scottish people, and when the time comes for us to make our own decisions once again and we go to that vote on whether Scotland should be an independent nation, it is the likes of the UK Government's immigration policies that will weigh heavily on the minds of Scottish voters.

I will just conclude, because I am conscious of time, given the desire for everyone to be able to get home, by saying that the reality—the big question, as I have said before—is: why not? Why would someone not support this proposal? Why would they not want to know what the impact of the Bill will be, because ultimately we will have a situation where UK tax policies fail to boost immigration and falling immigration hits the Treasury. This proposal is a sensible one, which would hopefully protect the interests of Scotland.

Wes Streeting: Based on how the pattern of voting is going this afternoon, we can guess how the discussion of this proposal will turn out, unless the Government Members have a Damascene conversion and decide to swing behind it.

I am conscious of the clock, but we have had plenty of opportunity recently to debate Government immigration policy; I think the Opposition's views are very well known. The economic debate about immigration is an important one, and it is important to remind people not just in the House but across the country that it remains a positively good thing for this country that the UK remains a destination to attract talent from around the world to come and work and study on these shores. That is a national strength. Of course, it is also important that we have immigration rules that are widely understood and fairly applied, and enforced where necessary.

Jesse Norman: I will keep my remarks brief, in keeping with the spirit of Opposition Members' comments. These clauses would require the Chancellor to review the effect of measures in the Finance Bill relating to changes in migration under several different EU exit scenarios.

I must emphasise that those scenarios are entirely hypothetical; that in itself is a highly questionable aspect of these new clauses. However, in any case, these new clauses are not necessary. I agree entirely with the hon. Member for Ilford North that immigration policy should be fair and seen to be fair. It is absolutely right that the Government have committed to ending free movement by January 2021; that will not change. The Immigration Bill delivers on that commitment but, in the spirit that the hon. Gentleman identified, it also lays the foundations for a firmer and fairer immigration system that welcomes people—the best and the brightest, to use the phrase in vogue—wherever they come from, and that is a good thing.

[Jesse Norman]

The Government commissioned the independent Migration Advisory Committee to advise on the role of the future immigration system and the appropriate salary thresholds for the policy, and the Migration Advisory Committee recommended against regional variation across the UK. As I have said, and given that recommendation, it would be disproportionately burdensome to create additional reporting requirements focused specifically on the migration impacts of policies in the Bill.

4 pm

The Chair: Mr Flynn, do you wish to press the new clause to a Division?

Stephen Flynn: Yes.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 2, Noes 9.

Division No. 12]

AYES

Flynn, Stephen	Thewliss, Alison

NOES

Badenoch, Kemi	Millar, Robin
Baldwin, Harriett	Norman, rh Jesse
Browne, Anthony	Rutley, David
Cates, Miriam	Williams, Craig
Jones, Andrew	

Question accordingly negatived.

New Clause 16

IMPACT OF PROVISIONS OF THE ACT ON CHILD POVERTY

'(1) The Chancellor of the Exchequer must review the impact of the provisions of this Act on child poverty and lay a report of that review before the House of Commons within six months of the passing of this Act.

(2) A review under this section must consider the impact on—

(a) households at different levels of income,

(b) the Treasury's compliance with the public sector equality duty under section 149 of the Equality Act 2010,

(c) different parts of the United Kingdom and different regions of England, and

(d) levels of relative and absolute child poverty in the United Kingdom.

(3) In this section— 'parts of the United Kingdom' means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland;

and 'regions of England' has the same meaning as that used by the Office for National Statistics."

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on child poverty.—(Alison Thewliss.)

Brought up, and read the First time.

Alison Thewliss: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 23—

Review of impact of Act on poverty—

"(1) The Chancellor of the Exchequer must conduct an assessment of the impact of this Act on poverty and lay this before the House of Commons within six months of Royal Assent.

(2) This assessment must consider—

(a) the impact on absolute poverty;

(b) the impact on relative poverty; and

(c) whether such a study should in future be a regular duty of the Office for Budget Responsibility."

This new clause would require the Chancellor of the Exchequer to review the impact of the Bill on poverty and consider whether the OBR should conduct such assessments as a regular duty.

Alison Thewliss: We had the debate on child poverty earlier in this debate, and it is important that the Government are held to account for the measures in the Bill and their impact on child poverty. They affect many of my constituents and, as others have said, it should not take a footballer to tell the Government that their child poverty measures are inadequate. Public sector reporting duties on sustainable development goals and the importance of action to tackle poverty were mentioned earlier, and the Government have an obligation to deal with that. They are failing so many of our constituents all the time when it comes to child poverty, so it is important that we use all the measures that we can possibly can. I appreciate that the measures to amend the Finance Bill are limited by the way in which the Bill is put through the House, but it is incredibly important that the Government are held to account. They could match the Scottish Government's tackling child poverty delivery plan 2018-22, which has at its heart the Scottish child payment for low-income families for children under six. We are prioritising child poverty in Scotland because we know how important it is for the life chances of every young person in Scotland.

Without the measures to hold the UK Government to account on child poverty, we fail in the measures that we do not have control of in Scotland. The vast majority of the social security budget and measures are controlled from Westminster, as is the vast majority of tax and spend. We will do everything that we can within our power to mitigate that. The UK Government deserve to be held to account for their record, which is in many respects appalling.

Wes Streeting: I rise to speak to new clause 23 that I tabled with my hon. Friends and to support new clause 16. I do not want to disrupt the cross-party consensus among Opposition parties on this particular issue, but I will point out that almost one in four—230,000—of Scotland's children are officially recognised as living in poverty. That figure is from the Child Poverty Action Group, who used Scottish Government data. It observed:

"In the absence of significant policy change, this figure is likely to increase in the coming years, with Scottish Government forecasts indicating that it will reach 38% by 2030/31. Analysis by the Resolution Foundation suggests the Scottish child poverty rate will be 29% by 2023-24—the highest rate in over twenty years."

Let us hope that the Scottish Government's child poverty strategy is a success—children are counting on it. Of course, the Scottish Government—here represented by the Scottish National party—are right to point to

some of the impacts of UK Government policy on poverty in Scotland, and we would support them in that, but we also urge them to use their powers under the existing devolution settlement, taking responsibility for the fact that significant numbers of children in Scotland live in poverty. That is on the watch of an SNP Government who have been in power for a significant period now. I hope that next years' Scottish parliamentary elections shake out some of the complacency that we see in Nicola Sturgeon's Government.

Alison Thewliss: I disagree with what the hon. Gentleman has said. Also, bodies such as Sheffield Hallam University have pointed to the fact that Scotland mitigated the bedroom tax. Child poverty in Scotland has been mitigated because of such actions—where we can take action, we have taken action—while children in his constituency still have to face the bedroom tax.

Wes Streeting: Children in my constituency suffer under a Conservative Government—the hon. Lady will get no disagreement from me on that. Of course, where the Scottish Government take steps to mitigate the impact of Westminster Government decisions, I have no doubt at all that they will receive cross-party support from my Scottish Labour colleagues, but the point about the Scottish Government accepting responsibility for what happens to people in Scotland has to be a feature of the debate. One of the reasons why I admire Nicola Sturgeon as a politician and political leader is the skilful way in which she always manages so eloquently to pass the buck down to London.

Stephen Flynn: Does the hon. Gentleman not agree that that money, rather than having to be spent by the Scottish Government to mitigate the actions of the Conservatives, would be better spent on addressing some of his concerns? Is that not the way a Parliament should function? It should not be for a Scottish Parliament or Government to mitigate these things.

Wes Streeting: I am grateful for that intervention because, having had our knockabout between the Labour party and the SNP, we can now unite in common cause against this terrible Tory Government in Westminster.

Turning briefly to the facts, we know that wealth and income inequalities in the UK are stark: the richest 10% of households own 45% of the nation's wealth, while the poorest 50% own less than 10%. The average FTSE 100 chief executive is paid 145 times more than the average worker, and Britain's top 1% have seen their share of household income triple in the past four years, while ordinary people have struggled. Over the past decade, when Governments have been led by the Conservatives, we have seen the slowest growth in living standards since the second world war.

Shockingly, hard work does not necessarily guarantee even a basic standard of living. Wages have failed to keep up with living costs, and 14 million people live on incomes below the poverty line, including 4 million children. It should never be the case that where people are going out to work, doing the right thing and earning money for themselves and their families, they should still find themselves living in conditions of poverty, and yet that is the situation we find in our country today.

Inequality and the poverty it creates have led to an increasing number of what economist Sir Angus Deaton called "Deaths of Despair", caused by drug and alcohol abuse due to financial hardship and hopelessness. The rate of such deaths among men has more than doubled since the early 1990s, so the human consequences of economic inequality are clear in Government statistics. People are dying needlessly as a result of the inequality that blights our nation.

Earlier this week, I was struck by the exchange at Prime Minister's Question Time between my right hon. and learned Friend the Leader of the Opposition and the man who tries to the give the impression that he is our Prime Minister. Extraordinarily, the Prime Minister did not seem to recognise the description offered to him of child poverty in our country. I do not expect the Prime Minister of the country to have instant recall of every piece of data held by his Government, but on something as fundamental as the number of children living in poverty—or the trends of those numbers, at least—I would have expected that the Prime Minister might have some understanding of what is going on.

When my right hon. and learned Friend described poverty in Britain, he was not talking about forecasts or future expectations of growth in child poverty; he was talking about the situation today, and he was citing the Government's own Social Mobility Commission. On page 17 of its June 2020 report "Monitoring social mobility 2013 to 2020: Is the government delivering on our recommendations?"— a question that lends itself to quoting the title of John Rentoul's book, "Questions to which the answer is 'No!"—it says very clearly:

> "In the UK today, 8.4 million working age adults live in relative poverty; an increase of 500,000 since 2011/12. Things are no better for children. Whilst relative child poverty rates have remained stable over recent years, there are now 4.2 million children living in poverty—600,000 more than in 2011/12. Child poverty rates are projected to increase to 5.2 million by 2022. This anticipated rise is not driven by
>
> forces beyond our control".

That is the significant point: this is not about population changes or even, until very recently, the conditions in the economy, but is a direct result of Government policy. The commission notes on page 8 of the report:

> "There is now mounting evidence that welfare changes over the past ten years have put many more children into poverty."

Of the many great achievements of the last Labour Government, the thing I am most proud of is the number of children they lifted out of poverty. That was the result of a deliberate political choice—of public policy pulling in the right direction—and it is a stain on the conscience and character of this Government that their own Social Mobility Commission says:

> "There is now mounting evidence that welfare changes over the past ten years have put many more children into poverty."

On the same page, the commission says:

> "Too often also there is little transparency concerning the impact spending decisions have on poverty. The Treasury has made some efforts in this direction, but has so far declined to give the Office for Budget Responsibility…a proper role to monitor this. There should be more independent scrutiny to help ensure policy interventions across Whitehall genuinely support the most disadvantaged groups."

Because of the limitations on what we are able to do to amend the Finance Bill, new clause 23 does not go so far as to give the OBR formal responsibility for measuring the impact of fiscal events and policies on poverty and

[Wes Streeting]

child poverty across the board, but at least it makes a start by asking the OBR to look at the impact of the Finance Bill. Regrettably, that is wholly necessary. When the Government's own independent Social Mobility Commission point to the need for this, Government Members should take that seriously. When their own Prime Minister does not seem to have a clue about what is going on in terms of child poverty, it might be good to produce at least a fresh and independent set of numbers to wake him up.

Just in case Government Members are not alive to the challenges of child poverty in our country, let us look at the latest statistics from HMRC and DWP, via Stat-Xplore. In Saffron Walden, the number of children aged from zero to 15 who are in poverty is 2,261, which means the child poverty rate is 10%; in West Worcestershire, the figure is 2,176, which means a child poverty rate of 14%; in South Cambridgeshire, the figure is 2,051, which means a child poverty rate of 9%; in Kensington, the figure is 1,731, which means a child poverty rate of 9%—those children are not going to Harrods. In Penistone and Stocksbridge, 2,010 children live in poverty, which means a child poverty rate of 13%. In Harrogate and Knaresborough, 1,699 children live in poverty, which means a child poverty rate of 9%.

Jesse Norman: Could the hon. Gentleman tell the Committee what the rate is in Ilford, North?

Wes Streeting: The Minister asks a very good question; I do not have instant recall of that—*[Laughter.]* I will hold my hands up and say that he has got me there. However, I will tell him that in Aberconwy, the figure is 1,469, which means a child poverty rate of 16%. In Hereford and South Herefordshire, the figure is 3,054, which means a child poverty rate of 17%. In Macclesfield, it is 1,749, which means a child poverty rate of 11%. And in Montgomeryshire, it is 2,046, which means a child poverty rate of 20%.

I do not really need persuading of the need to act on child poverty in my constituency. It has been a campaigning issue that I have taken up since I was first elected to this House. However, it is a deep source of regret that, even when the Government's own Social Mobility Commission highlights the impact of Government policies on child poverty, the Government still refuse to act.

4.15 pm

I hope that, rather than dismissing it outright, Ministers will not only consider looking at the impact of the Bill on poverty in their constituencies, but take seriously and review again the recommendation made by the Social Mobility Commission for the remit of the Office for Budget Responsibility to be extended. That will concentrate minds across Government in the right way and ensure that we make child poverty, in particular, history.

Jesse Norman: I thank Opposition Members for their comments. This Government will always be committed to reducing poverty and child poverty. There is no difference in our view and the Opposition's view of the importance of these issues: they are very, very important.

The hon. Member for Ilford North has been free with statistics. Let me give him a couple that he might find of interest regarding households with a below average income. The Department for Work and Pensions has shown that 200,000 fewer people were living in absolute poverty in 2018-19 than in 2009-10, including 100,000 children. The record also shows that Government policies continue to be highly redistributive. Distribution analysis of the most recent Budget shows that the poorest 60% of households receive more in public spending than they contribute in tax. In 2021, households in the lowest income decile will receive more than £4 in public spending for every £1 that they pay in tax, on average.

No one thinks that the present situation is such that a Government of any stamp could rest easy. We need to continue to press for lower poverty and greater equality in our society. That is an important theme for this Government. I remind the Committee that, in the past few months, the Government have been focusing on supporting lower income families through the pandemic outbreak—through the schemes that we have discussed and through increases to universal credit and working tax credit. Much of the information that the new clauses ask for is already in the public domain, including with regard to the distributional effects of tax, welfare and spending policy, and data on poverty rates, as the hon. Member for Ilford North highlighted.

I hope that the Committee enjoyed, as I did—how sharper than a serpent's tooth—the moment when the hon. Member for Ilford North turned on his erstwhile partner and highlighted some of the weaknesses in the Scottish National party Government's own activity. The hon. Member for Glasgow Central said that the Scottish Government will do everything they can to take action in this area. They now have a significant amount of devolved power, through the tax system and other means, and we will look at what impact they make on the issue. How they exercise that responsibility will be a very interesting matter for further scrutiny.

Stephen Flynn: The Scottish Government announced a £10 per week child benefit supplement for the poorest families in Scotland, which is expected to lift 30,000 children out of poverty by 2023-2024. Will the Minister's Government do the same?

Jesse Norman: We will look at the effects of that and at whether it will be adequate to meet the challenge the Scottish Government have laid down for themselves.

We have now reached the end of this process. I have found it very exciting, and I thank all colleagues for the work that they have done. With that in mind, I reject the new clauses.

Alison Thewliss: I wish to press the new clause to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 10.

Division No. 13]

AYES

Flynn, Stephen	Smith, Jeff
Oppong-Asare, Abena	Streeting, Wes
Phillipson, Bridget	
Ribeiro-Addy, Bell	Thewliss, Alison

NOES

Badenoch, Kemi	Jones, Andrew
Baldwin, Harriett	Millar, Robin
Browne, Anthony	Norman, rh Jesse
Buchan, Felicity	Rutley, David
Cates, Miriam	Williams, Craig

Question accordingly negatived.

Jesse Norman: On a point of order, Mr Rosindell. On behalf of the Exchequer Secretary and myself, I thank you and your co-Chair, the excellent folks at *Hansard*, our Whips, our Parliamentary Private Secretaries and the officials who have supported us throughout the Committee. Of course, they wrote this note, so I hope they will be aware of the generous terms in which I single out, in particular, Edward Ferguson and Charlie Grainger; our Bill team at the Treasury, consisting of Kate O'Donoghue, the Bill manager, as well as Helena Forrest, Nye Williams-Renouf and Samuel Fenn; and a host of other people. The Opposition do not have access to the same level of resources; it would be astonishing if they could replicate the expertise to which we have access, and I am profoundly grateful for that expertise.

I thank all the members of Committees, on both sides of the Chamber, for making this such an energised and productive Committee, especially considering the great difficulties under which it has had to operate.

Bridget Phillipson: Further to that point of order, Mr Rosindell. I would also like to put on record my thanks to you and Ms McDonagh for being so fair and generous in allowing us to speak at some length about our concerns on the Finance Bill. You were exceptionally generous—at times, and arguably today, a little too generous—when it came to some of the wider conversations we had around interesting and irrelevant matters around Scottish separatism. Doubtless we will return to that at a later stage.

I put on record our thanks to the Clerks for all the help that they have offered us, particularly around amendments and the order of proceedings—their expertise at this time is particularly appreciated by us—and to the *Hansard* reporters.

This is the first opportunity I have had to lead on the Finance Bill in Committee. It has been made much easier thanks to the wonderful support of Members on the Opposition side, not least our wonderful Whip, my hon. Friend the Member for Manchester, Withington.

I thank all members of the Committee for their contributions. I am sure the Financial Secretary has enjoyed talking to more technical aspects of the Bill, although he did particularly relish opportunities to elucidate on Adam Smith and Edmund Burke, and on the transcendental nature of what might be regarded as temporary, or otherwise, when pressed by my hon. Friend the Member for Streatham.

I also thank those individuals and stakeholders who have been very generous in providing advice and information to the Opposition, and, of course, the House of Commons Library, whose staff are, as ever, very prompt and professional in their response to all research requests.

Although this is a small Finance Bill, compared with some recent efforts, I thank my staff and those in the office of my hon. Friend the Member for Ilford North for their dedication and hard work, and for allowing us to hold the Government to account. We have had a wide-ranging debate, and I look forward to returning to some of these issues on Report.

Alison Thewliss: Further to that point of order, Mr Rosindell. I echo others in thanking you and Ms McDonagh for your excellent chairing; the Clerks for all they have done to keep things moving smoothly; my hon. Friend the Member for Aberdeen South for signing up to come and do the Finance Bill with me, which was much appreciated; and our small research team, Scott Taylor and Jonathan Kiehlmann, who have worked incredibly hard to bring a range of amendments and new clauses to the Committee, and who have had even more pressure than the other parties and the Government have had. I am incredibly grateful to them.

Finally, on independence, as long as we are here in this House—hopefully it will not be too much longer—we will press our cause if we can. I am sure all hon. Members will miss us once we have independence.

The Chair: Does the hon. Member for Glasgow Central wish to move any of her remaining clauses?

Alison Thewliss: No, Mr Rosindell.

The Chair: Does the hon. Member for Houghton and Sunderland South wish to move new clause 23?

Bridget Phillipson: No, Mr Rosindell.

New Schedule 1

"Workers' services provided through intermediaries

Part 1

Amendments to Chapter 8 of Part 2 of ITEPA 2003

1 Chapter 8 of Part 2 of ITEPA 2003 (application of provisions to workers under arrangements made by intermediaries) is amended as follows.

2 For the heading of the Chapter substitute "Workers' services provided through intermediaries to small clients".

3 (1) Section 48 (scope of Chapter) is amended as follows.

(2) In subsection (1) for the words from ", but" to the end substitute "in a case where the services are provided to a person who is not a public authority and who either—

(a) qualifies as small for a tax year, or

(b) does not have a UK connection for a tax year."

(3) After subsection (3) insert—

(4) For provisions determining when a person qualifies as small for a tax year, see sections 60A to 60G.

(5) For provision determining when a person has a UK connection for a tax year, see section 60I."

4 (1) Section 50 (worker treated as receiving earnings from employment) is amended as follows.

(2) In subsection (1) before paragraph (a) insert—

"(za) the client qualifies as small or does not have a UK connection,".

(3) After subsection (4) insert—

(5) The condition in paragraph (za) of subsection (1) is to be ignored if—

(a) the client concerned is an individual, and

(b) the services concerned are performed otherwise than for the purposes of the client's business.

(6) For the purposes of paragraph (za) of subsection (1) the client is to be treated as not qualifying as small for the tax year concerned if the client is treated as medium or large for that tax year by reason of section 61TA(3)(a)."

5 After section 60 insert—

"When a person qualifies as small for a tax year

60A When a company qualifies as small for a tax year

(1) For the purposes of this Chapter, a company qualifies as small for a tax year if one of the following conditions is met (but this is subject to section 60C).

(2) The first condition is that the company's first financial year is not relevant to the tax year.

(3) The second condition is that the small companies regime applies to the company for its last financial year that is relevant to the tax year.

(4) For the purposes of this section, a financial year of a company is "relevant to" a tax year if the period for filing the company's accounts and reports for the financial year ends before the beginning of the tax year.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60B When a company qualifies as small for a tax year: joint ventures

(1) This section applies when determining for the purposes of section 60A(3) whether the small companies regime applies to a company for a financial year in a case where—

(a) at the end of the financial year the company is jointly controlled by two or more other persons, and

(b) one or more of those other persons are undertakings ("the joint venturer undertakings").

(2) If the company is a parent company, the joint venturer undertakings are to be treated as members of the group headed by the company.

(3) If the company is not a parent company, the company and the joint venturer undertakings are to be treated as constituting a group of which the company is the parent company.

(4) In this section the expression "jointly controlled" is to be read in accordance with those provisions of international accounting standards which relate to joint ventures.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60C When a company qualifies as small for a tax year: subsidiaries

(1) A company does not qualify as small for a tax year by reason of the condition in section 60A(3) being met if—

(a) the company is a member of a group at the end of its last financial year that is relevant to the tax year,

(b) the company is not the parent undertaking of that group at the end of that financial year, and

(c) the undertaking that is the parent undertaking of that group at that time does not qualify as small in relation to its last financial year that is relevant to the tax year.

(2) Where the parent undertaking mentioned in subsection (1)(c) is not a company, sections 382 and 383 of the Companies Act 2006 have effect for determining whether the parent undertaking qualifies as small in relation to its last financial year that is relevant to the tax year as if references in those sections to a company and a parent company included references to an undertaking and a parent undertaking.

(3) For the purposes of subsections (1)(c) and (2) a financial year of an undertaking that is not a company is "relevant to" a tax year if it ends at least 9 months before the beginning of the tax year.

(4) For the purposes of this section, a financial year of a company is "relevant to" a tax year if the period for filing the company's accounts and reports for the financial year ends before the beginning of the tax year.

(5) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60D When a relevant undertaking qualifies as small for a tax year

(1) Sections 60A to 60C apply in relation to a relevant undertaking as they apply in relation to a company, subject to any necessary modifications.

(2) In this section "relevant undertaking" means an undertaking in respect of which regulations have effect under—

(a) section 15(a) of the Limited Liability Partnerships Act 2000,

(b) section 1043 of the Companies Act 2006 (unregistered companies), or

(c) section 1049 of the Companies Act 2006 (overseas companies).

(3) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60E When other undertakings qualify as small for a tax year

(1) An undertaking that is not a company or a relevant undertaking qualifies as small for a tax year if one of the following conditions is met.

(2) The first condition is that the undertaking's first financial year is not relevant to the tax year.

(3) The second condition is that the undertaking's turnover for its last financial year that is relevant to the tax year is not more than the amount for the time being specified in the second column of item 1 of the Table in section 382(3) of the Companies Act 2006.

(4) For the purposes of this section a financial year of an undertaking is "relevant to" a tax year if it ends at least 9 months before the beginning of the tax year.

(5) In this section—

"relevant undertaking" has the meaning given by section 60D, and

"turnover", in relation to an undertaking, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(6) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60F When other persons qualify as small for a tax year

(1) For the purposes of this Chapter, a person who is not a company, relevant undertaking or other undertaking qualifies as small for a tax year if the person's turnover for the last calendar year before the tax year is not more than the amount for the time being specified in the second column of item 1 of the Table in section 382(3) of the Companies Act 2006.

(2) In this section—

"company" and "undertaking" have the same meaning as in the Companies Act 2006,

"relevant undertaking" has the meaning given by section 60D, and

"turnover", in relation to a person, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

60G Sections 60A to 60F: connected persons

(1) This section applies where—

(a) it is necessary for the purposes of determining whether a person qualifies as small for a tax year ("the tax year concerned") to first determine the person's turnover for a financial year or calendar year ("the assessment year"), and

(b) at the end of the assessment year the person is connected with one or more other persons ("the connected persons").

(2) For the purposes of determining whether the person qualifies as small for the tax year concerned the person's turnover for the assessment year is to be taken to be the sum of—

(a) the person's turnover for the assessment year, and

(b) the relevant turnover of each of the connected persons.

(3) In subsection (2)(b) "the relevant turnover" of a connected person means—

(a) in a case where the connected person is a company, relevant undertaking or other undertaking, its turnover for its last financial year that is relevant to the tax year concerned, and

(b) in a case where the connected person is not a company, relevant undertaking or other undertaking, the turnover of the connected person for the last calendar year ending before the tax year concerned.

(4) For the purposes of subsection (3)(a)—

(a) a financial year of a company or relevant undertaking is relevant to the tax year concerned if the period for filing accounts and reports for the financial year ends before the beginning of the tax year concerned, and

(b) a financial year of any other undertaking is relevant to the tax year concerned if it ends more than 9 months before the beginning of the tax year concerned.

(5) In a case where—

(a) the person mentioned in subsection (1)(a) is a company or relevant undertaking, and

(b) at the end of the assessment period the person is a member of a group,

the person is to be treated for the purposes of this section as not being connected with any person that is a member of that group.

(6) In this section—

"turnover", in relation to a person, means the amounts derived from the provision of goods or services after the deduction of trade discounts, value added tax and any other taxes based on the amounts so derived, and

"relevant undertaking" has the meaning given by section 60D.

(7) For provision determining whether one person is connected with another, see section 718 (connected persons).

(8) Expressions used in this section and in the Companies Act 2006 have the same meaning in this section as in that Act.

60H Duty on client to state whether it qualifies as small for a tax year

(1) This section applies if, in the case of an engagement that meets conditions (a) to (b) in section 49(1), the client receives from the client's agent or the worker a request to state whether in the client's opinion the client qualifies as small for a tax year specified in the request.

(2) The client must provide to the person who made the request a statement as to whether in the client's opinion the client qualifies as small for the tax year specified in the request.

(3) If the client fails to provide the statement by the time mentioned in subsection (4) the duty to do so is enforceable by an injunction or, in Scotland, by an order for specific performance under section 45 of the Court of Session Act 1988.

(4) The time is whichever is the later of—

(a) the end of the period of 45 days beginning with the date the client receives the request, and

(b) the beginning of the period of 45 days ending with the start of the tax year specified in the request.

(5) In this section "the client's agent" means a person with whom the client entered into a contract as part of the arrangements mentioned in paragraph (b) of section 49(1).

When a person has a UK connection

60I When a person has a UK connection for a tax year

(1) For the purposes of this Chapter, a person has a UK connection for a tax year if (and only if) immediately before the beginning of that tax year the person—

(a) is resident in the United Kingdom, or

(b) has a permanent establishment in the United Kingdom.

(2) In this section "permanent establishment"—

(a) in relation to a company, is to be read (by virtue of section 1007A of ITA 2007) in accordance with Chapter 2 of Part 24 of CTA 2010, and

(b) in relation to any other person, is to be read in accordance with that Chapter but as if references in that Chapter to a company were references to that person.

Interpretation

6 In section 61(1) (interpretation), in the definition of company, before "means" insert "(except in sections 60A to 60G)".

Part 2

Amendments to Chapter 10 of Part 2 of ITEPA 2003

7 Chapter 10 of Part 2 of ITEPA 2003 (workers' services provided to public sector through intermediaries) is amended as follows.

8 For the heading of the Chapter substitute "Workers' services provided through intermediaries to public authorities or medium or large clients".

9 (1) Section 61K (scope of Chapter) is amended as follows.

(2) In subsection (1) for the words "to a public authority through an intermediary" substitute "through an intermediary in a case where the services are provided to a person who—

(a) is a public authority, or

(b) qualifies as medium or large and has a UK connection for a tax year".

(3) After subsection (2) insert—

(3) For the purposes of this Chapter a person qualifies as medium or large for a tax year if the person does not qualify as small for the tax year for the purposes of Chapter 8 of this Part (see sections 60A to 60G).

(4) Section 60I (when a person has a UK connection for a tax year) applies for the purposes of this Chapter."

10 In section 61L (meaning of "public authority") in subsection (1)—

(a) after paragraph (a) insert—

"(aa) a body specified in section 23(3) of the Freedom of Information Act 2000,",

(b) omit the "or" at the end of paragraph (e), and

(c) after paragraph (f) insert ", or

(g) a company connected with any person mentioned in paragraphs (a) to (f)".

11 (1) Section 61M (engagements to which the Chapter applies) is amended as follows.

(2) In subsection (1)—

(a) omit paragraph (b),

(b) omit the "and" at the end of paragraph (c), and

(c) after paragraph (c) insert—

"(ca) the client—

(i) is a public authority, or

(ii) is a person who qualifies as medium or large and has a UK connection for one or more tax years during which the arrangements mentioned in paragraph (c) have effect, and".

(3) After subsection (1) insert—

(1A) But sections 61N to 61R do not apply if —

(a) the client is an individual, and

(b) the services are provided otherwise than for the purposes of the client's trade or business."

12 (1) Section 61N (worker treated as receiving earnings from employment) is amended as follows.

(2) In subsection (3)—

(a) after "subsections (5) to (7)" insert "and (8A)", and

(b) after "61T" insert ", 61TA".

(3) For subsection (5) substitute—

(5) Unless and until the client gives a status determination statement to the worker (see section 61NA), subsections (3) and (4) have effect as if for any reference to the fee-payer there were substituted a reference to the client; but this is subject to section 61V.

(5A) Subsections (6) and (7) apply, subject to sections 61T, 61TA and 61V, if—

(a) the client has given a status determination statement to the worker,

(b) the client is not the fee-payer, and

(c) the fee-payer is not a qualifying person."

(4) In subsection (8) (meaning of "qualifying person") before paragraph (a) insert—

"(za) has been given by the person immediately above them in the chain the status determination statement given by the client to the worker,".

(5) After subsection (8) insert—

(8A) If the client is not a public authority, a person is to be treated by subsection (3) as making a deemed direct payment to the worker only if the chain payment made by the person is made in a tax year for which the client qualifies as medium or large and has a UK connection."

13 After section 61N insert—

"61NA Meaning of status determination statement

(1) For the purposes of section 61N "status determination statement" means a statement by the client that—

(a) states that the client has concluded that the condition in section 61M(1)(d) is met in the case of the engagement and explains the reasons for that conclusion, or

(b) states (albeit incorrectly) that the client has concluded that the condition in section 61M(1)(d) is not met in the case of the engagement and explains the reasons for that conclusion.

(2) But a statement is not a status determination statement if the client fails to take reasonable care in coming to the conclusion mentioned in it.

(3) For further provisions concerning status determination statements, see section 61T (client-led status disagreement process) and section 61TA (duty for client to withdraw status determination statement if it ceases to be medium or large)."

14 In section 61O(1) (conditions where intermediary is a company) for paragraph (b) substitute—

"(b) it is the case that—

(i) the worker has a material interest in the intermediary,

(ii) the worker has received a chain payment from the intermediary, or

(iii) the worker has rights which entitle, or which in any circumstances would entitle, the worker to receive a chain payment from the intermediary."

15 In section 61R (application of Income Tax Acts in relation to deemed employment) omit subsection (7).

16 For section 61T substitute—

"61T Client-led status disagreement process

(1) This section applies if, before the final chain payment is made in the case of an engagement to which this Chapter applies, the worker or the deemed employer makes representations to the client that the conclusion contained in a status determination statement is incorrect.

(2) The client must either—

(a) give a statement to the worker or (as the case may be) the deemed employer that—

(i) states that the client has considered the representations and has decided that the conclusion contained in the status determination statement is correct, and

(ii) states the reasons for that decision, or

(b) give a new status determination statement to the worker and the deemed employer that—

(i) contains a different conclusion from the conclusion contained in the previous status determination statement,

(ii) states the date from which the client considers that the conclusion contained in the new status determination statement became correct, and

(iii) states that the previous status determination statement is withdrawn.

(3) If the client fails to comply with the duty in subsection (2) before the end of the period of 45 days beginning with the date the client receives the representations, section 61N(3) and (4) has effect from the end of that period until the duty is complied with as if for any reference to the fee-payer there were substituted a reference to the client; but this is subject to section 61V.

(4) A new status determination statement given to the deemed employer under subsection (2)(b) is to be treated for the purposes of section 61N(8)(za) as having been given to the deemed employer by the person immediately above the deemed employer in the chain.

(5) In this section—

"the deemed employer" means the person who, assuming one of conditions A to C in section 61N were met, would be treated as making a deemed direct payment to the worker under section 61N(3) on the making of a chain payment;

"status determination statement" has the meaning given by section 61NA.

61TA Duty for client to withdraw status determination statement if it ceases to be medium or large

(1) This section applies if in the case of an engagement to which this Chapter applies—

(a) the client is not a public authority,

(b) the client gives a status determination statement to the worker, the client's agent or both, and

(c) the client does not (but for this section) qualify as medium or large for a tax year beginning after the status determination statement is given.

(2) Before the beginning of the tax year the client must give a statement to the relevant person, or (as the case may be) to both of the relevant persons, stating—

(a) that the client does not qualify as medium or large for the tax year, and

(b) that the status determination statement is withdrawn with effect from the beginning of the tax year.

(3) If the client fails to comply with that duty the following rules apply in relation to the engagement for the tax year—

(a) the client is to be treated as medium or large for the tax year, and

(b) section 61N(3) and (4) have effect as if for any reference to the fee-payer there were substituted a reference to the client.

(4) For the purposes of subsection (2)—

(a) the worker is a relevant person if the status determination statement was given to the worker, and

(b) the deemed employer is a relevant person if the status determination statement was given to the client's agent.

(5) In this section—

"client's agent" means a person with whom the client entered into a contract as part of the arrangements mentioned in section 61M(1)(c);

"the deemed employer" means the person who, assuming one of conditions A to C in section 61N were met, would be treated as making a deemed direct payment to the worker under section 61N(3) on the making of a chain payment;

"status determination statement" has the meaning given by section 61NA."

17 (1) Section 61W (prevention of double charge to tax and allowance of certain deductions) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b) for "a public authority" substitute "another person ("the client")", and

(b) in paragraph (d) for "that public authority" substitute "the client".

(3) In subsection (2)(b) for "public authority" substitute "client".

Part 3

Consequential and miscellaneous amendments

18 In section 61D of ITEPA 2003 (managed service companies: worker treated as receiving earnings from employment) for subsection (4A) substitute—

(4A) This section does not apply where the provision of the relevant services gives rise (directly or indirectly) to an engagement to which Chapter 10 applies and either—

(a) the client for the purposes of section 61M(1) is a public authority, or

(b) the client for the purposes of section 61M(1)—

(i) qualifies as medium or large for the tax year in which the payment or benefit mentioned in subsection (1)(b) is received, and

(ii) has a UK connection for the tax year in which the payment or benefit mentioned in subsection (1)(b) is received.

(4B) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L (meaning of public authority) apply for the purposes of subsection (4A).

(4C) It does not matter for the purposes of subsection (4A) whether the client for the purposes of this Chapter is also "the client" for the purposes of section 61M(1)."

19 After section 688A of ITEPA 2003 insert—

"688AA Workers' services provided through intermediaries: recovery of PAYE

(1) PAYE Regulations may make provision for, or in connection with, the recovery of a deemed employer PAYE debt from a relevant person.

(2) "A deemed employer PAYE debt" means an amount—

(a) that a person ("the deemed employer") is liable to pay under PAYE regulations in consequence of being treated under section 61N(3) as having made a deemed direct payment to a worker, and

(b) that an officer of Revenue and Customs considers there is no realistic prospect of recovering from the deemed employer within a reasonable period.

(3) "Relevant person", in relation to a deemed employer PAYE debt, means a person who is not the deemed employer and who—

(a) is the highest person in the chain identified under section 61N(1) in determining that the deemed employer is to be treated as having made the deemed direct payment, or

(b) is the second highest person in that chain and is a qualifying person (within the meaning given by section 61N(8)) at the time the deemed employer is treated as having made that deemed direct payment."

20 In section 60 of FA 2004 (construction industry scheme: meaning of contract payments) after subsection (3) insert—

(3A) This exception applies in so far as—

(a) the payment can reasonably be taken to be for the services of an individual, and

(b) the provision of those services gives rise to an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies (workers' services provided through intermediaries to public authorities or medium or large clients).

(3B) But the exception in subsection (3A) does not apply if, in the case of the engagement mentioned in paragraph (b) of that subsection, the client for the purposes of section 61M(1) of ITEPA 2003—

(a) is not a public authority, and

(b) either—

(i) does not qualify as medium or large for the tax year in which the payment concerned is made, or

(ii) does not have a UK connection for the tax year in which the payment concerned is made.

(3C) Sections 60I (when a person has a UK connection for a tax year), 61K(3) (when a person qualifies as medium or large for a tax year) and 61L (meaning of public authority) of ITEPA 2003 apply for the purposes of subsection (3B)."

21 For the italic heading before section 141A of CTA 2009 substitute "Worker's services provided through intermediary to public authority or medium or large client".

22 In the heading of section 141A of CTA 2009 for "public sector" substitute "public authority or medium or large client".

23 (1) Part 13 of CTA 2009 (additional relief for expenditure on research and development) is amended as follows.

(2) In section 1129 (qualifying expenditure on externally provided workers: connected persons) after subsection (4) insert—

(4A) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—

(a) section 61S of ITEPA 2003,

(b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or

(c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

(3) In section 1131 (qualifying expenditure on externally provided workers: other cases) after subsection (2) insert—

(3) In subsection (2) the reference to the staff provision payment is to that payment before any deduction is made from the payment under—

(a) section 61S of ITEPA 2003,

(b) regulation 19 of the Social Security Contributions (Intermediaries) Regulations 2000, or

(c) regulation 19 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

(4) After section 1131 insert—

"1131A Sections 1129 and 1131: secondary Class 1 NICS paid by company

(1) This section applies if—

(a) a company makes a staff provision payment,

(b) the company is treated as making a payment of deemed direct earnings the amount of which is calculated by reference to the amount of the staff provision payment, and

(c) the company pays a secondary Class 1 national insurance contribution in respect of the payment of deemed direct earnings.

(2) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) or section 1131(2) the amount of the staff payment provision is to be treated as increased by the amount of the contribution.

(3) In determining the company's qualifying expenditure on externally provided workers in accordance with section 1129(2) the aggregate of the relevant expenditure of each staff controller is to be treated as increased by the amount of the contribution.

(4) But subsection (2) does not apply to the extent that the expenditure incurred by the company in paying the contribution is met directly or indirectly by a staff controller.

(5) "A payment of deemed direct earning" means a payment the company is treated as making by reason of regulation 14 of the Social Security Contributions (Intermediaries) Regulations 2000 or regulation 14 of the Social Security Contributions (Intermediaries) (Northern Ireland) Regulations 2000."

PART 4

COMMENCEMENT AND TRANSITIONAL PROVISIONS

Commencement

24 The amendments made by Part 1 of this Schedule have effect for the tax year 2021-22 and subsequent tax years.

25 The amendments made by Part 2 of this Schedule have effect in relation to deemed direct payments treated as made on or after 6 April 2021.

26 The amendment made by paragraph 18 of this Schedule has effect for the purposes of determining whether section 61D of ITEPA 2003 applies in a case where the payment or benefit mentioned in subsection (1)(b) of that section is received on or after 6 April 2021.

27 The amendment made by paragraph 20 of this Schedule has effect in relation to payments made under a construction contract on or after 6 April 2021.

28 The amendments made by paragraph 23 of this Schedule have effect in relation to expenditure incurred on or after 6 April 2021.

29 Sections 101 to 103 of FA 2009 (interest) come into force on 6 April 2021 in relation to amounts payable or paid to Her Majesty's Revenue and Customs under regulations made by virtue of section 688AA of ITEPA 2003 (as inserted by paragraph 19 of this Schedule).

Transitional provisions

30 (1) This paragraph applies where—

(a) the client in the case of an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies is not a public authority within the meaning given by section 61L of ITEPA 2003 (as that section had effect before the amendments made by paragraph 10 of this Schedule), and

(b) a chain payment is made on or after 6 April 2021 that can reasonably be taken to be for services performed by the worker before 6 April 2021.

(2) The chain payment is to be disregarded for the purposes of Chapter 10 of Part 2 of ITEPA 2003.

31 (1) This paragraph applies where—

(a) the client in the case of an engagement to which Chapter 10 of Part 2 of ITEPA 2003 applies is not a public authority within the meaning given by section 61L of ITEPA 2003 (as that section had effect before the amendments made by paragraph 10 of this Schedule), and

(b) one or more qualifying chain payments are made in the tax year 2021-22 or a subsequent tax year ("the tax year concerned") to the intermediary.

(2) A chain payment made to the intermediary is a qualifying chain payment if it can reasonably be taken to be for services performed by the worker before 6 April 2021.

(3) A chain payment made to the intermediary is also a qualifying chain payment if—

(a) another chain payment ("the earlier payment") was made before 6 April 2021 to a person other than the intermediary,

(b) the earlier payment can reasonably be taken to be for the same services as the chain payment made to the intermediary, and

(c) the person who made the earlier payment would, but for paragraph 25 of this Schedule, have been treated by section 61N(3) and (4) of ITEPA 2003 as making a deemed direct payment to the worker at the same time as they made the earlier payment.

(4) Chapter 8 of Part 2 of ITEPA 2003 applies in relation to the engagement for the tax year concerned (in addition to Chapter 10 of Part 2 of ITEPA 2003), but as if—

(a) the amendments made by Part 1 of this Schedule had not been made, and

(b) the qualifying chain payments received by the intermediary in the tax year concerned are the only payments and benefits received by the intermediary in that year in respect of the engagement.

32 (1) This paragraph applies for the purposes of paragraphs 30 and 31 where a chain payment ("the actual payment") is made that can reasonably be taken to be for services of the worker performed during a period that begins before and ends on or after 6 April 2021.

(2) The actual payment is to be treated as two separate chain payments—

(a) one consisting of so much of the amount or value of the actual payment as can on a just and reasonable apportionment be taken to be for services performed before 6 April 2021, and

(b) another consisting of so much of the amount or value of the actual payment as can on a just and reasonable apportionment be taken to be for services performed on or after 6 April 2021.

33 For the purposes of section 61N(5), (5A)(a) and (8)(za) of ITEPA 2003 it does not matter whether the status determination statement concerned is given before 6 April 2021 or on or after that date.

34 For the purposes of section 61T of ITEPA 2003—

(a) it does not matter whether the representations to the client mentioned in subsection (1) of that section were made before 6 April 2021 or on or after that date, but

(b) in a case where the representations were made before 6 April 2021 that section has effect as if the reference in subsection (3) to the date the client receives the representations were to 6 April 2021."—*(Jesse Norman.)*

This new schedule alters the tax treatment of certain engagements under which a worker provides services to a client through an intermediary.

Brought up, read the First and Second time, and added to the Bill.

Bill, as amended, to be reported.

The Chair: That concludes our sitting. I thank all Members and wish you a good weekend.

4.26 pm

Committee rose.

Written evidence reported to the House

FB32 Tax Law Review Committee of the Institute of Fiscal Studies