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Public Bill Committee

FINANCE (NO. 3) BILL

(Except clauses 4, 7, 10, 19, 35 and 72)

Seventh Sitting

Thursday 19 May 2011

(Morning)

CONTENTS

CLAUSES 21 to 25 agreed to.

CLAUSE 26 under consideration when the Committee adjourned till this day at One o'clock.

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The Committee consisted of the following Members:

Chairs: † MR ROGER GALE, MR JIM HOOD

- | | |
|---|---|
| Aldous, Peter (<i>Waveney</i>) (Con) | † Lee, Jessica (<i>Erewash</i>) (Con) |
| † Barclay, Stephen (<i>North East Cambridgeshire</i>) (Con) | † Lewis, Brandon (<i>Great Yarmouth</i>) (Con) |
| † Blenkinsop, Tom (<i>Middlesbrough South and East Cleveland</i>) (Lab) | † McCarthy, Kerry (<i>Bristol East</i>) (Lab) |
| † Blomfield, Paul (<i>Sheffield Central</i>) (Lab) | † McCartney, Karl (<i>Lincoln</i>) (Con) |
| † Bradley, Karen (<i>Staffordshire Moorlands</i>) (Con) | † McClymont, Gregg (<i>Cumbernauld, Kilsyth and Kirkintilloch East</i>) (Lab) |
| † Creasy, Stella (<i>Walthamstow</i>) (Lab/Co-op) | † McGovern, Alison (<i>Wirral South</i>) (Lab) |
| † Crockart, Mike (<i>Edinburgh West</i>) (LD) | † Mearns, Ian (<i>Gateshead</i>) (Lab) |
| † Crouch, Tracey (<i>Chatham and Aylesford</i>) (Con) | † Murray, Ian (<i>Edinburgh South</i>) (Lab) |
| † Dakin, Nic (<i>Scunthorpe</i>) (Lab) | † Nash, Pamela (<i>Airdrie and Shotts</i>) (Lab) |
| † Esterson, Bill (<i>Sefton Central</i>) (Lab) | Parish, Neil (<i>Tiverton and Honiton</i>) (Con) |
| † Gauke, Mr David (<i>Exchequer Secretary to the Treasury</i>) | † Phillipson, Bridget (<i>Houghton and Sunderland South</i>) (Lab) |
| † Glindon, Mrs Mary (<i>North Tyneside</i>) (Lab) | † Sharma, Alok (<i>Reading West</i>) (Con) |
| † Goodwill, Mr Robert (<i>Scarborough and Whitby</i>) (Con) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Greening, Justine (<i>Economic Secretary to the Treasury</i>) | † Smith, Julian (<i>Skipton and Ripon</i>) (Con) |
| † Hanson, Mr David (<i>Delyn</i>) (Lab) | Wharton, James (<i>Stockton South</i>) (Con) |
| † Harrington, Richard (<i>Watford</i>) (Con) | † Williams, Roger (<i>Brecon and Radnorshire</i>) (LD) |
| † Hoban, Mr Mark (<i>Financial Secretary to the Treasury</i>) | † Williams, Stephen (<i>Bristol West</i>) (LD) |
| | Wilson, Sammy (<i>East Antrim</i>) (DUP) |
| | Simon Patrick, <i>Committee Clerk</i> |
| | † attended the Committee |

Public Bill Committee

Thursday 19 May 2011

(Morning)

[MR ROGER GALE *in the Chair*]

Finance (No. 3) Bill

(Except clauses 4, 7, 10, 19, 35 and 72)

Clause 21

VED RATES FOR LIGHT PASSENGER VEHICLES, LIGHT GOODS VEHICLES, MOTORCYCLES ETC

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

9 am

Kerry McCarthy (Bristol East) (Lab): It is a pleasure to see you in the Chair, Mr Gale. I have a few brief questions on clause 21. I would appreciate clarification of the Government's thinking on using vehicle excise duty as an environmental tax rather than as a revenue-raising measure. What consideration has been given to using VED as a way of changing behaviour, perhaps encouraging people to use cars that are more environmentally friendly? Will the Minister explain why more was not done in the Budget to favour fuel-efficient family cars? Does she hope that more work will be done on that front in future?

In November 2010, the Institute for Fiscal Studies published the long-running Mirrlees review of tax reform. As part of its work on motoring taxes, the review questioned whether a tax on vehicle purchase might be more targeted than the annual vehicle excise duty payment. Have the Government given any consideration to that suggestion, and does the Minister agree that it might better achieve the aim of encouraging people to buy cars that are more environmentally friendly?

I turn to the question of evasion. In its 2009 report on VED evasion, the Department for Transport estimated that it cost about £34 million in 2009-10. The overall rate of unlicensed vehicles in stock in Great Britain was estimated at 0.7% in 2009, which is equivalent to about 244,000 vehicles; that was down from 1% in 2008. The evasion rate for motorcycles was estimated to be 3.2%, which was up on the previous year but down on the year before that. Has the Treasury assessed the impact of those rises in evasion, and what steps are the Government taking to prevent it?

The freeze on VED for heavy goods vehicles will be a welcome boost for many hauliers. However, some will not benefit; I shall deal with that when we come to clause 22. If the measure was intended to help industry by reducing distribution costs, is there not a case for freezing VED for light goods vehicles or vehicles used by smaller businesses? Many small businesses increasingly suffer the same pressures as the haulage industry, particularly as a result of fuel costs, as we have heard in previous sittings. Has the Treasury explored the possibility

of freezing duty on light goods vehicles or other business vehicles, to help small businesses and traders not in the haulage industry whose vehicles are integral to their livelihoods?

The Economic Secretary to the Treasury (Justine Greening): It is a pleasure to see you back in the Chair, Mr Gale. First, I shall explain what the clause does. I shall then respond to the questions posed by the shadow Minister. The clause makes changes to vehicle excise duty rates for cars, vans, and motorcycles, with effect from 1 April 2011. Motoring is an essential part of everyday life for families and businesses. The Government recognise the real difficulties being created by record pump prices. As part of a package to ease the burden on motorists, we announced in the Budget that vehicle excise duty rates for 2011-12 would increase only in line with inflation; and to support hauliers, duty rates for heavy goods vehicles will be frozen for the 10th successive year.

The clause changes standard rates for cars purchased after 2001 in line with inflation, and by up to £25 more for higher-carbon emitting cars. Rates remain unchanged for the cleanest cars that emit less than 120 grams of carbon dioxide per kilometre. More than 80% of cars purchased after 2001 will pay up to £10 more, and of these almost half will pay only up to £5 more.

The hon. Lady asked about vehicle excise duty being used as an environmental tax. The way in which it is structured can bring about positive behaviour change. She is right to point out that technology does change; the Government therefore need to keep a watching eye on VED to ensure that it can continue to be successful, in relation to its potential to have an environmental impact. However, we also need to learn the lessons of recent years. The previous Government attempted to environmentalise VED for pre-2001 cars in 2008. Of course, that was incredibly controversial because the change would have been retrospective, and the people who owned those vehicles could not go back and change their behaviour. We are clear that ensuring that a tax is structured to drive positive environmental behaviour is one thing; ensuring that that can happen on the ground, and that people can change their decisions of the future is another.

That brings me to another point that the hon. Lady made, about the Mirrlees review. This is an interesting issue. We have talked about switching taxation away from economic goods, such as people working, to economic bads. Clause 21 changes first-year rates, chargeable on the first vehicle licence taken out on a new car, in line with inflation. First-year rates are intended to influence up front the purchasing choices of drivers buying brand-new cars by acting as a signal at the point of purchase that people can save money by choosing lower-carbon cars. In line with the EU emissions target for new cars, the rates remain zero for cars emitting less than 130 grams of carbon dioxide per kilometre, and the highest-emitting new cars pay the top rate of £1,000.

The hon. Lady is right to point out that that could have a positive environmental effect, but there are two caveats to that. One relates to the level of the first-year rate in relation to the overall purchase price of a car. Although we can send some signals and encourage behaviour, there is also a need to understand that consumer choices about cars will be driven largely by the overall

price of a car. The second point is that it is important to consider other areas. For example, we have made changes to the company car tax regime to encourage a more environmentally minded decision by people who are getting a company car. That is important because many company cars feed into the second-hand car market. I can reassure the hon. Lady that we do see the potential in this area for driving positive environmental behaviour.

The higher rate of duty for cars and vans registered before 1 March 2001 increases by £10, and the lower rate by £5. Low-income households are less likely to own a car, and those that do are more likely to own cars registered before 2001. The owners of about 40% of those cars will pay only £5 more. Furthermore, clause 21 increases the standard rate of duty for vans first registered from 1 March 2001 onwards by £10. The reduced rate for vans achieving early compliance with European air quality emissions standards increases by £5. Rates for motorcycles will also increase in line with inflation. Those motorists will see an increase of no more than £4. The hon. Lady has asked what we are doing to support people with smaller vehicles that they may use for their business. I think that I am right in saying that we have frozen van fuel benefit charges, for example, so we are working to support people who need their vehicles for their business.

The Government are easing the burden on motorists at this time of record pump prices. We are providing support worth £1.9 billion, which includes a cut in fuel duty, the abolition of the fuel duty escalator, and its replacement with a fair fuel stabiliser. As part of that package, we are maintaining rates of VED in real terms to support motorists and the sustainability of the public finances, while incentivising and promoting the development and purchase of low-carbon vehicles. Hauliers have been benefiting from frozen duty rates since 2001. In 2011-12, heavy goods vehicle rates will be approximately 30% lower in real terms compared with 2001. We will continue to support hauliers in this climate.

Question put and agreed to.

Clause 21 accordingly ordered to stand part of the Bill.

Clause 22

VED RATES FOR CERTAIN GOODS VEHICLES WITHOUT ROAD-FRIENDLY SUSPENSION

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

Kerry McCarthy: Under the clause, HGVs of a certain weight and axle configuration that do not have road-friendly suspension will attract a different rate of vehicle tax, which takes effect from 1 April 2011. That means that not all HGVs will enjoy the freeze in vehicle excise duty that was confirmed in clause 21. I accept that the rate for HGVs without road-friendly suspension has to increase to meet the EU's minimum rates of taxation, but there is concern in the haulage industry that such an increase comes at a time when it faces pressures as a result of high fuel prices. Has the Treasury held any discussions with haulage companies on the increase in duty for HGVs without road-friendly suspension? Does the Minister know the number of HGVs that will be affected by that rate of duty, and how much revenue is the change likely to generate? Finally, what impact will the new rate of

vehicle excise duty have on the haulage industry? Given that drivers are being made redundant, that companies are struggling to compete and that the industry is not in a position to reinvest its shrinking profits in more eco-friendly HGVs, is this really the right time to introduce such a change?

Justine Greening: The clause ensures that UK vehicle excise duty rates for lorries are consistent with European Union minimum tax rates for lorries. The background to this clause is that the EU minimum tax rates for lorries are based on the understanding that there is a cost to making good the wear and tear caused to European road infrastructure by goods vehicles weighing more than 12 tonnes.

European Union member states, including the UK, agree and accept minimums below which tax rates for lorries should not fall. The agreed tax minimums have been set in euros. As the hon. Lady mentioned, some of the UK's vehicle excise duty rates for lorries have fallen below the agreed tax minimums due to exchange rate fluctuations; those rates are based on pound sterling to euro exchange rates on the first working day of October 2010, in line with our obligations under European law. Our aim is to ensure consistency with European rules on minimum rates of taxation while causing the least impact to lorry owners.

The clause introduces new exceptional rates of vehicle excise duty for 10 categories of lorry for which VED has fallen below the agreed European Union tax minimums. The rate increases for those categories of lorry are no greater than is required to ensure consistency with European rules on minimum rates of taxation. The affected categories are limited to lorries that do not have road-friendly suspension fitted. The majority of the affected categories are lorries that have been awarded a vehicle excise duty reduction because they met reduced pollution requirements early. In most instances, lorry owners will continue to receive a reduction from the standard rate, even after the application of the exceptional rates, as exceptional rates are set as low as permitted by European law.

The hon. Lady asked about the impact. No more than 12,000 lorries will be affected by the change, but the number could be fewer than that, as lorries fitted with road-friendly suspension will not be affected. Based on the 12,000 ceiling on the numbers of lorries affected and the minimal level of rate increase, the anticipated financial impact on the industry is no more than £500,000. The clause is designed to satisfy the requirements of European law. A failure to observe European law can lead to European Union member states being fined, and we wish to avoid that outcome.

The hon. Lady asked about consultation. Representatives from the leading industry associations were consulted while we were developing the measure. In fact, informal discussions began in early 2010. They contributed to the design of the draft legislation, which was published in late 2010. We had input from the Freight Transport Association and the Road Haulage Association, which represent large fleet and smaller independent lorry operators. Both organisations agreed that the industry would accept a transparent solution that enabled us to meet EU tax minimums. Their input was useful in allowing the Government to develop such a solution, and allowed us to provide certainty that existing rates will be maintained for the vast majority of lorry owners.

[*Justine Greening*]

As for future changes, the transparency of the clause supports a future Finance Bill removal or amendment of exceptional rates if future pound sterling to euro exchange rates allow. The clause offers a “least impact” solution for reaching consistency with mandatory European tax rules. It has been tailored with the industry to give transparency, and it protects the majority from increases in the rate of vehicle excise duty.

Question put and agreed to.

Clause 22 accordingly ordered to stand part of the Bill.

Clause 23

RATES OF CLIMATE CHANGE LEVY

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

9.15 am

Kerry McCarthy: Clause 23 increases the climate change levy by the retail prices index. Many of the changes to the structure of that levy are brought in by part 6 of the Bill, so we will discuss those later.

I want to make some broad points about what the Government have said about their tax policy-making framework, including improving the predictability and stability of the tax regime. To further those aims, in November last year the Government released a road map for corporation tax, which aims to set out the principles that will guide reforms to the corporation tax regime, a timetable for those reforms and the details of how the Government will consult business in introducing those reforms. The Exchequer Secretary to the Treasury has said that a reason for the road map is to signal that Britain is open for business.

Another key objective of the Government is, as the Prime Minister said a year ago, to be the greenest Government ever. We do not, however, have the same clarity or predictability in the area of green taxation as we do on corporation tax. For example, the coalition agreement states that the Government will increase the proportion of tax revenue accounted for by environmental taxes, and, according to the 2011 Budget report, there will be a small cut in environmental taxes this year, but increases in future years. In evidence submitted to the Environmental Audit Committee, however, the Chartered Institute of Taxation said that there was a need for greater consistency from the Government in how they defined environmental taxes.

Last year, in response to a written question from the hon. Member for Denton and Reddish (Andrew Gwynne), the Economic Secretary appeared to imply that environmental taxes covered the climate change levy, aggregates levy and the landfill tax only, as well as revenues from the EU emissions trading scheme. However, the Chartered Institute of Taxation points out that the Office for National Statistics said in a report last year that, in addition to those taxes, environmental taxes also covered fuel duty, VAT on duty, renewable energy obligations, vehicle excise duty and air passenger duty. We have already had some debate about whether those are environmental taxes that are designed to alter behaviour towards more environmentally friendly practices.

Alison McGovern (Wirral South) (Lab) *rose*—

The Chair: I call Stella Creasy. [*Interruption.*] I have the wrong glasses. I apologise.

Alison McGovern: It is an honour to serve under your chairmanship, Mr Gale, and it is an honour to be mistaken for my hon. Friend the Member for Walthamstow. If only I had her presence and reputation. Does my hon. Friend the Member for Bristol East agree that it is highly important that we get the definitions right? When we look back at what happened now for evidence that green taxes changed behaviour, we will need to know exactly what we were discussing at the time. We need to ensure now that the policy is right, because we will want to prove that the changes that the Government made actually changed behaviour. We need to have the correct definitions from the start.

Kerry McCarthy: I agree entirely with my hon. Friend. If the Government want to be the greenest Government ever, it is important that green thinking pervades all the work that they do. It is important, therefore, that, when looking at issues such as air passenger duty and fuel duty, at least consideration is given to the impact not only on individual behaviour but on how, as a country, we can help meet our targets for reducing emissions.

As I said, the Chartered Institute of Taxation says that there should be a broader definition of environmental taxes than that apparently implied by the Economic Secretary when she responded to the written question from the hon. Member for Denton and Reddish. In the Budget report, air passenger duty is included under the environmental taxes heading—it was not mentioned in the Economic Secretary’s answer—but fuel duty is not. I would appreciate some clarity on that.

The institute says that if changes to fuel duty are included in the definition of environmental taxes, they are in fact being cut every year to the end of the forecast period. Does the Minister agree that a key aim of fuel duty is to encourage more efficient use of fuel, and the use of public transport for environmental reasons? Does that not qualify it as an environmental tax?

In a separate paper in February this year, the Chartered Institute of Taxation also called for greater clarity on the principles that would guide the Government on green taxation. It does not believe that an entirely new set of principles needs to be developed, but it would like the general principles of good taxation, such as fairness, certainty and minimising the compliance burden, to be modified and applied to environmental taxes. The institute has called for a statement of those principles to be included in tax legislation, and has said that it would welcome a document from the Government along the same lines as the document on corporation tax.

I want to put the clause into the context of the Government’s wider programme on green taxation and the environment. In February, the Department for Environment, Food and Rural Affairs published its vision for sustainable development. According to the document—“Mainstreaming Sustainable Development”—the Government want sustainable development to become central to the policy of all Departments, and not to be seen as a niche issue for one Department. However, a report for Friends of the Earth has recently pointed out that the Treasury is by far the most important Department in terms of delivering green goals, and at the moment it does not seem to have taken that vision on board. The report charted the Government’s progress

on its green objectives, and found that on most of them it had stalled, or little progress had been made. It agreed with the Chartered Institute of Taxation that there was no clarity on how the Government would deliver their coalition agreement promise of increasing green taxation as a proportion of overall tax take. It also said that if fuel duty was considered to be an environmental tax, it would be difficult for the Government to achieve that promise.

Yesterday, the Secretary of State for Energy and Climate Change set out the carbon emissions targets for industry, but without concrete measures from the Treasury those targets will not be reached. Have the Government considered producing a road-map document for environmental taxes, given their coalition agreement objective? Are they committed to providing clarity and predictability for businesses on green taxation, given the aims set out in their new tax policy-making framework last year? What is their assessment of progress towards the coalition agreement's aim to raise environmental taxes as a proportion of tax revenue, given the changes made in this Finance Bill?

Justine Greening: I should start by saying that this Government are absolutely committed to being the greenest Government ever. In fact, one of the first decisions that we implemented was to cancel the first runway at Heathrow. As a London MP, I was delighted, because much of my time as first-term MP in opposition had been spent campaigning against it. I recall vividly a conversation with the now Leader of the Opposition when he was Secretary of State for Energy and Climate Change, and waved through the plan to increase the number of runways at Heathrow. That would have had a hugely detrimental effect on carbon emissions. I have no doubt that he recalls our conversation, when I begged him to see sense. He did not, but fortunately the electorate did, and we now have a Government who realise that a third runway would have been a green disaster.

Stella Creasy: Will the Minister assess the Mayor of London's support for a third airport in London, and tell us whether the same concerns about the environmental impact and the impact on the Exchequer have been raised in the Government?

Justine Greening: The Mayor of London is absolutely right to look at what he believes the infrastructure requirements are for our city. I am sure that the hon. Lady would be the first to complain if he did not. In the House, the Government's decision on Heathrow was not just about emissions; it was about huge road pollution, air pollution, congestion, and other pollution issues such as noise, which would have blighted the lives of millions of Londoners if the last Government had been disastrously re-elected.

Ian Murray (Edinburgh South) (Lab): The Minister raises a good point about the third runway at Heathrow. I do not disagree with what she said about it, but she will recognise that the knock-on impact of that decision has been that all the late night flights to Glasgow on Thursdays, for example, have been cancelled, because bmi has used its slots for planes to elsewhere, such as the middle east, because there is no capacity at Heathrow. There is a knock-on impact on the economy, particularly the economy in Scotland, because the domestic flights have been cut at the expense of more profitable flights.

The Chair: Order. We are debating rates of climate levy, not the future of aviation in the UK. I appreciate that the two are to some degree related, but we need to come back to the debate in hand.

Justine Greening: Thank you, Mr Gale. I was musing the same thoughts as I listened to that intervention. I am sure that the hon. Member for Edinburgh South will take an interest in the Department for Transport's aviation strategy as that is developed over the coming months.

In response to the questions asked by the hon. Member for Bristol East about what the green agenda means to the Treasury, she is right that we want to see environmental tax form a bigger part of the tax base. I was before the Environmental Audit Committee yesterday talking about how we plan to approach the matter. We held workshops with a variety of stakeholders earlier this year, to get their views on the principles from which we should work. We will wait to see what the Environmental Audit Committee report proposes for how it should be approached. My sense is that we need three principles. First, that the Government make it explicit that the tax is intended to address environmental issues. Secondly, that the tax should be obviously structured in order to achieve a behaviour change. Finally, that it should be about achieving a change in company or personal behaviour.

It is interesting to go back to the measure on road tax in 2008. That included a change to pre-2001 cars that the Chancellor said was about the environment, so technically that first principle was met. It was structured to bring those cars into the banded system, so technically the second principle was met. However, it had no ability to change behaviour, because it was about taxing a retrospective decision. My argument at the time was that it was not actually an environmental tax.

The hon. Member for Bristol East asked, interestingly, about our limited list of environmental taxes. I decided to look at how other people had defined environmental tax. The hon. Lady is right that the Office for National Statistics has a definition and the OECD has one. I wondered what my definition would be from that starting point. Interestingly, I took exactly the same view as the hon. Lady's colleague, the right hon. Member for East Ham (Stephen Timms), in his response to my right hon. Friend the Member for South West Surrey (Mr Hunt), when he asked for a list of what the previous Government saw as environmental taxation.

I recognise that the next step we need to take is to set out the baseline. The hon. Lady will be aware that the current basic list of absolutely agreed environmental taxes was increased by two in the Budget. One is the carbon price floor and the other the carbon reduction commitment. The proportion of the tax base that shifts from non-environment to environment under that initial definition will go up from about 0.6% this year to 1% by 2015-16, when the carbon reduction commitment and the carbon price floor start to kick in more. We are moving in the right direction, but we will continue to work on this agenda. We will make a statement on how we plan to approach the issue. I hope that that addresses some of the hon. Lady's concerns.

There is a debate about fuel duty, and I challenged the Environmental Audit Committee for its views. There are environmental aspects, because as fuel duty and the price of fuel rise, people are more likely to think that they cannot afford to use their cars, but it is certainly

[Justine Greening]

not structured with tackling the environment in mind. Fuel duty has been in place for years; it started long before carbon emission and road pollution went to the top of the agenda. To my mind, it is an environment-related tax, but it is not, per se, a purely environmental tax. The Environmental Audit Committee will doubtless have something interesting to say about it, and I look forward to its report.

9.30 am

Clause 23 increases the climate change levy in line with RPI inflation from 1 April 2012. The new rates will apply to the supplies of taxable commodities made to business and the public sector on or after that date. The rates are being increased to ensure that the climate change levy maintains its environmental impact by encouraging business to reduce energy usage. Consistent with previous increases, the rates are being announced a year before they come into effect to enable business to prepare for the change.

The Committee will be aware that the climate change levy is designed to encourage the efficient use of energy and reduce emissions by creating incentives to source electricity from renewable sources. The tax ensures that the UK fulfils its obligations under the energy products directive. The climate change levy is a UK-wide tax, chargeable on supplies of electricity, gas, solid fuel and liquefied gases to business and the public sector. It remains an integral part of the UK's climate change and energy policy framework to meet legally binding international and domestic carbon-abatement targets. The main climate change levy legislation is to be found in schedule 6 to the Finance Act 2000, and in the Climate Change Levy (General) Regulations 2001.

In the Budget, we announced the introduction of a carbon floor price from 2013. It will be introduced by amending schedule 6 to the Finance Act 2000, which will be done under clause 77 and schedule 20. Clause 23 does not impact on clause 77 or schedule 20, and vice versa. I move that it stands part of the Bill.

Question put and agreed to.

Clause 23 accordingly ordered to stand part of the Bill.

Clause 24

RATE OF AGGREGATES LEVY

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

Kerry McCarthy: Clause 24 repeals the rise in the aggregates levy scheduled for this April; the levy will therefore remain unchanged from last year. I understand that this is being done for the benefit of Northern Ireland's aggregates industry.

The aggregates levy was introduced by the Labour Government in 2002 as a behaviour-changing environmental tax. It was intended to encourage the use and development of alternative materials, as well as the more efficient use of aggregates. That is important for the environment, because aggregate extraction creates various forms of pollution, including noise, dust and visual intrusion, as well as having an impact on biodiversity. The levy is designed to ensure that the price of aggregate reflects those environmental costs. At the same time, we introduced

an aggregates levy credit scheme for Northern Ireland because of specific concerns about Northern Ireland's border with the Republic of Ireland and the different impact that the tax would have there.

The Government were seeking approval from the European Commission to extend the scheme under state aid rules, but I understand that the current state aid approval has been annulled by a European Court judgment, which has led to the scheme being suspended. Would the Minister update us on any talks being held with the European Commission on the future of the aggregates levy credit scheme? If the scheme cannot be continued under European law, do the Government intend to continue raising the aggregates levy?

As we heard in our debate on clause 23, the coalition agreement sets out the Government's objective of green taxes rising as a proportion of total taxation. I appreciate that the decision on the aggregates levy may have been unavoidable, but it will have an impact on the Government's attempts to achieve that objective. What assessment has the Treasury made of the effect of that setback? Should we expect a rebalancing of green taxation towards other environmental taxes, or have the Government suspended that aim while the matter is being considered?

Alongside the aggregates levy, the previous Government introduced the aggregates levy sustainability fund, which aimed to reduce the environmental impact of aggregate extraction. It provided funding for projects that research ecosystems affected by aggregates extraction; repair and conserve sites of historic importance; and improve the land and environment impacted by extraction. As a result of the Government's spending review last year, which hit the Department for Environment, Food and Rural Affairs particularly hard, the Department has discontinued that fund.

When the previous Conservative Government introduced landfill tax in 1996, they also created the landfill tax credit scheme, which the Labour Government later reformed into the landfill communities fund. That allowed landfill operators to divert the proceeds of landfill tax directly towards environmental projects, and it was considered a key part of achieving the stated objectives of landfill tax, which included encouraging more sustainable waste management practices. Although the aggregates levy sustainability fund was not funded in the same way, it had the same purpose of reinforcing the objectives and benefits of the aggregates levy. It ensured that a proportion of the revenue from the aggregates levy—around 10% since 2003—was spent directly on restoring and improving the environment in areas that were affected by aggregates extraction.

The Department for Environment, Food and Rural Affairs carried out a review of the aggregates levy sustainability fund, and found that it had provided value for money and delivered against its objectives. The review said:

“the ALSF will not have achieved its full potential if, on 31 March 2011, the activity and the collaboration it has galvanised simply stop.”

The previous Government were clear that the aggregates levy was an environmental tax. Now that the fund has been stopped, and all revenue from the levy goes into general spending, many people will believe that the aggregates levy exists only to raise revenue. Can the Minister tell the Committee whether the Government believe that the aggregates levy is an environmental tax,

or merely a revenue-raising measure? Does she not agree that the aggregates levy sustainability fund was an important way of reinforcing the declared objectives of the aggregates levy? Have the Government made any assessment of how the levy's objectives will be impacted by the loss of the fund? Did the Government consider any alternative ways of providing at least some of the funding for the aggregates levy sustainability fund, such as a tax credit arrangement along the lines of the landfill communities fund?

Justine Greening: Clause 24 repeals the increase in the aggregates levy, which we see as an environmental tax, that would have come into effect from April this year. That has the effect of freezing the rate at £2 per tonne. The Government have decided to keep the rate at that level to avoid placing an additional burden on Northern Ireland quarries following the suspension of the aggregates levy credit scheme in Northern Ireland, which has significantly increased their costs.

Stephen Barclay (North East Cambridgeshire) (Con): One of the flaws of the levy is that it does not address the impacts on local road infrastructure. In places such as the fens and the area around Mepal, which I represent, there is a massive increase in the movement of lorries as a result of the extraction of aggregates, but the community is not reimbursed for that with road schemes. We see a precedent in Northern Ireland for allowing local areas some sort of compensation. From a revenue perspective, we can also see greater scope for the Treasury in the proposed increase to the levy. I fully appreciate that Treasury Ministers will never be willing to give up revenue in a Committee in this way, but will the Minister at least ask her officials to write to me, setting out how much revenue has been raised in Cambridgeshire from the aggregate levy over the past three years, and what the forecast is, given the proposed expansion? Will she also ask officials to look at some sort of scheme involving reimbursement for road infrastructure, where particular communities, such as those in Sutton, are seeing massive increases in lorry traffic?

Justine Greening: My hon. Friend makes an important point, and I have no doubt that officials will write to him in response. The aggregates levy sustainability fund was predominantly used for environmental measures, but we can now ensure that it is used to fund broader public services, including infrastructure. I am sure that officials can set out some of the details that he has asked for; if that is possible, we will get them to him.

On 9 September 2010, the European General Court annulled state aid approval for the aggregates levy credit scheme in Northern Ireland, which the previous Government put in place. The Government accordingly had to suspend the scheme with effect from 1 December 2010. That scheme provided an 80% relief from the levy to quarries in Northern Ireland that committed to making environmental improvements to their operations. Following the scheme's suspension, those quarries became liable for the full levy rate of £2 per tonne, instead of the relieved rate of 40p per tonne.

The aggregates levy credit scheme has brought about significant environmental improvements in the quarrying sector in Northern Ireland. The Government are committed to reinstating the scheme at the earliest opportunity, and I can assure the hon. Member for Bristol East that

we are working with the Commission and the Northern Ireland Government to do exactly that. In the Finance Act last year, the previous Government announced and legislated for an increase in the rate of aggregates levy to £2.10 per tonne from 1 April 2011. However, given the suspension of the credit scheme, it would be inappropriate to go ahead with an increase in the rate of the levy, because it would place further pressure on quarries in Northern Ireland.

The clause would freeze the rate of the aggregates levy at £2 per tonne. That would affect 786 traders registered for the aggregates levy—mainly quarry owners—and would result in a loss to the Exchequer of £15 million in 2011-12. Freezing the rate in such a manner is an extraordinary step taken in extraordinary circumstances. To ensure that the levy continues to achieve its long-term environmental objectives, the rate needs to increase in line with inflation. It is our intention, therefore, to go ahead with the rate increase to £2.10 on 1 April 2012.

As I have stated, the Government are committed to reinstating the aggregates levy credit scheme at the earliest opportunity. My officials have worked with the Northern Ireland Executive and the quarrying industry in Northern Ireland to provide evidence to the European Commission to support a new decision to give state aid approval to the scheme. I have spoken to Northern Ireland Ministers about their support for such a decision, so that we can understand and agree on the best approach. We are legislating elsewhere in the Bill to enable the introduction of a new scheme as soon as state aid approval is received.

The hon. Lady asked about the abolition of the aggregates levy sustainability fund. Although that fund is coming to an end, other Government funding for environmental projects will continue. We have committed to increasing environmental spending by 21% by 2014-15. That includes spending on flood defences, new low-carbon technologies, and a pioneering commercial carbon capture and storage demonstration plant. The green investment bank is being developed, too. In view of the circumstances, continuing at this time with the aggregates levy increase scheduled for 1 April would be inappropriate.

Question put and agreed to.

Clause 24 accordingly ordered to stand part of the Bill.

Clause 25

STANDARD RATE OF LANDFILL TAX

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

Kerry McCarthy: The clause increases the rate of landfill tax by a further £8 from 1 April 2012, which continues the previous Government's policy of increasing landfill tax by £8 per year until 2014 and establishing a minimum level of £80 for the future.

I want to ask the Minister about avoidance of the tax. Since the increase to £56 per tonne this year, there have already been reports of increased evasion activity by businesses that are illegally dumping waste in the wrong sites. Swindon council, for example, has recognised that problem, and it has had to impose a crackdown this year. As landfill tax is a green tax, avoidance of the tax should be encouraged, while evasion must be stopped. What assessment has the Treasury made of the increased

[Kerry McCarthy]

likelihood of evasion of landfill tax, following the increase proposed for 2012? What measures has the Minister taken to prevent that?

As I have mentioned, the landfill communities fund is an essential part of the landfill tax. It ensures that, in effect, a proportion of the revenues raised from the tax are diverted directly into environmental projects, which strengthens the ability of the landfill tax to achieve its environmental goals. In 2010, the previous Government increased the value of the landfill communities fund in line with inflation, and the current Government have done the same in this year's Budget. However, they have said that future decisions on the fund's value will be dependent on the level of unspent funds held by environmental bodies. What assessment have the Government made of the level of unspent funds held by such bodies? What representations has the Minister had from them since the announcement of her decision? Finally, does she not agree that if the Government increase landfill tax according to the previous Government's plans, but then increase the landfill communities fund by a lesser amount, the tax risks being seen as merely revenue raising, rather than as a tax with genuine environmental objectives?

9.45 am

Justine Greening: Clause 25 increases the standard rate of landfill tax from £56 a tonne to £64 a tonne with effect from 1 April 2012. The landfill tax has been immensely successful in reducing the amount of waste sent to landfill. Since 1996, when the tax was introduced, the amount of waste sent to landfill has more than halved; it has gone from 95.8 million tonnes to 43.9 million tonnes. The benefits of that reduction are twofold. First, the economy benefits from our making better use of valuable resources, rather than simply tipping them into a hole in the ground. Secondly, greenhouse gas emissions from decomposing waste are reduced. Due to the reduction in waste sent to landfill, direct emissions from waste in 2011 are projected to be 2.6 million tonnes of carbon dioxide equivalent lower than they would have been if there had been no change. Furthermore, the UK is within the targets for the reduction of municipal waste sent to landfill set out in the landfill directive, meaning that there is little risk of incurring the substantial penalties that would be triggered if we fell short of the targets.

Ian Mearns (Gateshead) (Lab): Has the Minister considered whether the decision of the Secretary of State for Communities and Local Government to do away with penalties for people who misuse the recycling and refuse collection systems in their streets will have a detrimental impact down the line on the Government's targets on landfill? I know that domestic waste constitutes only 8% of waste that goes to landfill, but the decision potentially sends a negative message to the public about the importance of recycling.

Justine Greening: If we want to influence the public's behaviour, one key aspect is often getting some sort of buy-in. It is probably fair to say that on balance many communities felt that the approach the hon. Gentleman mentions was disproportionate.

The hon. Member for Bristol East talked about fly-tipping, and we all recognise that it is a huge antisocial problem that affects communities, landowners and regulators. We aim to reduce fly-tipping through better prevention, detection and risk-based enforcement. Local authorities in England reported an 18.7% decrease in reports of fly-tipping incidents in 2009-10 compared with the previous year. In the same period, they carried out 2,460 prosecutions against suspected waste offenders, 97% of which were successful.

Ian Murray (Edinburgh South) (Lab): The Minister draws attention to an incredibly important point, which was highlighted only this week on the Robert Burns estate in my constituency, because dumping has become far more prevalent in Edinburgh since the council took away the free uplift service for household items. It now charges £45, which means that people are dumping their goods rather than having them uplifted. Part of this is about whether there is enough support for local government to put in place measures to ensure that the landfill tax does not become a burden, and whether there are systems in place to enable them to allow residents to recycle and reuse goods.

Justine Greening: As a London MP in a borough that, I think, charges substantially less for that service, I cannot comment directly on the case that the hon. Gentleman has raised. Whether the service is value for money is a matter for his local community. I can assure him that the Government will continue to tackle fly-tipping vigorously, wherever it is found. Local authorities and the Environment Agency now have powers to seize vehicles suspected of involvement, but clearly local authorities need to work with communities to ensure that they make common cause on bearing down on fly-tipping. I have no doubt that successful approaches will vary from community to community across the country.

The issue is important, because if waste is not sent to landfill, it must go somewhere else. To provide certainty for the waste management industry, so that it can invest in infrastructure for alternative means of waste disposal, the Government announced in the Budget last year that the standard rate of landfill tax would increase by £8 a tonne each year until 2014. That landfill tax escalator will help the Government in their goal to reduce the amount of waste sent to landfill, and in working towards a zero-waste economy where all resources are fully valued, both financially and environmentally.

The Government also confirmed that the standard rate of landfill tax would not fall below £80 per tonne between 2014 and 2020, so businesses can have the confidence to invest in new waste treatment facilities, safe in the knowledge that it will not suddenly become cheaper in the future for waste to be sent to landfill again.

Stella Creasy: It would be useful for the Committee to get a sense of where the Government think using taxation to affect behaviour works, and where they do not. We had a debate last week about using taxation of high-strength alcohol to tackle problem drinking. My hon. Friend the Member for Edinburgh East mentioned the concerns that many of us have about fly-tipping in our constituencies, yet I note the Minister's reluctance

to look at whether taxation might be used there. It might be useful if she set out the Government's thinking on where nudge, shove and, perhaps, indifference come in.

Justine Greening: The Government are extremely interested in understanding how tax can affect behaviour—far more interested, dare I say, than the previous Government were. I understand that the hon. Lady was not in Parliament then, but I was. One of the problems under the previous Government, particularly in relation to green tax, was their highly controversial plans on road tax. People who had bought a car before 2001 suddenly faced huge rises in their vehicle excise duty, apparently to make them change their behaviour when it was impossible for them to do so because they already had the car. That sort of approach really damaged people's trust in green taxation. I think what the hon. Lady is saying is that we probably need to learn from those issues and, as I would see it, huge mistakes, and realise that if we are to change behaviour, it has to be behaviour that people have not exhibited yet. We cannot change past behaviour. That is a philosophical debate that she may want to have, but for most people that would seem like common sense.

Ian Mearns: I am interested in what the Minister is saying. She seems to be suggesting that bringing in measures that have a retrospective impact is something that the Government are disinclined to do. I wonder whether she has spoken to her right hon. Friend the Secretary of State for Education about that.

Justine Greening: The hon. Gentleman's question was so vague as to be impossible to answer. I have no doubt that my right hon. Friend the Secretary of State for Education has his own interesting views on the use of the tax system to change behaviour. We have already debated some important clauses on alcohol, which I hope the Committee welcomed, that do just that. We continue to learn, as many Governments across the world do, about the best way to use taxation, among other policy measures, to get the right sort of behaviour and to achieve the right policy objective.

The other complication is that everywhere is different. One of our debates within the EU—I do not want to stray too far from the amendment paper—is that different countries and different communities have a different sense of what is fair and a different propensity to change their behaviour. One of the added complexities is that there may be no consistent approach across countries that we can adopt. It will be up to individual countries to understand their electorate and how they can work with the grain of their electorate's human nature, using policy to change behaviour. The Conservative party has always understood that, because we have understood that freeing the lowest earners from income tax, for example, means that the link between effort, reward and work is strengthened. Perhaps I should now make some progress on the clause after that interesting interlude.

Pamela Nash (Airdrie and Shotts) (Lab) *rose*—

The Chair: I call Pamela Nash.

Pamela Nash: It is a pleasure to serve under your chairmanship, Mr Gale; I particularly appreciate the fact that you got my name right the first time.

I would like to expand on what the Minister has been saying about the effect on behaviour. My constituents and I would like to know what evidence there is so far that the measure is having an effect on the closure of landfill sites and is changing how we deal with our waste. In Greengairs in my constituency, there is one of the largest landfill sites in Europe, and there is no sign of that winding up its functions anytime soon.

Justine Greening: I have outlined to the Committee just what an impact the landfill tax has had. Clearly, we have not got rid of landfill—there is still landfill—but since the measure was introduced in 1996, we have seen a dramatic reduction in the amount of waste going to landfill. There is a broader debate, which we probably should not have now, about people's carbon footprint and general amounts of waste, as well as what proportion of that waste can be landfilled.

The local government settlement in the recent spending review includes an allocation reflecting the costs of waste disposal for local authorities. I am pleased to report that as the shadow Minister, the hon. Member for Bristol East, mentioned, we have increased the value of the landfill communities fund, in line with inflation, to £78 million. That means that communities in the vicinity of landfill sites, such as that of the hon. Member for Airdrie and Shotts, will continue to benefit from spending on projects that improve the environment in their area.

Kerry McCarthy: Will the Minister concede, however, that although the value of the fund has been increased in line with inflation, it has not kept pace with the rise in the levy, which has been increased by an additional £8—more than inflation?

Justine Greening: What we are trying to do with the Budget overall is to achieve the principal objective of tackling the deficit and a secondary objective, similarly vital, of stimulating growth—and we still want to make progress on our ambition of being the greenest Government ever. We are trying to find a balance between those different objectives; they are all ultimately related. We have increased the value of the landfill communities fund in line with inflation, so in real terms it will be able to be as powerful and effective as it has been in the past.

Other changes to the landfill tax are taking place at the moment, and I will update the Committee on those. The Government are in the process of devolving the landfill tax in Scotland and, following the conclusion of proceedings on the Scotland Bill, the landfill tax will be disapplied in Scotland from 2014. The Scottish Government will be given a power to introduce their own tax on waste disposed to landfill and will be able to set the rate or rates of that tax as they wish. I am sure that that will be of interest to Scottish members of the Committee.

The landfill tax has proved extremely successful in reducing the amount of waste sent to landfill in this country. The annual rate increases until 2014 have been welcomed by both industry and environmental groups, and I have to say that it is no mean feat to get a welcome from both of those at the same time.

Question put and agreed to.

Clause 25 accordingly ordered to stand part of the Bill.

Clause 26

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

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

The Chair: With this it will be convenient to discuss Government amendments 102, 103, 10 to 70, 104, 71 to 93, 105, 106 and 94 and that schedule 2 be the Second schedule to the Bill.

Mr David Hanson (Delyn) (Lab): I will kick off, if I may. Clause 26 and the amendments to it are extremely complex. I will explain our concern and why we do not support clause stand part. It is not that we are against the principle that the Minister is seeking to advance with the clause, but we do feel strongly that there is concern about the complexity of the clause, its practicality and its objectives as a whole. Clearly, it is extremely important that we get this right.

I am grateful that the Exchequer Secretary—this is a compliment to the Government—consulted on the clauses in the Bill, in December. As I look at the Bill today, I see that it was published in the name of the Chairman of Ways and Means, the Prime Minister and others, including the Exchequer Secretary himself, on 29 March 2011, following that consultation.

None the less, following the consultation and the printing of the Bill, I found myself last week facing 88 to 100 amendments to the clause from the Minister—it was 88 at my last count, but it may have gone up since then—in what is already a complex matter. Although the Government consulted on and produced the Bill as it is currently drafted, the Minister has tabled 88 amendments, so it is important that we listen to him. I will outline some of the concerns that have been expressed to me. We need to see whether the objectives that we share are best served by the structure and framework of the clause and schedule as they are currently drafted.

10 am

We tabled amendments to the clause after speaking to and receiving submissions from a range of tax experts. We concluded that the clause is unnecessarily complicated, does not do what it says it should and, even after the amendments, is not clear about its objectives. As I said, I want to make it clear that we support the policy purposes behind the measure, which are broadly to prevent abuse of employee benefit trusts and employer-funded retirement benefit schemes.

Let us look at what the Minister himself said. On 27 January, he spoke at the Financial Executives Networking Group. He said:

“In short, we need a simpler, more stable tax system.”

He went on to criticise the previous Government for “tinkering” and promised that he wanted “stability and certainty... at the heart of our approach.”

Ian Murray: My right hon. Friend talks about the complicated nature of this clause. Surely that flies in the face of the Government’s challenge to cut red tape for businesses. Does he have any comments on that issue?

Mr Hanson: As the Committee knows, before my hon. Friend came to the House, he ran a number of successful businesses and knows only too well the difficulties that red tape causes. Once again, I genuinely want to offer the hand of friendship to the Minister on this particular clause. I want him to come back on Report with a well-thought-out and detailed proposal that meets the Minister’s objectives and that we can support, subject to discussions. If, as he says, he wants a simpler and more stable tax system, let me refer him to amendment 105. I defy any member of the Committee, from any party, to say how this will be applicable in their constituencies today. It says:

“554Z16 Employer etc to be treated as relevant third person

(1) If B takes a step within section 554Z17 or 554z18, Chapters 1 and 2 have effect in relation to the step—

(a) as if B were a relevant third person for the purposes of section 554A(1)(d), and

(b) as if the step were a relevant step within section 554B (if it would not otherwise be).

(2) For the purpose of determining whether Chapter 2 applies by reason of the step, Chapter 1 has effect—

(a) as if sections 554F to 554N, 554R to 554T, 554V and 554W were omitted,

(b) if the step is within section 554Z17, as if sections 554P(s)(d), (3) and (4) and 554Q(1)(c) and (d), (1A) and (1B) were omitted.”

I defy any Government Member or anyone in this Committee to stand up and say that they will go back to their constituency and say to their local businesses, “Please ensure you do not contravene amendment 105 to schedule 2, page 96, line 29.” The Minister says that he wants tax simplicity; I simply say to him that that is just one example of many within the 88 amendments that he has tabled today. I defy him to tell me in one sentence what amendment 105, which I have just read out, means. I will certainly give way to him if he wishes to intervene.

Nic Dakin (Scunthorpe) (Lab) rose—

Mr Hanson: My hon. Friend has obviously studied the amendment in great detail, and I am sure he will now give me a simple version of it.

Nic Dakin: I thank my right hon. Friend for giving way. It is a pleasure to serve under your chairmanship, Mr Gale. I am as perplexed as my right hon. Friend about the amendment that he read out. In his summary of the clause, Colin Ben-Nathan of the Chartered Institute of Taxation said:

“We support the government in tackling tax avoidance involving rewards paid via third parties, but we think the legislation in the finance bill is far too complicated and risks creating problems as well as solving them.”

Is that not what my right hon. Friend is proving in his speech today?

Mr Hanson: That is my intention. It is not because I want to cause the Government difficulty on the clause, because I genuinely do not. We support a number of anti-avoidance measures, and this is one of them, but the representations to which I shall refer and which the Minister has received, and the fact that he has tabled 88 amendments to the clause in the past week alone, show that the clause is not simple or understood, and does not catch his concerns clearly and simply.

The Minister said on 27 January:

“It’s our intention to put simplicity and stability first.”

Perhaps it is because I am an arts graduate and do not have the same level of financial skills as the Minister, but I do not understand how anyone can understand amendment 105. It is about growing businesses, but the only business it will grow is accountancy, because accountants will have to help businesses to deal with it.

Julian Smith (Skipton and Ripon) (Con): The right hon. Gentleman is giving the Minister a hard time, but he is making an excellent general point about over-regulation. I agree with him, and urge the civil service to ensure that whenever it drafts legislation it bears in mind that business people are often incredibly busy and have little time to read the small print. Drafting should be as simple as possible.

Mr Hanson: I am grateful to the hon. Gentleman for his support. Let me clarify my point for Members on the Government Benches, because it is them and the Minister whom I must convince. I do not disagree with the Minister's objectives in clause 26 or schedule 2, but I worry about the lack of simplicity and practicality, and about whether he is starting from the wrong end of the telescope in trying to achieve his objectives. My offer to him is simple. We have tabled an amendment to delete the clause, and it would be welcome if he would withdraw the clause and schedule 2, and introduce on Report, which is a maximum of seven or eight weeks away—it will be at the end of June or in early July—a redrafted clause and a simplified schedule that provide clarity.

The hon. Member for Skipton and Ripon made some good points. We can have discussions outside the Committee, as we always do if we can, as I did when I was a Minister, and as I am sure the Exchequer Secretary will, now that he is a Minister. We can come to an agreement not to oppose the clause or the schedule on Report, and we will have clarified them for the many outside agencies that have made representations to me and to other Committee Members, and addressed their concerns.

As the hon. Member for Skipton and Ripon said, the provision is a dog's breakfast. If it were not, the Minister would not have tabled 88 amendments to the clause. We are all busy people, and I defy anyone in the Committee who is scrutinising the Bill to be able to read all 88 amendments, to cross-reference them to the 59 pages of the schedule and to the clause, and to put them into context for the people we represent and the businesses that will have to deal with the Bill when it achieves Royal Assent in a few months. I defy anyone to tell me what those 88 amendments mean downstream.

All I am saying to the Minister is that if there is a need for 88 amendments after a consultation, which ran from December until the Bill's publication on 29 March, can he give me a guarantee that he will not table any more amendments to the provisions? This Committee is about scrutiny and deciding whether to implement a policy that impacts on people's businesses and lives; the approach that he has taken is not a good way to make policy and legislation.

Stephen Barclay: Does the right hon. Gentleman believe that such amendments are a new development in the civil service or, from his ministerial experience, does he recall a precedent for such things? Also, one of the difficulties that I am sure officials face is that they are starting not with a blank sheet, but a complex tapestry

of existing legislation. Perhaps if the Government had not inherited such a complex tax structure as a starting point, the tabling of amendments would have been simplified.

Mr Hanson: I think this is the 36th Bill I have worked on as a Member of Parliament in my 19 years in the House. I might be wrong; it might be 35 or 37. During my 12 years as a Minister, I probably took through 21 or 22 Bills, and I can genuinely say to the hon. Gentleman that I never once tabled 88 amendments to a single clause. I cannot speak for other Ministers in other Departments, because ministerial life tends to mean that an individual focuses on what they are doing themselves. However, I cannot recall ever tabling 88 amendments to a single clause after a period of consultation and, indeed, after trumpeting the fact that the consultation was positive.

Richard Harrington (Watford) (Con) *rose—*

Mr Hanson: I give way to the hon. Member for Watford, who will undoubtedly try to blow my argument out of the water by giving an example of something done by previous Labour Ministers, but that will not hide the fact that the Minister knows he is making a hash of this and that the policy needs to be re-thought properly. The 88 amendments are not appropriate and, whatever the hon. Gentleman says in his intervention, it will not remove the Committee's concerns.

Richard Harrington: I am grateful to the right hon. Gentleman for giving way. In fact, I was just going to comment on how well he has done following his arts degree. People may say that arts degrees are a waste of time, but I point to the right hon. Gentleman as an example of why that is absolutely not true. His erudition is very well known to the Committee, Mr Gale, as I am sure you are aware. I should also say that it is a great pleasure to serve under your chairmanship. Having done a law degree many years ago, which I accept was a complete waste of time for myself and the educational institution involved, I feel it is my duty to point out that, from memory—as a former law student, one retains things in one's mind—in 2008 alone, the Government tabled 226 amendments to the Finance Bill. I cannot quite remember; it may have been 227 or 225.

Mr Hanson: That proves solidly that whatever a law degree does, it allows one to read a note passed by someone else. My arts degree may well have been very useful, but one of my contemporaries won an Oscar, and one presented "Blue Peter," so unfortunately I feel that I have failed in only becoming an MP.

Ian Mearns: Much as I agree with my right hon. Friend about the dilemma that we face in scrutinising legislation in an appropriate way when so many amendments have been tabled, the situation is eminently preferable to having 234 amendments tabled to a Bill on Report, as happened with the Localism Bill in the past few days. I suppose that this is the best time for scrutiny. However, from a drafting perspective, I wonder whether we should not just scrap the whole schedule and bring it back amended in the ways proposed by the amendments. Otherwise, it is difficult for us to try to scrutinise it properly, line by line, amendment by amendment.

10.15 am

Mr Hanson: My hon. Friend backs up the points I am making. The hon. Member for Watford and I have had some fun. There may have been 225 or 226 amendments to the Finance Bill in 2008. I do not know; I was doing something else at the time. I expect that if the hon. Gentleman looks at the *Hansard* for that day, he will find that the Minister or one of his colleagues made a point on the subject at the time.

Proposing 88 amendments to the schedule indicates that the Minister is not confident that what he published on 29 March meets the objectives he set. I have had representations—I shall read them out in a moment—to say that even post-amendment, the schedule and the clause will not do what the Minister wants. The provisions will still be excessively complex for the people who wish to interpret them. That is a real issue that we need to explore.

Alec Shelbrooke (Elmet and Rothwell) (Con): I wonder whether the right hon. Gentleman's contemporary who won the Oscar was the previous Chancellor of the Exchequer.

Mr Hanson: I will not go down that route. That was an off remark, but I cannot think of anything witty to say; that is the way of the world.

Let me quote to the Minister the views of the Institute of Chartered Accountants, as set out in the briefing that it sent to all Members of the Committee last week:

“Draft clauses were published for comment on 9 December 2010. At that stage, the draft clauses were only 20 pages long. Although we appreciate that HMRC have listened to the concerns raised and made extensive changes to the draft clauses, the fact remains that the legislation in the original Bill has grown to 59 pages.”

That is the key point. It continues:

“On 10 May 2011 the Government tabled 15 pages of amendments to the Finance Bill provisions. These were published the following day and we have not had time to review them in detail, but our initial reading is that although they make various improvements they will add significantly to the length and complexity of the Finance Bill legislation.... We doubt these latest amendments will be the end of the changes, and believe that further amendments will be required as further problems emerge. We appreciate that power is given under s 554X to make further exclusions by way of statutory instrument but this is a wholly unsatisfactory way of drafting tax legislation.”

I repeat that it thinks this

“a wholly unsatisfactory way of drafting tax legislation”.

That is being said of the provisions even after all the amendments brought forward by the Minister to date are made.

Comments made before the amendments were brought forward include the following from Grant Thornton:

“We recognise the policy reason behind the introduction of this legislation. However, as drafted, it has an adverse impact on many commercially driven remuneration packages.”

It adds, backing up the points that my hon. Friend the Member for Scunthorpe and I have made:

“The legislation is also incredibly complex to understand”.

It particularly refers to the Exchequer Secretary's speech of 27 January, in which he said that simplicity was top of the agenda.

The Government's decision last week to table 88 amendments shows that the clause is not workable. I am not clear yet whether the 88 amendments will meet the objectives and concerns raised. I want to give the Minister the opportunity to withdraw the clause, and come back with something more on Report.

The Chartered Institute of Taxation initially asked:

“Why is it necessary to have 59 pages of legislation?”

Our discussion is about clause 26 and the schedule as published—59 pages of legislation. That has to be interpreted by small businesses and others across the country to ensure that they do not contravene the legislation, either deliberately or accidentally. It is complex, and it will grow with the inclusion of the amendments that were tabled last week. The institute said:

“The legislation already envisages multiple tax avoidance tests and therefore a clearance system will be needed.”

It continued:

“Is the Government not in effect introducing a GAAR (general anti-avoidance rule) for employment taxes, given the very wide scope of the legislation in principle, but one to which numbers of additional conditions have been superimposed. This would seem to pre-empt the...review”

that is coming up shortly. It went on:

“The real concern here is that employers will struggle with these rules in terms of time/cost and the administrative burden, this of course will lead to widespread inadvertent non-compliance. This will be done through accident rather than through design.”

The Minister has a duty to answer those criticisms in light of the amendments he has tabled; the institute has expressed its concerns. When the dust has settled and the schedule and the clause are approved, Her Majesty's Revenue and Customs will have to monitor and ensure compliance. I worry about the complexity of those issues for HMRC staff across the country and in the constituency of my hon. Friend the Member for Cumbernauld, Kilsyth and Kirkintilloch East. They will have to look at whether the rules are being monitored in an effective way. When the Bill is given Royal Assent, small businesses will have to agree to the regulations, understand them, implement them and make sure that they are not contravening them. The Bill is currently nothing like simple enough to achieve those objectives.

In the Finance Bill Sub-Committee of the Lords Select Committee on Economic Affairs on Wednesday 4 May, John Whiting of the CIOT, when asked about disguised remuneration, said:

“We have just submitted to the Revenue an 18-page paper on remaining concerns. There is an element of ‘if I wanted to get there I wouldn't start from here’ about these provisions. This has developed into so much detail”.

The 88 amendments will not help with that. He went on to say that the provisions were in danger, at

“59 pages or wherever we are up to, of starting to create further loopholes that people will try and exploit or inadvertently block things.”

He continued:

“We are always in favour, in principle, of having clear legislation that we can say, ‘There is the legislation, that's it’.”

That backs up the need for the simplicity that the Minister himself seeks. In his speech on 27 January, he said that the world would be rosy in the future. However, Mr Whiting said:

“We always prefer tax by law and not tax by concession or whatever. But I think now we are looking at 59 pages and saying, ‘Whoa, this is just getting too much’.”

The Chartered Institute of Taxation is saying:

“Whoa, this is just getting too much.”

Now, I accept that that is not a technical phrase. I may have an arts degree, but my skills do not translate to being able to interpret how that was said in the Committee at the time. However the phrase, “Whoa, this is just getting too much” does, I fear, indicate that—whoa!—it might just be getting a bit too much, and the 88 amendments were tabled after Mr Whiting said that.

Richard Harrington: I am grateful, as ever, to the right hon. Gentleman for giving way, and for quoting Latin to us. Obviously, “whoa” has Latin origins. *[Interruption.]* The hon. Member for Walthamstow is very familiar with that, *ceteris paribus*, as she would say. The serious point that I would make, having read quite

a lot of CIOT’s arguments over the years, is that its job is to say that that sort of thing is too complicated. Government have another job, which is to ensure that taxation is implemented, and not avoided or evaded.

Mr Hanson: I am afraid that my Latin is not as good as the hon. Gentleman’s.

The Chair: Order. I am sure that the right hon. Gentleman will wish to clarify for *Hansard* how he is spelling “whoa”.

10.25 am

The Chairman adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at One o’clock.

