

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE (NO.2) BILL

(Except Clauses 1 to 5; Clauses 6 to 14 and Schedule 1; Clauses 24 to 26; Clause 28; Clause 30 and Schedule 6; Clauses 31 to 33; Clause 36 and Schedule 7; Clause 40; Clause 41; Clause 86; Clauses 87 to 89 and Schedules 16 and 17; Clauses 90 and 91; Clauses 92 to 96 and Schedule 18; Clause 97 and Schedule 19; Clauses 109 to 111 and Schedules 21 and 22; Clause 115 and Schedule 27; Clauses 117 to 121 and Schedules 29 to 32; Clauses 128 to 130; any new Clauses or new Schedules relating to: the impact of any provision on the financial resources of families or to the subject matter of Clauses 1 to 5, 24 to 26, 28, 31 to 33, 40 and 86; the subject matter of Clauses 6 to 14 and Schedule 1; the impact of any provision on regional economic development; tax avoidance or evasion; the subject matter of Clauses 87 to 89 and Schedules 16 and 17 and Clauses 90 and 91; the subject matter of Clauses 92 to 96 and Schedule 18, Clause 97 and Schedule 19 and Clauses 128 to 130)

Third Sitting

Tuesday 27 April 2021

(Morning)

CONTENTS

CLAUSE 98 agreed to.
SCHEDULE 20 agreed to.
CLAUSES 99 to 108 agreed to.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 1 May 2021

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The Committee consisted of the following Members:

Chairs: † DAME ANGELA EAGLE, SIR GARY STREETER

- | | |
|---|--|
| † Bacon, Gareth (<i>Orpington</i>) (Con) | † Norman, Jesse (<i>Financial Secretary to the Treasury</i>) |
| † Badenoch, Kemi (<i>Exchequer Secretary to the Treasury</i>) | † Oppong-Asare, Abena (<i>Erith and Thamesmead</i>) (Lab) |
| † Buchan, Felicity (<i>Kensington</i>) (Con) | † Owen, Sarah (<i>Luton North</i>) (Lab) |
| † Coutinho, Claire (<i>East Surrey</i>) (Con) | † Russell, Dean (<i>Watford</i>) (Con) |
| † Eshalomi, Florence (<i>Vauxhall</i>) (Lab/Co-op) | † Rutley, David (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Grant, Peter (<i>Glenrothes</i>) (SNP) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Higginbotham, Antony (<i>Burnley</i>) (Con) | Thewliss, Alison (<i>Glasgow Central</i>) (SNP) |
| † Jones, Andrew (<i>Harrogate and Knaresborough</i>) (Con) | Chris Stanton, Jo Dodd, <i>Committee Clerks</i> |
| † Marson, Julie (<i>Hertford and Stortford</i>) (Con) | |
| † Murray, James (<i>Ealing North</i>) (Lab/Co-op) | † attended the Committee |

Public Bill Committee

Tuesday 27 April 2021

Morning

[DAME ANGELA EAGLE *in the Chair*]

Finance (No.2) Bill

(Except Clauses 1 to 5; Clauses 6 to 14 and Schedule 1; Clauses 24 to 26; Clause 28; Clause 30 and Schedule 6; Clauses 31 to 33; Clause 36 and Schedule 7; Clause 40; Clause 41; Clause 86; Clauses 87 to 89 and Schedules 16 and 17; Clauses 90 and 91; Clauses 92 to 96 and Schedule 18; Clause 97 and Schedule 19; Clauses 109 to 111 and Schedules 21 and 22; Clause 115 and Schedule 27; Clauses 117 to 121 and Schedules 29 to 32; Clauses 128 to 130; any new Clauses or new Schedules relating to: the impact of any provision on the financial resources of families or to the subject matter of Clauses 1 to 5, 24 to 26, 28, 31 to 33, 40 and 86; the subject matter of Clauses 6 to 14 and Schedule 1; the impact of any provision on regional economic development; tax avoidance or evasion; the subject matter of Clauses 87 to 89 and Schedules 16 and 17 and Clauses 90 and 91; the subject matter of Clauses 92 to 96 and Schedule 18, Clause 97 and Schedule 19 and Clauses 128 to 130)

9.25 am

The Chair: Before we begin, I remind Members to observe social distancing and to sit only in the places clearly marked. In line with the Commission's decision, face coverings should be worn in Committee unless Members are speaking or they are medically exempt. I hope not to need to suspend the sitting to comply with social distancing requirements. Please switch electronic devices to silent. Tea and coffee, while allowed in Zoom, are not allowed in sittings in the House. Members may remove their jackets if they wish—I see some already have. The *Hansard* reporters would be grateful if Members emailed any electronic copies of their speaking notes to hansardnotes@parliament.uk.

Clause 98

RESTRICTION OF USE OF REBATED DIESEL AND BIOFUELS

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

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

That schedule 20 be the Twentieth schedule to the Bill.

New clause 3—*Review of impact of section 98*—

“(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 98 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 progress towards the Government's climate emissions targets.

(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 a report on the effects of section 98 on progress towards the UK Government's climate emissions targets.

The Exchequer Secretary to the Treasury (Kemi Badenoch): Clause 98 and schedule 20 reform the use of polluting diesel fuel by reducing the number of businesses that benefit from red diesel tax breaks from April 2022. Those changes will mean that most businesses across the UK will use diesel fuel taxed at the standard rate for diesel from April 2022, bringing them in line with ordinary motorists. That more fairly reflects the negative environmental impact of the emissions produced. It also ensures that the tax system incentivises users of polluting fuels such as diesel to improve the energy efficiency of their vehicles and machinery and to invest in cleaner alternatives, or just use less fuel.

Red diesel is a dye-marked diesel currently used mainly for off-road purposes, such as to power bulldozers and cranes in the construction industry. It accounts for around 15% of all diesel used in the UK and is responsible for the production of nearly 14 million tonnes of CO₂ a year, as well as noxious gases such as nitrogen oxide and particulate matter. Red diesel is subject to a rebated rate of fuel duty of 11.14p per litre, which is 46.81p less than the tax due on standard diesel used by ordinary motorists. Businesses that use red diesel are therefore paying far less for the harmful emissions that they produce.

The Government have previously received feedback from developers of alternative fuels and technologies that they view the low cost of running a diesel engine as a barrier to entry for greener alternatives. Clause 98 and schedule 20 will amend the Hydrocarbon Oil Duties Act 1979, to reform the entitlement to use red diesel in most sectors from April 2022. As announced at Budget 2020 and confirmed at Budget 2021, the Government will grant entitlements to use red diesel for the following purposes: for vehicles and machinery used in agriculture, forestry, horticulture and fish farming; to propel vehicles designed to run on rail tracks and for heating non-commercial premises, which includes the heating of homes and buildings such as places of worship, hospitals and town halls.

In addition, following consultation last year on these tax changes, for which the Government received more than 400 written responses, the Government decided at Budget 2021 to grant further entitlements to use red diesel after April 2022 for the following purposes: electricity generation in non-commercial premises; maintaining community amateur sports clubs and golf courses; as fuel for all commercial water vessels refuelling and operating in the UK, including fishing and water freight industries; for private pleasure craft in Great Britain; and powering machinery and caravans of travelling fairs and circuses. The Bill will also extend fuel duty to biodiesel, bioblends and fuel substitutes used in heating.

In response to concerns raised by red diesel users during the consultation about their ability to run down fuel stocks in back-up generators, the Bill provides for secondary legislation to give HMRC officers the power to disapply the liability to seize vehicles or machinery where they are satisfied that those who are no longer entitled to use red diesel are acting within the new law.

New clause 3, which was tabled by the hon. Members for Glasgow Central, for Glenrothes, for Gordon (Richard Thomson) and for Midlothian (Owen Thompson), would require the Government to publish a report on the effects of clause 98 on progress towards the UK Government's climate emissions targets

“within six months of the passing of this Act.”

Clause 98 will make changes to remove the entitlement to use red diesel from most sectors from April 2022; such a report could not meaningfully assess the impact of the changes within six months.

As the Government set out in our summary of responses to the red diesel consultation:

“As these tax changes are introduced, the government will monitor fuel duty receipts of red and white diesel to evaluate the extent to which current users of red diesel that have lost their entitlement to use red diesel are switching to greener alternatives. The Treasury will also work closely with the Department for Business, Energy and Industrial Strategy to evaluate the extent to which these tax changes are accelerating the development of greener alternatives and how this interacts with the work of the government's energy innovation programmes, like the Net Zero Innovation Portfolio.”

The Government continue to take our world-leading environmental commitment seriously and remain dedicated to meeting our climate change and wider environmental targets, including improving the UK's air quality; that is why we are reforming the use of red diesel from April 2022. Reducing tax breaks on red diesel will mean that approximately 3.6 billion litres of diesel, equivalent to 9.5 million tonnes of CO₂, will now be taxed at the standard diesel rate. I ask the Committee to agree that clause 98 and schedule 20 should stand part of the Bill and to reject new clause 3.

Abena Oppong-Asare (Erith and Thamesmead) (Lab): It is a pleasure to serve under your chairship, Dame Angela. I thank the Minister for her explanation of clause 98, which restricts the entitlement to use red diesel and related biodiesel for most sectors from April 2022.

We support the Government's intention behind the measure, which was first announced in the 2020 Budget. There is a clear need to ensure that fuel duty rebates are as limited as possible in order to meet our net-zero commitment. I note that several sectors retain their entitlement to use red diesel, including agriculture, rail transport and permanently moored houseboats. More recently, the Government have announced further exemptions, including generating power from non-commercial premises for amateur sports clubs and for travelling fairs and circuses.

I have a couple of questions for the Minister about the impact on individual sectors. I know that the waste sector made a representation to the Treasury arguing that removing its red diesel entitlements

“could increase the cost of recycling, which may result in waste being diverted to landfill instead and the cost of recycled goods increasing relative to virgin materials.”

Would the Exchequer Secretary assure us that that issue was looked at carefully and that the impact on recycling was considered? Would she also say a little about compliance in the industries where the entitlement is being removed? She mentioned that the Treasury had been working closely with the Department for Business, Energy and Industrial Strategy to ensure that compliance was followed,

but what monitoring and enforcement will the Government use to ensure that red diesel is used only for approved purposes?

May I turn briefly to recreational boat owners in Northern Ireland? The Government have confirmed that private pleasure craft in Northern Ireland will have to use white diesel from June this year in order to implement a ruling of the European Court of Justice. The Royal Yachting Association, British Marine and the Cruising Association have raised concerns about the practical effects of the decision, including the limited supply of white diesel for private pleasure craft users in Northern Ireland. Would the Minister reassure us that HMRC and the Treasury will work closely with those organisations to minimise disruption? Would she give us more information on the steps that have been taken so far to ensure that? Finally, will the Government take any further action to encourage the growth of cleaner fuel alternatives in sectors such as the construction industry?

Peter Grant (Glenrothes) (SNP): It is a pleasure to serve under your chairmanship, Dame Angela. I could repeat much of what I have to say about new clause 3 when we debate new clause 5, but in the interests of brevity I will not make the same comments again at that point.

We welcome the fact that the tax system is used to encourage individuals and businesses to operate in a more environmentally responsible and sustainable way, but it is important that when we make changes we are prepared to look at them afterwards to see whether they are having the expected impact. That can be quite difficult with Government changes to tax policy, because the policy aim is not always immediately obvious. How much of this change is an income-raising exercise for the Treasury, and how much is designed to reduce the use not only of severely environmentally damaging hydrocarbon fuels, but of other fuels which, although they may be less damaging, are damaging none the less?

Biofuels are not a guilt-free pass. Even though they may appear to be renewable, their use has an impact on the environment, for example where the resources of less well-off countries are used to grow biofuels for us to use instead of food to eat for the people who live there. We should not fool ourselves into thinking that simply by converting our excessive use of fuel to use of renewable fuels, we are somehow doing all we need to.

The second reason why regular reviews are needed is that as well as unintended consequences, there will be mistakes. One third of the Government amendments in Committee of the whole House were introduced to correct drafting mistakes, either in the Bill itself or in related legislation. People make mistakes—hon. Members may even have noticed the drafting mistake in the wording of our new clause 3, which the Exchequer Secretary so kindly pointed out. However, given that her objection to new clause 3 is that the timing does not work, I would appreciate a commitment from her that the Government will comply with the spirit of the new clause in a more appropriate timescale when the impact of the changes can be measured.

The Scottish National party supports the Government's stated aim of encouraging a more environmentally sustainable and responsible approach to use of the

[Peter Grant]

earth's resources; we just think that they should acknowledge that they might not always get it right the first time. They should build in a process by which we can review the policy after a reasonable time and make the changes that may be needed, sooner rather than later.

Kemi Badenoch: I will take hon. Members' questions in turn, starting with the question on private pleasure craft in Northern Ireland.

From later this year, private pleasure-craft users in Northern Ireland will no longer be able to use red diesel for propelling their craft, as the hon. Member for Erith and Thamesmead mentioned. This will achieve consistency with the 2018 judgment by the Court of Justice of the European Union and ensure that the UK meets its international obligations under the Northern Ireland protocol. That is the primary reason for it, but it will also align with the way in which fuel used by private pleasure craft in the Republic of Ireland is treated, which should make it simpler for craft users to access the fuel that they need if they sail between Northern Ireland and Ireland. On the hon. Lady's point about easy access to white diesel, I think that it will work in the same way as in the Republic of Ireland. The Government also intend to introduce a new relief scheme in Northern Ireland to ensure that the average private pleasure-craft user will not pay a higher rate of duty on non-propulsion use than they do now.

On new clause 3, we fully understand the point that the hon. Member for Glenrothes makes, but it takes time for us to be able to analyse what is happening with changes to tax. That is why we want to monitor fuel-duty receipts for red and white diesel, which will enable us to evaluate the extent to which the users of red diesel who have lost their entitlement are switching to greener alternatives. It is really important that we allow time for the policy to bed in before we carry out reviews, but the Treasury always keeps all tax policy under review. We want to ensure that we encourage the transition to net zero as well as maximising revenue for the Exchequer. We do not want to lose money, nor do we want emissions. I reassure him that we are all on common ground and will work together to achieve those stated goals.

On the sectors that continue to have the red diesel entitlement, I can tell the hon. Member for Erith and Thamesmead that we looked very hard at the sectors that could not easily switch to alternatives, and at those in which the impact on the consumer would be quite high, as opposed to those within the supply chain. That is how we came to specific sectors such as travelling circuses and amateur sports clubs, which we feel would benefit from continued red diesel entitlement.

On the question of biofuels, to respond to the hon. Member for Glenrothes, all users of biofuels will be taxed at the same rate as ordinary diesel, to reflect the fact that biodiesel releases just as much carbon dioxide when burned. The Government recognise that renewable biofuels deliver greenhouse gas savings, as they are sourced from feedstocks that extract CO₂ from the atmosphere. To incentivise the use of these low-carbon fuels and reduce emissions from fuel supplied for use in transport, the Government introduced the renewable transport fuel obligation in 2008, whereby all road transport fossil-fuel suppliers in the UK are required to show that a percentage

of the total road and non-road mobile machinery fuels they supply come from sustainable and renewable energy sources. Again, I remind him that the Government keep all of these rates under review.

Question put and agreed to.

Clause 98 accordingly ordered to stand part of the Bill.

Schedule 20 agreed to.

Clause 99

RATES OF TOBACCO PRODUCTS DUTY

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

Kemi Badenoch: Clause 99 consolidates changes announced and implemented in November 2020 concerning tobacco duty rates. The increases made then ensured that the duty charged on all tobacco products rose in line with the tobacco duty escalator, with additional increases for hand-rolling tobacco and to the minimum excise on cigarettes.

Smoking rates in the UK are falling. However, smoking remains the biggest cause of preventable illness and premature death in the UK, killing around 100,000 people a year and about half of all long-term users of tobacco. All these factors mean that we need to continue to encourage more people to kick the habit. We have already set out ambitious plans to reduce the number of smokers from 14% of the population to 12% by 2022, as set out by the Department of Health and Social Care in its tobacco control plan, and we have announced that we aim to curb smoking once and for all by 2030 in England. This includes a commitment to continue the policy of maintaining high duty rates for tobacco products to improve public health.

According to Action on Smoking and Health, smoking costs society almost £14 billion a year in England, including £2 billion in costs to the NHS for treating disease caused by smoking. In November 2020, my right hon. Friend the Financial Secretary announced increases to tobacco duty that, in the absence of an autumn Budget, were implemented by a Treasury order. The order was made under existing powers in the Tobacco Products Duty Act 1979 and helped to protect revenues. However, the life span of an order made under these powers is time-limited to one year, so this clause consolidates those increases. This will ensure that the duty charged on all tobacco products increases in line with the escalator, which is 2% above retail price index inflation. In addition, duty on hand-rolling tobacco increases by a further 4% to 6% above RPI inflation. The clause also increases the minimum excise tax—the minimum amount of duty to be paid on a pack of cigarettes—by an additional 2% to 4% above RPI inflation.

These new tobacco duty rates took effect on 16 November 2020. Recognising the potential interactions between tobacco duty rates and the illicit market, the Government recently consulted on tougher penalties for tobacco tax evasion. This includes proposals for £10,000 fixed penalties and escalating fines for repeat offenders. The responses indicate that there is broad support for tougher sanctions and, as announced on 23 March, we intend to legislate in the next Finance Bill. The Government have committed to strengthening trading standards and Her Majesty's

Revenue and Customs, so that these organisations can combat the illicit tobacco business even more effectively. This work includes creating a UK-wide HMRC intelligence-sharing hub.

The clause will continue our tried-and-tested policy of using high duty rates on tobacco products to make tobacco less affordable, to continue the reduction in smoking prevalence, and to reduce the burden that smoking places on our public services. I therefore move that the clause stand part of the Bill.

Abena Oppong-Asare: As the Minister said, this clause incorporates the legislation on changes in tobacco duty that the Government introduced in the Tobacco Products Duty (Alteration of Rates) Order 2020. I spoke during the debate on that order, so I will not repeat the points that I made then. However, I do have a few questions for the Minister.

First, why did the Government not raise the tobacco duty at Budget 2021? I note that the Minister has quoted data from Action on Smoking and Health. After the Budget, it said:

“ASH is disappointed that the Chancellor hasn’t increased taxes on cigarettes by per cent above inflation as we recommended. The Government says it is willing to take bold action to make smoking obsolete, which we welcome, but that has to include further tax rises. Making tobacco less affordable is crucial to discouraging children from starting to smoke and delivering the Smokefree generation the Government has said it wants to see by 2030.”

I hope the Minister can respond to the concerns from ASH and clearly set out what the Government’s approach to tobacco duty will be going forward.

9.45 am

More broadly, I want to press the Minister on the issue of smoking and public health. We have seen the importance of public health more than ever over the past year. Many people are concerned that the dismantling of Public Health England will have an adverse effect on the nation’s health, including action on preventing harm through smoking. We need reassurances that the new Office for Health Protection will be able to fulfil that important role effectively. Of course, that is partly from funding, but the Government have cut the public health grant by more than a fifth since 2015-16, despite a growing and urgent need for investment in public health and prevention.

ASH has called on the Government to increase the public health budget by £1.2 billion in order to reverse the cuts that have taken place since 2015 and then to provide additional investment in the most deprived areas with the greatest need. Can the Minister update us on the Government’s plan for the public health budget? Finally, can the Minister tell us whether the Government will provide further funding to local authorities to support local smoking cessation services?

Kemi Badenoch: I thank the hon. Lady for her questions. What I would say about the Office for Health Protection is that it is being set up to improve the work that Public Health England was doing. I am assured by health Ministers that it will continue to tackle issues such as tobacco smoking and its health implications.

The current smoking prevalence rate is 13.9%, which is the lowest level on record and a great public health success story. The UK is seen as a global leader on

tobacco control, and over the last two decades we have implemented regulatory measures to stop youth smoking, prevent non-smokers from starting, and offer support to help smokers quit. Local authorities are responsible for delivering local “stop smoking” services and support to meet their population’s needs and to address inequalities. The Government set the national policy through the current tobacco control plan, and we will publish the next tobacco control plan this summer in order to outline our ambition for a smoke-free society by 2030.

Given the success that we have had in reducing smoking, we believe that the duty rates have been set at the right level. We review our duty rates at each fiscal event to ensure that they continue to meet our two objectives of protecting public health and raising revenue for vital public services. The tax information and impact note published alongside the Budget announcement sets out the Government’s assessment of the expected impact.

We are committed to improving public health by reducing smoking prevalence. We co-ordinate our efforts through DHSC’s “Tobacco Control Delivery Plan 2017 to 2022”, and we will continue our tried and tested policy of using high duty rates to make tobacco less affordable and continue the reduction in smoking prevalence, which should reduce the burden that smoking places on public services, as I mentioned earlier.

The hon. Lady asked why we are introducing clause 99, given that no increase in tobacco duties was announced in the spring Budget. Although the autumn Budget was cancelled, the Government proceeded with the uprating of tobacco duties in order to safeguard revenues, maintain our commitment to the duty escalator and protect health objectives. The Tobacco Products Duty (Alteration of Rates) Order 2020, implementing the duty increases, took effect on 16 November 2020. However, the hon. Lady should note that although an order may be used to alter tobacco duty rates, the changes expire after one year, which is why the increases need to be consolidated into the Finance Bill. It is not the first time that a Treasury order has been used to increase tobacco duties; the same method was used in 2008. I hope I have answered all her questions.

Question put and agreed to.

Clause 99 accordingly ordered to stand part of the Bill.

Clause 100

RATES FOR LIGHT PASSENGER OF LIGHT GOODS
VEHICLES, MOTORCYCLES ETC

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

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

Clauses 101 and 102 stand part.

Kemi Badenoch: Clauses 100 to 102 make changes to vehicle excise duty and the heavy goods vehicle road user levy. Clauses 100 and 101 relate specifically to vehicle excise duty, which is paid on vehicle ownership. The Government have uprated VED, as it is known, for cars, vans and motorcycles in line with inflation every year since 2010, which means that rates have remained unchanged in real terms during that time.

[Kemi Badenoch]

Since April 2017, cars with a list price exceeding £40,000 pay an additional supplement as well as paying the standard rate of VED, which means those who can afford the most expensive cars pay more than the standard rate imposed on other drivers. The expensive car supplement is paid in addition to the standard rate for a period of five years from the start of the second vehicle licence, but for a period of no longer than six years from when the vehicle was first registered. As a vehicle can change hands or be declared off-road through a statutory off-road notification, or SORN, the vehicle licence end date and the expensive car supplement end date will not always align.

Clause 102 relates to the HGV road user levy. That is an annual charge paid by UK hauliers alongside their VED, as well as a daily, weekly or monthly charge for HGVs from outside the UK accessing the UK road network. The levy was introduced in 2014 to ensure that all HGVs, which are heavy and can damage the road surface, contribute to the public finances and to reducing the wear and tear of the road network. In the light of the impacts of covid-19, the Government decided to suspend the levy last August for 12 months to support the haulage sector by reducing their costs.

Clause 100 makes changes to uprate VED rates for cars, vans and motorcycles in line with the retail prices index from 1 April 2021, meaning VED liabilities will not increase in real terms for the 11th successive year. The standard rate of VED for cars registered after 1 April 2017 will increase by £5 only. The flat rate for vans will increase by £10 and motorcyclists will see an increase in rates of no more than £3.

Clause 101 makes changes to ensure that registered keepers of cars with a list price of over £40,000 are issued with the correct annual VED refund, if they sell their vehicle or make a statutory off-road notification in the last year of the vehicle being liable to pay the expensive car supplement. Clause 101 will amend VED legislation, so that the rebate amount is equal to the number of months remaining at the higher rate of duty under the expensive car supplement and the number of months remaining at the standard rate of VED. This change in law will apply from 1 April 2021. Individuals and businesses will not need to do anything differently from what they do now, and this measure will not affect the amount of VED they pay.

Clause 102 will make changes to suspend the HGV road user levy for a further period of 12 months from 1 August 2021, to support the haulage industry and help the covid-19 pandemic recovery efforts. That means that UK-registered keepers of HGVs will save between £76.50 and £1,200 per vehicle again, as they will not have to pay the HGV road user levy when they renew their vehicle licence. Non-UK-based hauliers will also not need to pay the levy during this period.

In conclusion, the changes outlined in clause 100 will ensure that the Government continue to support motorists with the cost of living, while ensuring they continue to make a fair contribution to the public finances. The changes outlined in clause 101 will ensure that VED refunds are issued as intended when the expensive car supplement was introduced in 2017. Finally, the haulage sector supports many other industries, so the changes

outlined in clause 102 to ease their financial burden temporarily will support them and help the economy to recover from the impacts of covid-19.

Abena Oppong-Asare: I will briefly respond to each clause in the group. Clause 100 would increase the rate of vehicle excise duty for a variety of vehicles, as mentioned by the Minister. We support the Government's general approach to incentivise the use of greener and more environmentally friendly vehicles. We do, however, believe that we need to see more action from the Government on increasing the availability and affordability of green and electric vehicles.

The Society of Motor Manufacturers and Traders described the 2021 Budget as falling

“short of the support needed to transform the industry and market to the net zero future to which both the Government and industry aspires.”

If UK car manufacturing is to survive the covid crisis and thrive as part of a net zero future, it needs the Government to develop a long-term strategy to support the sector. Labour urges the Government to do just that by implementing a strategy that accelerates the electrification process in a manner that provides a lifeline to the industry, stimulates investment and ensures the future of the automotive sector in the UK for the communities that rely on it. We have called on the Government to create new gigafactories by 2025, make electric vehicle ownership affordable by offering interest-free loans for those on low and middle incomes and accelerate the rollout of charging points, particularly in the areas that have lagged behind. That is the support the automotive industry needs.

Clause 101 is a simple change to allow for the rebate of the additional rate of vehicle excise duty where the vehicle was sold or declared off road, and we support that. As the Minister said, clause 102 extends the suspension of the HGV road user levy for a further year. We support the measures as the logistics and haulage sector continues to recover from the pandemic, as the Minister has just mentioned, and to ensure that vital supply chains continue to function.

I am concerned that the Minister has not mentioned the serious concerns that haulage firms have about the Brexit deal. Specialist haulage firms, such as concert trucks that service UK music tours, have been left in an extremely difficult position by the Government's Brexit deal, as it allows for three stops in total across the entire European Union before they must return to the UK. That will have serious knock-on effects on other businesses that rely on the haulage firms to transport their equipment across the continent. Other haulage companies have felt the knock-on effect of the Brexit deal too, including having to prepare last minute for changes in customs requirements and a lack of trained staff at customs. While we welcome the extended suspension of the HGV levy, I urge the Government to do more to support the sector.

Kemi Badenoch: The Government are doing a lot to support the haulage sector. We have provided unprecedented support for businesses and individuals throughout the national restrictions, including the coronavirus job retention scheme and a number of access-to-finance schemes. We have decided to temporarily maintain support for the haulage industry as it plays a critical role in the functioning

of our economy and supports many other industries, including our supermarkets and shops. Suspending the levy for a further 12 months is a significant measure to help not just pandemic recovery efforts, but also the industry as a whole. As the hon. Lady made reference to the point by the Society of Motor Manufacturers and Traders, that is something that the haulage sector specifically has received, but not every other industry has.

On the question of the impact of Brexit negotiations, I am afraid that is not a matter for the Treasury. I am sure officials will note her concerns and pass them on to the relevant Department. On the question of why the Government are not doing enough to incentivise the uptake of zero-emission vehicles, we use the tax system to encourage the uptake of cars with low carbon dioxide emissions to help us to meet our legally binding climate change target. Zero-emission cars and electric vans are liable to pay no VED. Furthermore, users of zero and ultra-low emission cars have beneficial company car tax rates in comparison with conventionally fuelled vehicles. From April 2021, the Government are applying a nil rate of tax to zero-emission vans within the van benefit charge. We believe that we are doing quite a lot to incentivise the uptake of zero-emission vehicles and electric cars.

Abena Oppong-Asare: I thank the Minister for her comments. I want to go back to the point I raised about the haulage firms and the Brexit deal. I am concerned about how the Minister mentions that Brexit concerns are not a matter for the Treasury, because they are, particularly as clause 102 extends the suspension of the HGV road user levy for a further year. The Government need to look at the impact of that on haulage firms, in particular specialist haulage firms such as concert trucks that service UK music tours. They have been left in an extremely difficult position. The Government need to take that seriously, so I would like the Minister to take that forward and to ensure that such individuals get support.

10 am

Question put and agreed to.

Clause 100 accordingly ordered to stand part of the Bill.

Clauses 101 and 102 ordered to stand part of the Bill.

Clause 103

RATES OF AIR PASSENGER DUTY FROM 1 APRIL 2022

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

Kemi Badenoch: The clause makes changes to ensure that the long-haul rates of air passenger duty for the tax year 2022-23 increase in line with the retail price index. The change will ensure that the aviation sector continues to play its part in contributing towards the funding of vital public services.

Aviation plays a crucial role in keeping Britain open for business, and the Government are keen to support its long-term success. The Government recognise the challenging circumstances facing the aviation industry as a result of covid-19. Firms experiencing difficulties can draw upon the unprecedented package of measures announced by the Chancellor, including schemes to raise capital and flexibility with tax bills.

As APD is a per passenger tax, airlines' liabilities have considerably reduced following the decline in passenger demand caused by the pandemic between April and September 2020, by 87% when compared with the previous year. Aviation fuel incurs no duty and tickets are VAT-free, so APD ensures that the aviation sector makes a fair contribution to the public finances. Uprating APD rates in line with inflation is routine and has occurred every year since 2012. The Government announce the rates one year in advance, in order to give airlines sufficient notice of any changes.

The changes to be made by the clause will increase the long-haul APD tax rates for 2022-23 by RPI. The clause increases the long-haul reduced rate for economy class nominally, by just £2; and the standard rate for all classes above economy by £5—a real-terms freeze. The rates for long-haul travel by private jets will increase by £13. The rounding of APD rates to the nearest £1 means that short-haul rates will remain frozen in nominal terms for the 10th year in a row. That benefits more than 75% of all airline passengers.

APD is a fair and efficient tax, with the amount paid corresponding to the distance and class of travel of the passenger, and it is only due when airlines are flying passengers. The changes made by the clause ensure that the aviation sector continues to play its part in contributing towards funding our vital public services.

Abena Oppong-Asare: As the Minister said, the clause will increase, from April 2022, the rates of long-haul air passenger duty in line with inflation while leaving the short-haul duty at its current rate.

As we all know, the aviation sector has struggled enormously during the pandemic, as international travel has in effect shut down. The industry is important to the UK economy and supports 250,000 jobs across the country. The sector's recovery will be prolonged. Any restructuring must be supported with a transitional strategy for workers and our regional economies that capitalises on the opportunities to grow industry into green technology.

We believe that part of any aviation support must include a clear commitment to tackling climate change and leading the industry to use cleaner fuel and other cutting-edge low or zero emission technologies. Government support should be contingent on airlines retiring old and inefficient aircraft, so that they meet the new industry standards in accordance with the framework of the Paris agreement and the UK's Climate Change Act 2008.

Several smaller airports, including Teesside and Newquay, were forced to shut their doors at the height of the pandemic. This is an uneven playing field between small and large airports, as staff wages and business rates make up a bigger proportion of costs for regional airports. Without further specific support, regional airports may no longer be viable. The sector has made clear its disappointment with the recent Budget, which failed to set out either the support or the vision for future aviation needs. Will the Minister update us on the aviation support package that the Government promised but which has yet to materialise?

Finally, we know that the Government are currently consulting on a new low band for domestic air passenger duty, and we will watch the outcome of that consultation closely. Will the Minister tell us how that will fit in with our environmental commitments?

Kemi Badenoch: The clause seeks to set APD rates for April 2022, so it will not take immediate effect. It will increase long-haul air passenger duty rates only in nominal terms, while short-haul rates will remain frozen at current rates, benefiting more than 75% of passengers.

With regard to the issues affecting the aviation industry, air passenger duty is marginal—a £2 increase on economy flights is not what will make or break the industry. We recognise the challenging circumstances faced by the industry as a result of covid-19, and all the firms experiencing difficulties can and have drawn upon the unprecedented package of measures announced by the Chancellor, as I mentioned earlier, including schemes to raise capital and flexibility with their tax bills. We have also provided bespoke support to the sector via the airport and ground operator support scheme. The majority of beneficiaries have been the smaller airports that the hon. Lady mentioned. At the end of the day, APD is a per-passenger tax. Airlines' liabilities have reduced significantly since the start of covid, with receipts between April and September 2020 down 87% compared with the same period in 2019, so suspending APD would not be appropriate.

On the wider issues that the hon. Lady mentioned on the transition to net zero, we have introduced a wide range of scheme to support the decarbonisation of the aviation sector, including a £15 million competition to support the UK production of sustainable aviation fuel, and the inclusion of aviation in the UK's emissions trading scheme, which we discussed in the last sitting. The Government will also consult on the overall strategy for the sector's transition to net zero later this year.

Question put and agreed to.

Clause 103 accordingly ordered to stand part of the Bill.

Clause 104

AMOUNTS OF GROSS GAMING YIELD CHARGED TO GAMING DUTY

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

The Chair: With this it will be convenient to discuss new clause 4—*Review of impact of section 104*—

“(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 104 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 the volume of gambling, including—

- (a) the number of people who take part in gambling,
- (b) the amount of money spent on gambling, and
- (c) the gross gaming yield.

(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 a report on the effects of section 104 on the volume of gambling.

Kemi Badenoch: Clause 104 increases the thresholds for the gross gaming yield bands for gaming duty in line with inflation. Gaming duty is a banded tax paid by casinos in the UK, with marginal tax rates varying between 15% and 50%. To ensure that operators are not brought into higher tax bands because of inflation, gaming duty bands are increased in line with RPI inflation. That means that casinos continue to pay the same level of tax in real terms. The clause uprates the bands of gaming duty in line with inflation. That is expected by the industry and assumed in the public finances. The rates of gaming duty themselves will remain unchanged. The change will take effect for the accounting period starting on or after 1 April 2021.

New clause 4 seeks to place a statutory requirement on my right hon. Friend the Chancellor to review and publish a report on the impact of the increase in the gaming duty thresholds on the volume of gambling. The Gambling Commission publishes annually statistics on gambling participation, spend and gross gaming yield for each part of the sector, so an additional report would merely duplicate information that is already available. There is no change to the tax rate in the provision. Accordingly, the Government do not expect the change to have an impact on gambling participation, spend or gross gaming yield.

It is also important to say that new clause 4 is impractical, as the proposed publication deadline, together with the continued lockdown of casinos, would deliver an inconclusive report based on receipts data from a single shortened accounting period. I hope that the Committee is reassured by that and will therefore reject the new clause.

Abena Oppong-Asare: Clause 104 increases the bands for gaming duty in line with inflation, in effect freezing gaming duties for casinos. It is a relatively small measure, but clearly the taxation and regulation of gambling is extremely important. The Minister will know that hon. Members across the House have taken a keen interest in the issue. Will she therefore update us on the Treasury's plans for gambling taxation more widely, including for online operators? In particular, what role does she see for taxation in this area as a way of tackling the adverse health effects that problem gambling can lead to?

Kemi Badenoch *rose*—

The Chair: I call Peter Grant.

Peter Grant: The disadvantage of not speaking on every clause just for the sake of it is that sometimes people forget that someone is there.

I hear what the Minister says about new clause 4, but there is still a need for more reporting to Parliament. I appreciate that it is yet another one of those cases where the main responsibility lies with a different Government Department but the impact on the Treasury is substantial, which is why it is part of this Bill.

The Minister said that the increase is in line with inflation. Although that is technically correct, the headline rate of inflation is 3.1% and all of what are effectively income tax bands for the gambling sector are going up by 3.1%. Any increase in gross gaming yield is not caused by a price increase, as would apply anywhere

else. If the gaming yield increases by 10%, that is because people are spending 10% more on gambling. The price of a bet on the grand national does not increase. What is happening is that either people are choosing to bet more than they were before, or more people are getting into heavier gambling than they were before.

Debt inflation is relevant to the income of low-paid workers, yet earlier when discussing clause 5, I think, there was a decision for them to get virtually no increase in their income tax bands for the next five years—0.5%, which is then frozen for four years. I would be interested to learn from the Minister's response why the gambling industry needs to get its tax bands uprated for inflation every year, but hard-pressed workers who are only just making enough to get by are effectively seeing their tax bands increase by about a 10th of a percent compounded every year.

Last year, the National Audit Office and the Public Accounts Committee reported on gambling regulation. Again, while the regulation is a matter for a different Department, we cannot ignore it here. Before the pandemic started, gambling was taking over the lives of 395,000 people in the UK. Of them, 55,000 are children under the age of 16. Another 1.8 million people were at risk of becoming problem gamblers, and it is likely that quite a few of those 1.8 million are now problem gamblers. No matter how locked down someone is, one thing they can do is gamble online, often with money they do not have, for 24 hours a day.

We do not know how much problem gambling costs public services. The lowest estimate is over a quarter of a billion pounds, and the highest puts it at well over £1 billion. The financial year on which those two reports are based, 2018-19, showed that the total gross gambling yield, so the money they take in minus the winnings they pay out—effectively the gambling industry's gross profit—is £11.3 billion. There are indications that in the following year it was up to £14 billion. Gaming duties bring in about £3 billion to the Treasury, which is why we are discussing it today. The Gambling Commission, which is supposed to regulate all of that, has a separate levy by way of the application of licence fees paid by the industry and set by the Secretary of State for Digital, Culture, Media and Sport. That brings in the princely sum of £19 million—million with an “m”—to try and regulate an industry with gross profits of £11 billion, with a “b”. It is clear that it is not an equal contest.

As with so many of the clauses we are discussing, the impacts on thousands of our constituents and, in the case of problem gambling, the horrific and often tragic impacts on them, may not be in the scope of the Bill, but it would simply be unacceptable for us to ignore those impacts when we consider the relatively small part that the Treasury plays in the Government's relationship with the gambling industry. It is not acceptable to look at clause 104 as just a revenue raising exercise for the Treasury, although sometimes it seems that that is all the interest the Treasury takes in it.

10.15 am

I commend the work of my hon. Friend the Member for Inverclyde (Ronnie Cowan) and other members of the all-party parliamentary group on gambling related harm for their work in developing recommendations for the improved regulation of the industry. When the time

comes for the Government, led by the Department for Digital, Culture, Media and Sport, to implement those recommendations or something very similar, which they will have to do, the moral imperative is now on the Government to act. It will simply not be morally acceptable for the Treasury's interest in that £3 billion to get in the way of addressing what is now one of the greatest social diseases affecting these nations.

Why is it that children cannot watch major sporting events without having gambling advertising forced at them all the time, for example? Why are they allowed to advertise gambling during peak-time TV when children are watching? The reason that is relevant to the Bill is that advertising is designed to encourage people to gamble more, and by gambling more they are helping to fill the Treasury's coffers. I can understand the reluctance to let go of any part of that £3 billion, and I know that there are hard decisions to be made about how to replace it, but 395,000 lives being scarred and sometimes ended by problem gambling is an issue we cannot afford to ignore.

Kemi Badenoch: It is worth reminding hon. Members that this measure is a change to gambling taxation and is not related to the regulation of gambling activity, which is a matter for DCMS—I am sure the hon. Gentleman knows that. I take his point about the health effects and the impact on families. The Government continue to monitor the effectiveness of existing gambling controls. DCMS has launched a review of the Gambling Act 2005 with a call for evidence. This closed at the end of March and the Government will respond in due course.

We will also look at how we can ensure that the impact on the sector itself is proportionate, given that much of the casino industry has been closed down for the last year. We believe that the sector is already making a fair contribution to public finances, so this is not necessarily the time for an increase.

Revalorising gaming duty bands in line with inflation, as the Government have done, is assumed in the public finances. Freezing the bands would have a very small impact on the public finances, while pushing smaller, generally regional casinos into high duty bands, hence why we have done this in this way.

I remind the Committee that the top rate of gaming duty is currently 50%. The system ensures that casinos pay their fair share of overall gambling tax receipts. This measure does not represent a tax cut. Given DCMS's call for evidence, I am sure this is an area that Parliament will return to again and again.

The Chair: The question is that the clause stand part—

Abena Oppong-Asare: Dame Angela, I just have some questions for the Minister on gambling taxation more widely, particularly for online operators. Could she elaborate on that? What work is being done to tackle the adverse effects that problem gambling can lead to?

Kemi Badenoch: On the hon. Lady's second question, that is a matter for DCMS. On her first question, I referred to that in relation to the tax rate. That is something that we in the Treasury will look to do along with DCMS as part of its review.

The Chair: Just to assist the Chair, if Members wish to come back in, could they wave, leap up with vigour or just indicate to catch my eye? Otherwise, I may get past the moment and they will have lost their chance.

Question put and agreed to.

Clause 104 accordingly ordered to stand part of the Bill.

Clause 105

RATES OF CLIMATE CHANGE LEVY FROM 1 APRIL 2022
TO 31 MARCH 2023

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

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

Clauses 106 to 108 stand part.

New clause 5—*Review of impact of sections 105, 106 and 108*—

“(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 sections 105, 106 and 108 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 progress towards the Government’s climate emissions targets.

(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 a report on the effects of sections 105, 106 and 108 on progress towards the UK Government’s climate emissions targets.

Kemi Badenoch: Clauses 105 and 106 make changes to ensure that the climate change levy’s main and reduced rates are updated for years 2022-23 and 2023-24, to reflect the rates announced at Budget 2020. Clause 107 increases both the standard and the lower rates of landfill tax in line with inflation from 1 April 2021, as announced at Budget 2020. Clause 108 repeals the provisions in the Finance Acts 2019 and 2020 relating to carbon emissions tax, which were not commenced following the Government’s decision to implement a UK emissions trading scheme from 1 January 2021 instead.

The climate change levy came into effect in April 2001. It is a UK-wide tax on the non-domestic use of energy from gas, electricity, liquefied petroleum gas and solid fuels. It promotes the efficient use of energy to help meet the UK’s international and domestic targets for cutting greenhouse gas emissions. At Budget 2016, it was announced that electricity and gas climate change levy rates would be equalised by 2025, because electricity is becoming a much cleaner source of energy than gas as we reduce our reliance on coal and use more renewable sources instead.

Landfill tax has been immensely successful in reducing the amount of waste sent to landfill. That tax provides a disincentive to landfill and has contributed to a 70%

decrease in waste sent to landfill since 2000. Reducing waste sent to landfill provides both economic and environmental benefits.

Peter Grant: How much of the reduction in waste going to landfill is due to a reduction in waste being produced, and how much of it is waste ending up in farmers’ fields and play parks and just being fly-tipped illegally, at further increased cost to the environment, and indeed to the public purse, for clearing it up?

Kemi Badenoch: I believe that a significant amount of it is due to the landfill tax. We have been looking at the rate in comparison year on year, and our analysis shows that the landfill tax is having a significant impact. There will always be fly-tipping, irrespective of what the tax rate on landfill is.

Clauses 105 and 106 make changes to the climate change levy rates for 2022-23 and 2023-24, to continue the rebalancing of electricity and gas rates announced in Budget 2016. The 2022-23 and 2023-24 rates were announced in Budget 2020 in order to give businesses plenty of notice to prepare for the changes. At Budget 2020, it was also announced that rates for liquified petroleum gas would be frozen to 31 March 2024.

To limit the economic impact of the tax rate changes on energy-intensive businesses, participants in the climate change agreement scheme will see their climate change levy liability increase by RPI inflation only. That protects the competitiveness of more than 9,000 facilities from energy-intensive industries across some 50 sectors.

When disposed of at a landfill site, each tonne of standard-rated material is currently taxed at £94.15, and lower-rate material draws a tax of £3.00 per tonne. These changes will see rates per tonne increase to £96.70 and £3.10 respectively from 1 April 2021. By increasing rates in line with RPI, we maintain the crucial incentive for the industry to use alternative waste treatment methods and continue the move towards a more circular economy. The changes made by clause 108 will repeal the provisions in the Finance Acts 2019 and 2020 relating to carbon emissions tax, which were not commenced.

New clause 5, tabled by the hon. Members for Glasgow Central, for Glenrothes, for Gordon and for Midlothian, would require the Government to publish a report, within six months of the passing of the Act, on the effects of what would then be sections 105, 106 and 108 on progress towards the Government’s climate emissions targets. As clauses 105 and 106 make changes to ensure that the climate change levy’s main and reduced rates are updated for years 2022-23 and 2023-24, such a report would not be able meaningfully to assess the impact of these changes within six months of the passing of the Act. The Government currently assess and monitor environmental impacts across existing tax measures, and do that alongside other, complementary measures, such as regulation and spending, to understand the impact of policy making in the round. That alludes to the point made by the hon. Member for Glenrothes about landfill tax.

Clause 108 repeals the provisions in Finance Acts 2019 and 2020 relating to a carbon emissions tax, which was not commenced because the Government decided that a UK emissions trading scheme administered by the Department for Business, Energy and Industrial Strategy would be the best replacement for the EU emissions trading system from 1 January 2021.

As it was not commenced, the carbon emissions tax's role in meeting the Government's climate emissions targets cannot be measured. However, Opposition Members should be reassured that the UK ETS, a market-based measure covering a third of UK emissions, will help to deliver a robust carbon price signal. The energy White Paper committed to exploring expanding the UK emissions trading scheme to other sectors and set out our aspirations to continue to lead the world on carbon pricing in the run-up to COP26. The Treasury will continue to work closely with BEIS on the introduction of the UK emissions trading scheme and will keep all environmental taxes under review to ensure that they continue to support the Government's climate commitments.

In conclusion, the changes made by clauses 105 and 106 will update the climate change levy main and reduced rates for 2022-23 and 2023-24, as announced at Budget 2020 and to deliver on previous Budget announcements. Clause 107 will increase the two rates of landfill tax in line with inflation from 1 April 2021, as announced at Budget 2020. Clause 108 will ensure that the statute book is up to date by repealing the provisions in Finance Acts 2019 and 2020 relating to a carbon emissions tax that were not commenced. I therefore commend the clauses to the Committee and ask that the Committee rejects new clause 5.

Abena Oppong-Asare: If I may, I will address the clauses in reverse order. Clause 108 repeals the carbon emissions tax. As the Minister said, the Government introduced this legislation when deciding what to replace the EU emissions trading system with. We welcome the fact that the Government have decided to implement a UK emissions trading system, rather than a carbon emissions tax. The Minister and I recently debated regulations relating to the UK ETS, and I will not repeat the points I made then. However, I stress that our belief is that the UK ETS must be linked with the EU ETS in order to achieve a robust system of carbon pricing to meet our net zero target.

Clause 107 increases the landfill tax in line with inflation. We welcome this small, uncontroversial measure. We talked at considerable length about waste and recycling during our discussion of the plastic packaging tax. I repeat only the point that the Government should invest the revenue from these taxes into recycling facilities and technology. Finally, clauses 105 and 106 make a number of changes to the climate change levy over the coming years, including raising the gas levy and adjusting the climate change agreement rates. Could the Minister set out whether the Government intend to keep the climate change agreement scheme beyond its current period, and if not, what they will replace it with?

As we come to the end of the group of environmental clauses, I will make a few points about tax and our net zero commitment. In February, the National Audit Office published a report into environmental tax measures. The NAO criticised the Treasury and Her Majesty's Revenue and Customs for failing to properly consider and evaluate the impact of these taxes on the Government's environmental targets.

Does the Minister agree that we need information on the environmental impact of all taxes and reliefs? Will she commit to working with HMRC and other bodies to publish this information regularly? Currently, UK taxes with a positive environmental impact account for

only 7% of tax revenue, and those with an explicit environmental purpose, such as the climate change levy or landfill tax, account for only 0.5%. So far, and particularly in the last Budget, we have seen a lack of vision from the Chancellor on the environment. We await the Treasury net zero review, but will the Minister set out what steps the Government will take in the short, medium and long term to ensure that our tax system plays a role in meeting our net zero commitment?

10.30 am

Peter Grant: The reason why a regular report to Parliament is needed on these taxes is that despite the optimistic assessment that the Exchequer Secretary set out, there are far too many taxes, including the landfill tax. With far too many of the officially designated environmental taxes, and an awful lot of taxes that are not officially environmental but that have an impact on the environment, the Government do not have a very clear handle on what is going on.

In February, the National Audit Office report "Environmental tax measures" stated:

"The exchequer departments do not specify how they will measure the impact of environmental tax measures."

Before the tax has even been introduced, nobody is clear about what environmental impact they want it to have. The report also states:

"HMRC's approach to evaluation provides it with limited insight into the environmental impact of taxes."

Whether those taxes' main intention is to influence behaviour rather than raise money, or whether they are introduced as a revenue-raising measure that we hope will also have beneficial environmental impacts, the Government's track record has been that they do not really know what they intend the environmental impact to be before they start, and they usually do not collect information to give a reliable assessment of what the environmental impact has been once the tax is in place. In fact, the revenue consequences of the very small number of taxes that are officially environmental taxes are dwarfed by those of tax reliefs against other forms of taxation for reasons of environmental sustainability.

I will not press new clause 5 to a vote just now, and we will not oppose clauses 105 to 108, but I want to give a message to the Government about their forward setting of objectives and their monitoring of the environmental impact of taxes of all kinds: they really have to do better, and they have to start doing better very quickly.

Kemi Badenoch: On environmental impact, it is important for the hon. Gentleman to realise that where there are multivariable reasons why things occur, measurement will never be 100% accurate. We give the impact that we can measure; others may dispute it, but the Government have taken a view.

The hon. Gentleman mentioned the landfill tax in an intervention that I responded to in my speech, but it is a tax that is devolved in Scotland. He did not tell us what the Scottish Government are doing differently from the UK Government—while he was criticising the UK Government's landfill tax policy, I think he probably forgot that it was a devolved matter.

Peter Grant *rose*—

Kemi Badenoch: No, I will not give way.

The overall impact on the environment has been positive, with the landfill tax contributing to a reduction. The hon. Gentleman and the hon. Member for Erith and Thamesmead asked about recycling. The fact is that all these things are having an impact. We bring these taxes into play and they change behaviour; we cannot then say that it has nothing to do with the tax that the behaviour has changed. All these things are directly linked.

The hon. Member for Erith and Thamesmead asked a specific question about climate change agreements. For my part within the Treasury, that is being dealt with by the net zero review, but those agreements are a BEIS lead. She also asked about linking the UK emissions trading scheme to the EU emissions trading scheme. We are open to linking the UK ETS internationally in principle and we are considering a range of options, but

no decisions on preferred linking partners have been made. We are looking to innovate and create a scheme suited to the UK and to our climate commitments.

We started—as the hon. Lady will know, given our debates on the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021—by reducing the cap on emissions by 5%, compared with what it would have been within the EU. We will set up further plans ahead of COP26, but we are going further and faster than EU representatives on this matter.

Question put and agreed to.

Clause 105 accordingly ordered to stand part of the Bill.

Clauses 106 to 108 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(David Rutley.)

10.36 am

Adjourned till this day at Two o'clock.