PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCE BILL

(Except clauses 1, 4, 8, 189 and 209, schedules 1, 23, and 33 and certain new clauses and new schedules)

Eighth Sitting

Thursday 24 May 2012

(Afternoon)

CONTENTS

CLAUSES 13 to 17 agreed to.
Adjourned till Tuesday 12 June at half-past Ten o'clock.

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON – THE STATIONERY OFFICE LIMITED

£5·00

PBC (Bill 001) 2012 - 2013

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Monday 28 May 2012

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: †Mr Peter Bone, Mr Jim Hood

† Baldwin, Harriett *(West Worcestershire)* (Con)
† Barclay, Stephen *(North East Cambridgeshire)* (Con)
Blenkinsop, Tom *(Middlesbrough South and East Cleveland)* (Lab)
† Burley, Mr Aidan *(Cannock Chase)* (Con)
† Elphicke, Charlie *(Dover)* (Con)
Garnier, Mark *(Wyre Forest)* (Con)
† Gauke, Mr David *(Exchequer Secretary to the Treasury)*
† Gilmore, Sheila *(Edinburgh East)* (Lab)
† Gyimah, Mr Sam *(East Surrey)* (Con)
† Hamilton, Fabian *(Leeds North East)* (Lab)
† Hands, Greg *(Chelsea and Fulham)* (Con)
† Harrington, Richard *(Watford)* (Con)
† Hilling, Julie *(Bolton West)* (Lab)
† Hoban, Mr Mark *(Financial Secretary to the Treasury)*
† Jamieson, Cathy *(Kilmarnock and Loudoun)* (Lab/Co-op)
† Kirby, Simon *(Brighton, Kemptown)* (Con)
† Lavery, Ian *(Wansbeck)* (Lab)
† McKenzie, Mr Iain *(Inverclyde)* (Lab)
† McKinnell, Catherine *(Newcastle upon Tyne North)* (Lab)
† Malhotra, Seema *(Feltham and Heston)* (Lab/Co-op)
† Mann, John *(Bassetlaw)* (Lab)
† Mearns, Ian *(Gateshead)* (Lab)
† Mills, Nigel *(Amber Valley)* (Con)
† Morrice, Graeme *(Livingston)* (Lab)
† Morris, Grahame M. *(Easington)* (Lab)
† Pugh, John *(Southport)* (LD)
† Rees-Mogg, Jacob *(North East Somerset)* (Con)
† Reeves, Rachel *(Leeds West)* (Lab)
† Smith, Miss Chloe *(Economic Secretary to the Treasury)*
† Swales, Ian *(Redcar)* (LD)
† Syms, Mr Robert *(Poole)* (Con)
† Williams, Stephen *(Bristol West)* (LD)
† Williamson, Gavin *(South Staffordshire)* (Con)
Wilson, Sammy *(East Antrim)* (DUP)

Simon Patrick, James Rhys, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 24 May 2012

(Afternoon)

[Mr Peter Bone *in the Chair*]

Finance Bill

(Except clauses 1, 4, 8, 189 and 209, schedules 1, 23 and 33 and certain new clauses and new schedules)

Clause 13

Champions League final 2013

1 pm

Question (this day) again proposed, That the clause stand part of the Bill.

Ian Lavery (Wansbeck) (Lab): We discussed earlier the differences—the disparity—between people at the top of the sporting ladder and those at the bottom. We were saying that we would hope that or rather that the money should trickle down to grass-roots sport. Basically, we had a good discussion about everyone's constituency and local football club. Everyone got their penny's worth in for the record, and rightly so. Just before the Committee was adjourned, I was busy mentioning the likes of Jackie Charlton, from my constituency, and Steve Harmison. Of course, that is not to forget Bobby Charlton, who is still one of the directors of Manchester United football club. Steve Harmison—the Ashington Express, as he is also known—did a great job for Durham county cricket club and a fantastic job for England.

The point that I am making about these people is that without financing at grass-roots level, they would never have had the opportunity to represent England in their different sports. That point, which I mentioned on numerous occasions this morning, is one that we should all recognise. Money should trickle down to the grass roots.

I am, at this point, still concerned. I look forward to the Minister's explanation as to how we can convince people at grass-roots level and upwards of the need for this measure. There is a whole tranche of people who will be asking why they cannot have the same sort of tax concessions as the élite—those at the very top. I look forward to hearing what the Minister has to say, because there appears to be a completely different rule for footballers in the champions league final than there is for golfers, tennis players, athletes and boxers.

This morning, I made light of the position that I was in personally with the club of which I am chairman. I was talking about the position with regard to tax—with regard to Her Majesty's Revenue and Customs. I would like to place it on the record that it was a very difficult situation. It is an ordinary club, which could have folded without some common sense from the taxman. I was in a meeting with the two representatives, who did say that if we did not pay moneys immediately, they would basically send the bailiffs into the club. That would have killed the club—a club that has been in existence for more than 100 years—for the sake of less than £10,000. There were no ifs or buts. They would have killed the club and, in doing so, could have killed the community. At the same time, we are discussing people in the champions league not wanting to pay their tax and us giving them permission not to pay tax.

John Mann (Bassetlaw) (Lab): Has my hon. Friend calculated, as I have, that if the money that we are giving to the wealthiest foreign footballers was taken in tax and put into small clubs such as those that he is describing, we would probably be talking about between 50 and perhaps as many as 100 semi-professional football clubs, such as Retford United in my constituency, which has great problems today, being saved from potential collapse and meltdown?

Ian Lavery: That is the very point that I am making. I explained this morning, in a light-hearted fashion, the problems that we faced. I just thought, while sitting and having a cup of tea, that perhaps I should explain that the situation was not light-hearted—it was pretty important. The representative of HMRC said that it was past a deal when in fact I was looking to ensure that the finances were paid within 10 days and to conclude the issue. I am not sure whether he was an inspector or what his position was, but he appeared to be very helpful at that stage. We were talking about common sense and reasonableness. He could not have closed the club down if I offered to make sure that finances were paid up and the accounts were in order. I just want to put that on the record. I wonder how many local football or cricket teams face the same situation on an annual basis. We need to explain to these people exactly where we stand with regard to taxes for the super-players, the élite.

Stephen Barclay (North East Cambridgeshire) (Con): The hon. Gentleman makes a valid point. If a community sports body can pay its tax bill then it does not make sense to put it out of business and take the short-term view. Is that not what time to pay already allows? It may have been that an official was misinterpreting the existing rules, but he is arguing on a very different point from the one before the Committee. Existing rules allow time to pay when a body can pay over time but cannot pay at that precise point. That is a matter of law as it currently stands.

Ian Lavery: I accept that and agree with the hon. Gentleman entirely but I would not want to get into the intricacies of this case, at least not in this forum.

The problem is that local community clubs face these problems almost annually. That was the point I wanted to make. It is probably time that we looked at grass-roots sports. It is not just football, by the way. In many villages and towns the local cricket and football teams and the other sports such as athletics, boxing and weightlifting play a huge role in getting young people off the streets. How often do we drive from one place to another the length and breadth of the UK and see in these lovely little villages the beautiful cricket ground, which is at the centre of the community, and then see the pavilion boarded up and covered in graffiti? That is

for one simple reason: money is not trickling down to these communities. We should look after these people because they are the ones we will expect to play for their country in future.

Mr Iain McKenzie (Inverclyde) (Lab): My hon. Friend makes a good point. Across the country there are numerous youngsters who are looking towards the élite athletes and seeing the opportunities of a career in sport. But they will never aspire to that if we do not adequately fund and support the grass roots. They may have all the talent in the world but if they do not get that nurture from day one through the grass roots they will never achieve their aspirations.

Ian Lavery: Thanks for that. I mentioned earlier the weightlifting team at the Hirst welfare centre in Ashington. They were internationally accredited—stars, basically—but they cannot travel to international competitions because they do not have the finance. Nobody in this room would think that a good thing. It is quite the opposite. That is why I have spent a considerable time trying to stress the point about these tax breaks for people at the very top when there are many more people struggling at the bottom.

Charlie Elphicke (Dover) (Con): The hon. Gentleman has been extremely generous in giving way throughout his entire speech. On the issue of substance in clause 13, would he agree that when the Labour Government did it a few years ago and agreed a similar measure in legislation, it was wrong in principle every bit as much as he seems to believe it is wrong in principle to do now?

Ian Lavery: I really am sorry about giving that impression. I can promise the hon. Gentleman that I have not made my mind up yet. I will wait to see what the Minister says. *[Interruption.]* I give way.

Simon Kirby (Brighton, Kemptown) (Con): I thank the hon. Gentleman for giving way. I was merely suggesting that perhaps he should come and join us on the Government Benches. *[Interruption.]*

The Chair: Order.

Ian Lavery: I am sure that that is an invitation from the hon. Gentleman and not from his colleagues, and I politely decline the opportunity. However, in response to the point that has been raised, of course it happened under a Labour Government. What is happening here is as a result of section 63 of the Finance Act 2010. That is when it happened, but that does not mean that it is right to allow it to continue. I want us to be able to explain to people in our communities why we are allowing super-rich people with fantastic talents to have tax breaks while they are struggling at the bottom. We will all get asked such questions, which is why I have been accentuating the problems with people in grass-roots sports. I probably did not agree with it when the Labour party did it, and I certainly did not agree with the tax breaks for the rich. I really struggle to put together all the pieces of the jigsaw to see how the whole economy will benefit from a games that will take place mainly in the capital city. I have already explained my position, and I will wait to see what the Minister has to say on that.

In conclusion, we need to be careful. Members of Parliament, whether or not we have extra jobs as well, are all okay; we manage very nicely.

Mr Aidan Burley (Cannock Chase) (Con): Before the hon. Gentleman concludes his very good speech, let me ask, just so that I am clear in my head, is he arguing that people who play sports in this country during a competition should pay income tax and tax on their worldwide sponsorship deals and so on, that that is right in principle and that all sports stars should do that? Or is he arguing that it is currently unfair that some sports have to do it and other sports do not, and that it is not a question of principle; it is just that the principle should be that it is the same for all sports?

Ian Lavery: There are two points there. First, should we or should we not be making an exception for champions league footballers? Secondly, should we be allowing different levels for different sportsmen, whether it be rugby league, football, cricket or whatever? Should we make an exception for more people? In reality, if we cannot make a good argument and represent the people in our communities fairly and correctly and be accountable for that, we should not be giving tax breaks to anyone.

It is interesting to note that in respect of next year's champions league, UEFA did not, as a prerequisite, ask for the tax breaks for the people whom we are talking about in this clause. It did make it a prerequisite for the championship finals last year. Does it believe on this occasion that it is only right, fit and proper that the champions league final takes place at Wembley because it will be 150 years of the Football Association? The organisation did not say that it needed those guarantees.

I will be interested to hear the rest of the debate. Everyone here loves sport of some nature—they may be like me, who loves every type of sport. I have tried many sports, but I am poor at most of them. At least we can make a difference. When money becomes available we must ensure that people get the right amount of trickle-down in the economy so that they can participate. It is important that we do not become an elitist country. We have problems with obesity and with people not wanting to participate in school sports. Everybody should be involved in sport, and with the finance available we should consider that.

I am looking forward to hearing what other Members and, of course, the Minister have to say about the fairness and the transparency of this measure. I want the Minister to tell me how best I can convey a message to the people in my community that it is fair, right and just that those people from abroad who play in champions league finals in Britain will get a tax break while the people in my community cannot get a tax break.

1.15 pm

John Pugh (Southport) (LD): While Labour Members were waxing lyrical, I made the elementary error of reading the explanatory notes to the clause, because I was hoping to find the rationale for this measure. The reason I did that was that I was not wholly convinced that a straightforward utilitarian argument was being presented—that we made a concession to top-flight

[John Pugh]

footballers in order to get them to come and play in this country and the concession was some kind of perk or tax relief given to them. Most arguments had that as their premise, as far as I understood them, and most people argued that that was unfair, or that there should be some other sort of trade-off, or that we did not get much out of the trade-off, or that the money could be otherwise spent.

I was not wholly convinced as to the rationale that the Treasury had, because it struck me that there could be another reason for introducing this measure. That rationale might be to do with the complexities of double taxation that might be generated through doing otherwise. I assume that Lionel Messi must face not only the British authorities when he is earning money in this country but the Spanish authorities, and I also assume that our players are similarly situated when they go and play in Spain. So there are genuine complexities about how international sportsmen are rewarded and about what is the most proper, appropriate and economical way to reward them, from the point of view of all taxation regimes.

I pondered whether that explanation could be an alternative explanation, which would have made most of what was said this morning purely irrelevant. Unfortunately, the explanatory notes do not tell us the specific reason for this change; they simply tell us what the change is. I hope that the Minister will explicitly state the rationale for the change, and I also hope that in future the people who compile the explanatory notes will provide the rationale for a change and keep us to the point.

Ian Mearns (Gateshead) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone. When Government Members asked my hon. Friend the Member for Wansbeck to cross the Floor, I thought that I saw the porky squadron flying past outside the window. By the way, it is also a real pleasure to see the Government Whip in his seat as we speak this afternoon.

I have very mixed feelings about this clause. As a nation, we of course want to attract the very highest-level sporting events to our shores. In my previous role as a local government councillor and a representative of Gateshead on the Local Government Association, I served for some time on the culture, media and sport board. The LGA was looking towards this decade—2010 to 2020—as the decade of sport, with the Olympics, the rugby world cup, the Commonwealth games in Glasgow, a cricket world cup in the UK possibly in the offing, and a range of other major sporting attractions being brought to our shores.

When it comes to the world of club football, there is probably no bigger individual game than the UEFA champions league final. I am not aware of any official UEFA prerequisite on the taxation arrangements for such a fixture that would influence the awarding of it to a stadium such as Wembley, which is here in our capital city. However, although there might not be any official prerequisite, I assume that there is an expectation that the provisions—as outlined in the clause—would be implicit for any country to be awarded the right to host such a game.

As suggested by my hon. Friend the Member for Bassetlaw, such a game is not guaranteed to bring the economic benefits to a city such as London that some commentators automatically assume. For instance, if the 2013 champions league final was to be contested by clubs such as Chelsea, Arsenal, Tottenham Hotspur or even Manchester United, with supporters travelling from west London, north London or—in the case of Manchester United—Surrey, the additional income to hoteliers, public houses and restaurants would be significantly less than if the game was contested by two clubs from beyond these shores. But if two British clubs were to contest the 2013 champions league final, they would of course not be exempt from UK tax on earnings, as the clause relates only to the earnings of foreign players playing for foreign clubs at a champions league final when it is played at a British ground such as Wembley.

I agree with my hon. Friend the Member for Wansbeck about the prospect of giving additional tax breaks to millionaire footballers who are on salaries of £100,000 to £250,000 per week and earn as much again, if not more, from advertising and marketing endorsements. That does not rest well with me, when most of my constituents are unlikely to earn such sums in a decade. I am afraid to say that I disagree with some Government Members about trickle-down economics because the north-east experience is that the trickle becomes ever-weaker the further north we get.

Stephen Barclay: As a northerner, I do not accept the premise that the trickle becomes weaker. The eastern region and London are net contributors to the Exchequer and the north-east is a recipient, so the idea that the north-east does not benefit from prosperity in regions that contribute to the Exchequer does not stand its ground.

Ian Mearns: I agree that there is significant statistical information about how, and how much, Government money is disbursed around the country, but unfortunately far too much of that additional expenditure per head in the north-east has gone on benefits and not on growing the economy or massively improving infrastructure. We have spoken at length in this place about the disparity in transport infrastructure expenditure between the south-east and the north-east. We are not getting the same measure on important infrastructure projects.

I have more than a passing interest in this subject as a supporter of sport—association football and cricket in particular—and I have travelled across Europe to watch Newcastle United, which is one of the clubs I support. The other team I regularly support is my hometown club, Gateshead FC, who currently ply their trade in the Blue Square football conference.

When it comes to following my teams, I am a relatively seasoned traveller and have visited more than 70 football and premier league grounds and too many non-league grounds to mention. I have spent my hard-earned wages not only in club grounds but in hostelries, fish and chip shops, curry houses and hotels in probably more than half of the constituencies represented in the Committee. From Dover and Plymouth in the south of England, to Cardiff and Merthyr Tydfil in Wales, and to Glasgow, Edinburgh, Dundee and even Inverness in Scotland, I have visited and supported my teams, or even been an interested neutral spectator—

The Economic Secretary to the Treasury (Miss Chloe Smith): Has the hon. Gentleman been to East Anglia?

Ian Mearns: Yes, I am happy to say that I have been to Norwich, and Ipswich. I have been to more than 70 football league and premiership grounds, and more, if not many more, non-league grounds.

There is a wide range of interest in what happens to the tax revenue derived from sport, but there will also be interest in the potential tax revenues forgone as a result of the clause. On my travels, I have attended champions league and qualifying games in such places as Turin, Barcelona, Rotterdam, Sarajevo and even Milan, but I have to admit that I have not seen my hon. Friends the Members for Easington and for Blaydon (Mr Anderson) in any of the venues—alas for them, they are Sunderland supporters, and have rarely had to use their passports to watch their team play.

We need to think carefully about the opportunity cost of not collecting these potential revenues. Unfortunately, we have recently learned, in this Olympic year, that mass participation in sport is reducing not increasing, so we must continue to invest in our grass-roots sporting clubs. I was cajoled, as was my hon. Friend the Member for Easington, by my hon. Friend the Member for Wansbeck to invest in the weekly prize draw run by his club, Ashington. In other places, such a transaction would be called "demanding money with menaces," but I have invested, and with a little success recently.

Hon. Members have alluded to the concerns of the leaders of all our sports organisations. I do not know—perhaps the Minister can inform us—whether other sports receive equally generous tax breaks, as suggested in the clause. I realise that the conditions in different sports vary and that, for example, a football match played on one evening is different from a snooker or tennis tournament played over a fortnight, a test match series that might take six weeks or a rugby world cup that might take a month.

As I have said, I have mixed feelings on the subject. However, I know that the many excellent youth football clubs in my constituency could benefit massively from the potential revenue that a champions league final would generate. Clubs such as Redheugh Boys, Cleveland Hall, Low Fell Juniors, Leam Rangers, Felling Magpies and Gateshead Juniors are all run with small financial contributions from participants who can afford to pay, through fundraising and with the sheer hard work of armies of volunteers working with thousands of boys and girls, keeping them fit and honing their skills.

It is important that Wembley—our national stadium—is used to the optimum because it is vital that other stadiums around the country such as St. James' Park in neighbouring Newcastle are used during the Olympics. I have invested in Olympic tickets to watch football at St. James' Park. Unfortunately for the north-east, one of the legacies of the Olympics will probably be the loss of regular athletics meetings of a high level at Gateshead stadium. Our legacy will be that those meetings will more than likely depart to the east of London, so it will not be a positive Olympic legacy for a place such as Gateshead, which has supported athletics for more than 30 years.

When champions league group games are played in this country, we do not tax the players of overseas clubs when they play their away games at, for example, the Emirates stadium, White Hart Lane or at Stamford Bridge. We do not tax them if it is a one-off, overnight event and, equally, our players from clubs such as Chelsea, Tottenham, Newcastle—I hope—and others will not be taxed when they play their away games in Italy, France or Germany. We probably therefore would not expect any additional tax revenues from such games. However, when the final tie takes place here in Britain, the sums are so big that it feels like an opportunity to invest in our grass roots. That opportunity is potentially being lost.

Over the years, the family of football has hardly covered itself in glory in managing its business affairs. It also has to be said that HMRC often does not seem to have made such a great job of ensuring that the multi-million pound businesses that are at the higher echelons of football clubs pay their tax in full and on time. I apologise to my hon. Friend the Member for Inverclyde as I know he is a supporter of Glasgow Rangers.

Brian Clough put a blank page in his biography that was meant to represent what the average football club director knows about football. However, it now appears that all too many football club directors know as little about running a business as they know about football. I do not mean to tar everyone with the same brush. There are some dedicated people out there working very hard to keep their clubs afloat and to make them a success. However, the number of clubs struggling with balancing the books is far too many to mention.

When the champions league final comes to Wembley in 2013, I hope that it is a great success and that there are two British clubs vying to win. That would make clause 13 irrelevant, as I have said. However, it does not sit easy with me that potentially significant tax revenues that could be invested in grass-roots sport will be lost as a result of the clause.

Nigel Mills (Amber Valley) (Con): I shall just make a few quick observations. It is a pleasure to follow the hon. Gentleman. I went to the Gateshead stadium to watch football when I was at university in Newcastle, but I cannot say that I had any happy times at St. James' Park. I think that Notts County, the team I support, lost 7-1 there the last time I can remember.

It would be rude not to mention my own local football teams—Heanor Town, who won the East Midlands Counties Football League this year. I am not sure that being champions of that qualifies them to play in the champions league, but maybe that should be the performance looked at. There is also Alfreton Town who, contrary to what was expected at Christmas, managed to stay in the Blue Square Premier. It is a great achievement for a club of that size to stay up in the fifth tier of English football.

On the champions league final, taxing overseas sportsmen, musicians, or whoever else when they perform in the UK, is not some obscure or bizarre UK thing that we dreamed up decades ago. It is an arrangement that many regimes around the world follow. It is specifically allowed by the OECD, and covered by article 17 of the model tax convention, which permits territories to tax overseas sportsmen on their earnings, winnings, or various endorsements in that territory. It is not an unusual measure or a particular problem; it happens in most

[Nigel Mills]

advanced tax regimes in most places, and I am not sure why UEFA is so adamant that if the Champions league final is to go somewhere, that rule has to be waived.

By such actions, we will set an interesting principle. How much does one have to put on the table before HMRC is willing to think about varying the tax regime? If I ran a multinational business and said, "I will bring 600 employees to a head office based in London. You can have all the PAYE and stamp duty when they buy houses, but we are not paying any corporation tax while we are here", would HMRC accept that deal because it brought additional tax revenue? I suspect that, quite rightly, it would flatly refuse to enter into such negotiations. There must be a line somewhere between where extra revenue and prestige merits a change to the standard tax regime, and where it cannot and should not. It is interesting that we think sport is on one side of the line, but that large trading operations are on the other.

1.30 pm

Ian Swales (Redcar) (LD): I thank my hon. Friend for giving way; he is making a good point. Does he recognise that we may well see similar problems in other fields of activity, for example the arts, where people who live abroad come to this country to perform and may want the same sort of treatment? It is important to have rules that are transparent and clear for all situations.

Nigel Mills: I do agree. The purpose of Parliament in setting tax law is to ensure that that law is applied on a general basis to every taxpayer in a certain situation, and that we do not have individual exemptions unless there is a strong justification for that. I worry that it makes an interesting statement about our tax regime. On the one hand, general anti-avoidance rules mean that the Revenue can ignore legislation when it wants to catch someone who is not caught by the law, and it uses retrospective legislation to change its position on people before they know about it. Apparently, the Revenue is also making sweetheart deals with people who have sufficient influence, and we are waiving tax rules for people who make the right case. That does not look like a tax regime based on the law. I would not be as cynical or mischievous as to suggest that that is a fair representation, but we must be careful about the overall impression that we give. It would be useful to hear a justification from the Minister for why this particular event needs special arrangements.

I do not doubt that holding the Champions league final in the UK is a sensible commercial decision. It is a great thing and a prestigious sporting event that will encourage our young people to get involved in sport. There is plenty of evidence to show that we all go and play tennis after Wimbledon, and that after a Lord's test match or a Twenty20 game, we all go and play cricket. High-profile sporting events are good and increase participation.

It would, however, be interesting to learn how the Government have calculated the tax revenue that they will receive. Have they taken into account the fact that if Barcelona come to London they will have to buy sports nutrition drinks and pay VAT? Perhaps we will get some tax revenue from that. I am sure that the Spanish football supporters to whom the hon. Member for Bassetlaw referred will be coming to London in their thousands if Barcelona are here, and when they buy their pasties and sausage rolls at the ground, they may even pay VAT. Has that been factored into the tax receipts? This could be part of a coherent tax strategy for track and sporting events—perhaps I am being slightly mischievous.

We need to understand when the Government think it is appropriate for particular events to get special tax treatment and when they do not. I think, however, that in the vast majority of cases, our standard tax rules should apply. We are not talking about underpaid people whom we want to support but about incredibly well-paid individuals.

I have just one final question because I am not entirely sure about the position of the football club. If it plays in the Champions league final in Wembley and gets a €10 million increase in prize money from UEFA for winning that tournament in London, will it be taxed on that? I cannot see why it should not be. It is not exempted in the Bill because it would not involve just one individual who plays for that football team, and it would be interesting to know whether there is tax. Moreover, if Barcelona win a semi-final at Stamford Bridge, would the increased prize money they receive be taxed in the UK? I am not entirely convinced about that. The money would clearly have been earned in the UK, but would it be taxed here? I am not sure where the line is drawn between earlier rounds in such tournaments and the final itself.

Graeme Morrice (Livingston) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone. This has been a long but important debate. I do not think that anyone needs convincing, especially considering the fact that the eagerly anticipated London Olympics and Paralympics are nearly upon us, that sport makes a huge and increasingly important social, cultural and economic contribution to our society. That the UK benefits from hosting major sporting events, such as the champions league final, is also beyond doubt. The fact that some global sports stars have chosen not to compete in the UK for tax reasons and that some of our stadiums have not been selected to host major football matches due to concerns about the taxation of visiting players is clearly a matter of concern.

When the new Wembley stadium hosted the 2011 champions league final following the tax exemption agreed in the 2010 Finance Act, that—the game—was a welcome development. The result did not go the way that I and other Manchester United supporters would have liked, but we will move on. The process by which the Government reached a decision on the tax exemption for the final was rushed and was finalised only in the wash-up period prior to the 2010 general election. The clause provides the opportunity properly to scrutinise the issue and to consider whether exemptions from UK taxation for non-resident, very well paid sportspeople, who already have the best tax lawyers helping them to avoid paying as much tax as possible, is something that we should welcome unconditionally. Perhaps the hon. Member for North East Somerset would unconditionally welcome that.

We are all aware of the widespread public perception that many top footballers are overpaid and—to coin a phrase—over here. The petulant antics of some players

in the English Premier League in recent years, combined with the astronomical player salaries, absurd transfer fees, rocketing ticket prices and poor governance at many top clubs, have left many traditional fans feeling disillusioned and excluded from the game.

My first concern about a tax break for high-earning footballers, is how it will be perceived by the thousands of committed fans, players and volunteers at the grass-roots level of the game in the UK. Many of those volunteers keep the game going—week in, week out, and often on limited resources—at the community level. My hon. Friend the Member for Wansbeck has made a passionate speech about this issue. Those volunteers will already be deeply concerned about the growing discontent that at the top level of the professional game money is no object, whereas at the local, amateur level even something as routine as finding a playable pitch can be a problem.

We will all be aware of the great difference that grass-roots football and other sports can make to our communities. For example, in my own constituency, Livingston football club has been fundamental in establishing the Livingston Youth Foundation, a groundbreaking new partnership between the Scottish Football Association, West Lothian Leisure, the newly elected Labour West Lothian council, West Lothian college, former players and local community clubs and businesses. It has the objective of bringing together various local providers of football to improve the co-ordination and quality of provision and expand opportunities for young people in West Lothian to take part in the game.

The foundation will also use football as an activity to promote the educational and social development of young people from less well-off backgrounds to help them to achieve their full potential. This is the kind of initiative that I imagine the Government might have had in mind as part of their vision of a big society, although it is hard to be sure. I would like to hear more from the Minister about what the Government are doing to encourage and support grass-roots sports activity of this kind. I am delighted to say that Livingston FC's Almondvale stadium, as my hon. Friend the Member for Kilmarnock and Loudoun mentioned, is this weekend hosting the Scottish amateur cup final and, for the first time ever, the prestigious Scottish junior cup final, with Auchinleck Talbot facing Shotts Bon Accord.

The second main point I want to highlight relates to the reason behind the tax exemption set out in the clause. My understanding is that it has to be put in place to satisfy UEFA's requirement that countries hosting the champions league final do not levy domestic tax on non-resident players and team officials. That is a concern. As my hon. Friend the Member for Bassetlaw pointed out, why is a football governing body dictating terms to countries wishing to host a champions league final in this way? Does it also perpetually rule out countries unable to afford to offer such tax exemptions from hosting finals? Have the Government discussed the implications of this exemption with officials at UEFA?

It could also have wider implications for other major sporting events. The Treasury announced earlier this year its intention to exempt from taxation money earned by non-resident athletes at the 2014 Commonwealth games in Glasgow. Of course, we welcome the fact that these games are coming to Glasgow and that a Labour-led Scottish Government and Labour-controlled Glasgow city council were responsible for that success, but do the UK Government intend to include officials in this tax exemption and if not, can the Minister explain the reasoning?

Ian Lavery: On that point, when the Minister responds could he also explain who is involved? Who are the officials? Is it the manager? Is it the physiotherapist? Is it the whole team? We need some clarification on that important issue.

Graeme Morrice: I thank my hon. Friend for that intervention. I am sure the Minister heard his comments and will respond accordingly when he sums up.

To conclude, this clause is not as straightforward as it may appear and not wholly explained, as the hon. Member for Southport mentioned earlier. We have to weigh up the undoubted economic and other benefits of major football and other sports events coming to the UK, against the fact that in these difficult economic times, when apparently we are all in it together, many of our constituents will be angered at the thought of fabulously wealthy footballers receiving a tax break when they come to play a one-off game.

The Exchequer Secretary to the Treasury (Mr David Gauke): I welcome you back to the Chair, Mr Bone. We have had a wide-ranging debate. We have gone the length and breadth of the United Kingdom and had a number of forays into the continent of Europe, and we have covered not only football but cricket, rugby, croquet and cross-channel swimming. Given that the debate is about the champions league final, the number of clubs that have been discussed demonstrates a fair amount of optimism.

1.45 pm

I particularly admire the optimism of the hon. Member for Kilmarnock and Loudoun. She declared her outside interest as a trustee of Kilmarnock, so perhaps I should also declare an outside interest: I acquired, some years ago, a small number of shares in Ipswich Town, the team I support. It is unlikely to be much of a conflict of interest; it is now 50 years since Ipswich Town qualified for the predecessor competition to the champions league, the European cup. It is 31 years since it featured successfully in a European final, winning the UEFA cup in 1981, an achievement that, it should be noted, has not been matched by any other team in East Anglia.

Many years ago, when Robert Maxwell, a former Labour MP, sought to merge Reading with Oxford United to create the "Thames Valley Royals", there was some talk about Ipswich and Norwich merging and locating in a town between the two. *[Interruption.]* Well, the best town suggested was Diss, and the name of the club would be Diss United.

The Chair: Order. So as to avoid division in the Government, could we return to the champions league final, which, I have to say, neither Ipswich nor Norwich is likely to be in?

Mr Gauke: Not in 2013, I concede.

Ian Mearns: Would I be right in thinking that when Ipswich Town won the UEFA cup, Bobby Robson was the manager?

Mr Gauke: He was indeed, and he was manager when Ipswich narrowly failed to win the championship in 1975, 1981 and 1982, but I digress. I am happy to discuss Bobby Robson at some length with the hon. Gentleman.

The Chair: Not in the Committee.

Mr Gauke: Clause 13 will exempt visiting players and officials from income tax where that income arises in relation to their duties or functions at the champions league final in 2013. The exemption will apply to all income that players may receive that relates to the final, including endorsement income. However, players and officials can still be taxed in the countries in which they are resident. I want to make that point clear, because a number of concerns have been raised about this being a tax break that will enable wealthy footballers not to pay any tax at all.

The principle here is that footballers will be taxed in their country of residence, rather than in the UK. That approach is applied consistently to champions league finals. For example, the German tax authorities will not seek to tax the income related to that match earned by UK-resident footballers who played in the champions league final on Saturday. To some extent, there are reciprocal arrangements. The hon. Member for Bassetlaw made the point that given that UK clubs have a good record of making it to the final of the champions league—and of going on to win, but the relevant requirement is making it to the final—there are clearly certain advantages for the UK Exchequer.

Charlie Elphicke: I seek an element of clarification. The clause says that an employee or contractor of an overseas team competing in the final who is not resident in the UK will have the exemption. On the face of it, it seems to apply to UEFA officials. Will the Minister explain that? Is it intended that there will be some kind of concession for UEFA officials?

Mr Gauke: The exemption applies only to non-resident football players from the relevant teams and non-resident team officials, such as managers and coaches. The exemption will not apply to UEFA officials. I hope that that provides some clarity.

John Mann: The Minister is suggesting that this is a long-standing practice. His officials will know that an English team has played in six of the seven previous champions league finals, and that six of those seven finals were held abroad. Did the practice apply in each of those seven finals? When was the change brought in?

Mr Gauke: I will come to the hon. Gentleman's question in a moment, if I may. Before I do, I want to reassure hon. Members that the clause does not involve a tax loss to the Exchequer. We never expected to receive any tax revenue from those players or officials because they are non-resident. If a British team is in the final, the team's players will be liable to tax in the usual way. The exemption is necessary, and we have introduced it because we are obliged to help secure champions league finals. If we do not have the exemption, there will not be a champions league final at Wembley and, therefore, there will be no tax revenue.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): The Minister has raised one of the points that I was going to ask him about. Interestingly, the impact assessment was provided by HMRC's foreign entertainers unit. Is he saying that, if the clause were not approved, UEFA would not allow the champions league final to be held in this country under any circumstances?

On the impact assessment, the Minister said that the clause is not expected to have an Exchequer impact, but there is expected to be an economic impact on the London economy, as there was in the previous UEFA cup final. At the time, the impact of that final on the London economy was estimated to be some £45 million. What estimate has been made of the likely impact of the 2013 champions league final on the London economy?

Mr Gauke: On the first point, yes, the exemption is a requirement. UEFA has been unequivocal about that; without the exemption, the champions league final will not take place at Wembley.

I suspect the hon. Member for Bassetlaw would want to say that whereas UEFA made it clear before the 2011 champions league final that the exemption was a precondition, it was not so explicit in advance of this bid being awarded. However, UEFA subsequently made it clear that if we do not have the exemption, consistent with what happened in 2011—UEFA may have made an error in not making this as clear as it should have done—the final will be taken away from Wembley. If the Committee does not pass the clause, therefore—it is only fair to the Committee that I make this very clear—the champions league final will not occur at Wembley next year.

John Mann: The Minister is giving his impression of what UEFA might do, but is it not the case that, unlike previously, UEFA has already announced its decision? UEFA is a collegiate body and its executive voted through the decision on 16 March. UEFA would therefore need to take a new, express, unprecedented and explicit decision—if I recall correctly, both the English and Scottish Football Associations have votes on UEFA's executive—to snub the United Kingdom and its four participatory member states. Is it not also the case that there is nothing binding Parliament to endorsing what the Government are suggesting? The final has already been awarded and announced, so we are free to choose what we want to do.

Mr Gauke: Let me get to the heart of the first point that the hon. Gentleman made this morning. It is, of course, for us to decide what we do. We make tax law here. We are perfectly entitled to decide not to implement the clause. However, it has been communicated to the Government that if we did not, UEFA would do exactly what the hon. Gentleman says and revoke the earlier decision. Members of the Committee may say, "We'll call their bluff." I cannot say exactly which was the first UEFA champions league final to which the rule applied, but the UK did not get the final in 2010.

The previous Government agreed to show greater flexibility and got the 2011 final. For the final in Munich on Saturday, the same arrangements were in place with the German authorities; the same assurances had been provided. We see no reason to believe that UEFA would not go through with what it said. If we do not have an exemption, the champions league final will go elsewhere; that could be the consequence of the decision that we make.

Charlie Elphicke: My hon. Friend has been characteristically generous in taking interventions. It seems to me that as a matter of principle this kind of clause is not desirable. It is not desirable to grant exemptions for particular sporting tournaments. The previous Government were wrong to do it, and it is wrong in principle because we will end up having to do this for every single tournament. Nevertheless, rather than unpicking it now, is it not right for the European Union as a whole, since UEFA is a European organisation, to pass blanket legislation stating that this kind of thing should not be carrying on across Europe, because we need to protect each member state's tax bases?

Mr Gauke: Let us be very clear about what is happening. As far as protecting European tax bases is concerned, I assume that footballers playing for clubs in Europe are resident in the relevant countries. Whether a final is in Munich or in London, and whether the club is English or German, under the clause, the tax base is protected in terms of the country of residence of the footballer. The issue is not whether tax is paid; it is in which country the tax is paid. Should it be the country of residence of the footballer, which is probably administratively easier, or should it be the location of the final, which is the alternative approach?

Ian Swales: Does the Minister agree that if we decided to overturn the proposal and go in the direction suggested by my hon. Friend the Member for Dover, it could open a can of worms? Anybody engaged in any international business—for example, anyone going on a sales trip to a particular country—might find that their day's pay for going to that country suddenly becomes taxable in that country, which would interfere unbelievably with international business.

Mr Gauke: It might be helpful to the Committee if I set out the principles behind our policy and the approach that we are taking.

Ian Lavery: On a point of clarification, on 21 June 2011, the Associated Press feed stated:

"The UK Government confirmed that Uefa did not seek assurances for a tax exemption for non-resident players and officials before the announcement was made. A Treasury spokesperson said: 'The government has not been approached about tax breaks for the 2013 Champions League final. If such an approach is made, we will consider it.'"

The Minister says that the Government were not approached, but in the next breath he says that if we did not give UEFA the guarantee, it would withdraw from Wembley. Which is it? It cannot be both.

2 pm

Mr Gauke: I think it can be both, and what the hon. Gentleman says is consistent. The Government were not approached before the bid was awarded to Wembley, and that was a failure on the part of UEFA. Subsequently, UEFA came to us and said, "We do require the same tax exemption as applied for the 2011 champions league final." As we said in the statement quoted by the hon. Gentleman, we considered that approach and decided that to grant the same exemption that the previous Government granted for 2011. As I said to the Committee, the consequence if we did not do that would be, as UEFA has made clear to us, that the champions league final would be withdrawn from Wembley.

Before returning to the broad principle, I will respond to a question put by the hon. Member for Kilmarnock and Loudoun. MasterCard assessed that the 2011 champions league final brought £45 million additional revenue to London. It does not have a macro-economic effect, but it does have a micro-economic effect on businesses in and around Wembley and elsewhere in London, with more tourists coming to the UK and spending money. One should not overstate the economic impact, but that is the assessment that MasterCard made.

Essentially, we are committed to the principle that the Government will grant tax exemptions only for sporting events where those exemptions are a necessary condition of bidding for an event that is at the highest level of world sport. That includes, for example, the Olympics, for which there is a tax exemption. As was touched on earlier, we have also made an exception of the Glasgow 2014 Commonwealth games. We believe that will help prolong the legacy of the London 2012 Olympics and spread it to Scotland, through the support of a global multi-sport Olympic-type event.

Ian Swales: Will the Minister clarify another point? Will the participants in the champions league final be paid in the UK or in their home countries? Have the Government sought any assurances from UEFA that their income from the champions league final will be taxable in their home countries?

Mr Gauke: It will be for the home country to ensure that such payments are taxable. That is essentially a requirement for the home country, rather than us.

John Mann: On that precise point, an English team, Chelsea, has just played abroad in a champions league final, presumably with this exemption in place. What precisely happened there, in relation to taxation? I fear that this is a case of the football authorities seeing the Olympic model—which is entirely different because it is possibly six weeks of work and a lot endorsement time—and working a tax fiddle both ways. That is why this is a new, not a long-standing, arrangement. What did we get back, and what do we expect to get back from the Chelsea players?

Mr Gauke: I cannot possibly comment on individuals' personal tax affairs. The clear broad principle is that players will be taxed in their country of residence, not in Germany, in that case.

To deal with the specific question asked by the hon. Member for Kilmarnock and Loudoun, the legislation for the Commonwealth games will be in next year's Finance Bill, which will be published in the autumn, in what is now the usual way.

Grahame M. Morris (Easington) (Lab): I am grateful for the Minister's explanation of the differences between sporting events. Will he clarify the position in relation to Formula 1? Has an exemption been applied by the F1 authorities?

Mr Gauke: No. There is no such exemption. We would consider one if it were a condition of bidding. In answer to my hon. Friend the Member for Cannock Chase, that is not a requirement for the rugby union world cup, so we have no plans to provide an exemption for that.

Mr Burley: As I understand it, the law imposes a UK income tax on non-resident sportspeople's income that is related to a UK performance. Such non-residents are taxed at UK rates from their performance earnings and from a proportion of their global sponsorship earnings. The measure is therefore about giving a specific exemption to a group of sportsmen who are playing a particular sport. The more I listen to the debate, the more I want to know why we are giving such an exemption to those particular sportspeople in that particular sport. Is it because of the amount of revenue that we think the game will bring to the country as a whole? Is it because of the high profile it will give to UK plc? My concern is that this is the thin end of the wedge. If it is good enough for football, why is it not good enough for rugby union players or tennis players? Those in any sport could argue that. Is it not becoming an example of the football lobbying bodies' disproportionate power, as against the power of every other sport? Surely, what is good for football is good for any other sport in any other country.

Mr Gauke: First, no request was sought with regard to the rugby world cup. Of course we would have carefully considered such a request. I must also point out that the main exemption in this area is the Olympics, where it is a requirement. One can take the absolutist view that in no circumstances should we show flexibility, but that would mean that we would not see the Olympics.

John Mann: I had some involvement with the Olympics in the previous Government. The whole point of the Olympic exemption is that it is related to the time period and the fact that countries at the lowest and the highest ends of the income scale are competing together. To tax at the host country's basis would have a hugely disproportionate impact on some athletes, because their disposable incomes in their own countries are vastly different. That is the Olympics; this situation is entirely different. Strangely, this exemption is for two hours of performance. There is something odd in what the football authorities are trying to do.

Mr Gauke: I do not think that there is anything odd. The previous Government were right to show flexibility to ensure that we could hold a major, prestigious final here in the UK. Such events provide a boost to the local economy and increase the UK's profile.

We are entering a period in which a number of great sporting events will be held in the United Kingdom, which I am sure we all welcome, but to secure such events, we have to show willingness, in some circumstances, to tax in this way. It is not a question of whether sports stars are taxed; it is whether they are taxed in their country of residence or in the country of performance.

Stephen Barclay: Is not the Minister's point that the Treasury's role is to find the point that brings in most revenue, and sometimes flexibility is needed to bring in revenue elsewhere. In this instance, the cumulative benefit outweighs the potential cost in waived tax.

Mr Gauke: My hon. Friend makes a good point, except that no revenue will be waived. Without such an approach, the champions league final will take place elsewhere and there will be no revenue, so we will not lose any revenue. There will be some additional expenditure in London and, assuming foreign teams are in next year's champions league final, some football supporters will come to the UK and spend money in London, which they would not otherwise do. That will bring in tax receipts and help local businesses, which should be welcomed throughout the country.

Richard Harrington (Watford) (Con): It is always a pleasure to serve under your chairmanship, Mr Bone.

Does the Minister find it perplexing, as I do, that suddenly the Opposition are saying, for various reasons about millionaires and the usual type of thing, that the Government were wrong to show flexibility in allowing what is effectively an investment in the UK? To have a prestigious event in the UK, with all the expenditure—I am not an expert on such things as multiplier effects, but this seems to me to be common sense—and so much activity, is like attracting an investment in the UK. The Opposition so often call for Government action on this and Government expenditure on that to get the economy going, so surely they should commend the Government on a measure that does not really cost us anything and on which the Government are showing complete flexibility, rather than continually criticising and opposing it.

Mr Gauke: Uncharacteristically, I shall be marginally more charitable than my hon. Friend, because I assume that the arguments we have heard from the Opposition are to probe and test, as is entirely appropriate. It would be absurd for them to send the message that we do not want the champions league final to be held in the United Kingdom next year.

Ian Lavery: Will the Minister give way on that point?

Mr Gauke: Let me test my luck, and then I will give way.

I assume that the Opposition would hate to give the impression that the UK was closed to business, that we did not want tourists to come to London, and that we did not want to engage with the rest of the world or to hold prestigious events in the UK. I am sure that they would not want to do that, particularly given the previous Government's decision about the 2011 champions league final. I am sure that I am right in all those assertions and that the hon. Gentleman will confirm that.

Ian Lavery: Of all the speakers in the debate on the clause, not one—I stress, not one—said that they did not want the champions league final here; they have

asked why an elite section of people should have tax benefits when those at the bottom do not have them. That is the only point I want to make. We welcome the champions league final, the tourists who will come to the country and everything that that will bring, but we challenge whether the economic benefits are for everyone.

Mr Gauke: I appreciate that, earlier this afternoon, the hon. Gentleman set me the challenge of trying to persuade him to support the clause. He makes the point that he wants to see the champions league final in the UK next year, but my concluding point is that to ensure that the champions league final is held in the UK next year it is necessary for the clause to stand part of the Bill. If the clause is not agreed to, at the very least we are taking a significant risk, in that we are saying to UEFA that we think it is bluffing and that we are calling its bluff.

Cathy Jamieson: I hear what the Minister is saying but, as my hon. Friend the Member for Wansbeck said, none of us wants to give the impression that we are against holding such prestigious events. The Minister is right to say that, as an Opposition, we should probe, question and seek answers, and we have done because there has not previously been an opportunity to do so. However, can the Minister at least give us some comfort that he has understood the concerns of those who have spoken about grass-roots sport and who are worried about the notion of a sporting or other body almost holding a Government to ransom on taxation policy? Also, can he say that in future that there will be some further examination of this issue in relation to a wider policy for other sports?

2.15 pm

Mr Gauke: I appreciate the manner in which the hon. Lady has been setting out her case. As I have said, it is reasonable that we discuss and scrutinise this issue. This debate has been a very helpful one, in which members of the Committee have made a number of forceful and thoughtful points.

I do not think that there is a trade-off in this situation between a tax exemption for the wealthy versus support for grass-roots sport, simply because there is no cost to this tax exemption. This is not money that we could otherwise give to grass-roots sport, because without this exemption we do not expect a champions league final to be held in the UK, and if a champions league final is not held in the UK no tax revenue can be gained from a champions league final. So, as I say, I do not accept that there is a trade-off.

Charlie Elphicke: I completely agree with my hon. Friend the Member for Watford, who forcefully argued that the Opposition were completely opportunistic, given their behaviour in government. Nevertheless, there is a serious point to be made here, namely that this measure is the thin end of the wedge, as my hon. Friend the Member for Cannock Chase said. If we are agreeing that the champions league final should have a tax exemption, why do we not do the same for a rugby union tournament, a tennis tournament, or this and that other tournament? How can we be sure that we will not just end up on a slippery slope? That is my concern, and we must ensure that we protect our English and UK-wide tax base.

Mr Gauke: I refer my hon. Friend to the principal point that I made earlier, that we grant these tax exemptions for sporting events only where those exemptions are a necessary condition of bidding for an event at the highest level of world sport. We have made an exception for the Commonwealth games, but an exemption is not something that we concede as a matter of course. It is a condition of bidding for a handful of high-profile events to grant a tax exemption, and we have to make a decision about that. We have to take a pragmatic view about whether to grant that exemption. However, it is within those constraints that we permit an exemption.

Several hon. Members *rose—*

Mr Gauke: I will take two last interventions and then I will conclude.

Mr Burley: Is the logic of what the Minister is saying, therefore, that if any sport simply asked for this exemption, any sport would receive it, on the basis that every sport will have at its highest level a big, high-profile event? Whether it is Wimbledon for tennis, the Silverstone race for motor racing or the Open for golf, every sport has a big event in this country. Therefore, is it not the logic of the Minister's argument—I am picking up on what my hon. Friend the Member for Dover said—that we could end up losing a lot of tax revenue if every sport simply requests this exemption?

Mr Gauke: No, it is not the case, because there are sports that make a request for an exemption, but we are talking about internationally mobile sports; the location of major events could be anywhere. Wimbledon is traditionally held in Wimbledon; if it were not held in Wimbledon, it would be called something else. In those terms, therefore, there is a distinction between events such as Wimbledon and the Olympics, champions league finals or those other international sporting events at the highest level that could be held anywhere. It is necessary for the UK to compete to stage such events. There is a question that perhaps we do not want to compete for them, but if we do want to hold prestigious events—I, for one, hope that we do want to hold them—sometimes we have to compete and this tax exemption is part of the competition.

I will give way one last time.

Ian Lavery: The Minister has been very generous in giving way this afternoon. The issue is about such major tax cuts being a pre-requisite of holding major sporting events. How many of these major sporting events has the Minister been involved with, and how many has he turned down? Who makes the decision on whether they should receive benefits under clause 13, and when?

Mr Gauke: Ultimately, to answer the hon. Gentleman's question, it is us and it is now. There is a need for the law to be changed and there is a specific clause, which we are debating. Before that, Ministers decide whether to accept a proposal.

John Mann: Will the Minister give way?

Mr Gauke: Let me answer that point. I did say that that would be the last intervention, but I will give way to the hon. Gentleman in a moment. Such exemptions were made before the present Government came to power, for the likes of the Olympics and the 2011 champions league final. We have made that exemption for the Commonwealth games in 2014 and for the champions league final in 2013.

John Mann: Before the Minister finally sits down, will he confirm that he has left the Committee with a dilemma? We do not know when this change was introduced; we do not know how much money the taxation might have raised; and we do not know whether UEFA would withdraw this final from the UK. There are three things that we do not know, but we have been asked to make a decision. Does that not leave any rational parliamentarian with quite a dilemma over whether they can vote for the clause?

Mr Gauke: As I have said to the Committee, UEFA has told the Government unequivocally that without the proposed exemption the champions league final will be withdrawn. To some extent, I feel that we are now going around in circles. It is a decision that ultimately the Committee makes. I recommend to the Committee that we accept clause 13 and have the champions league final at Wembley in 2013, so that the eyes of much of the world will be on London once again. I think that would be a good thing, and I hope that the Committee agrees.

Question put and agreed to.

Clause 13 accordingly ordered to stand part of the Bill.

Clause 14

CARS: SECURITY FEATURES NOT TO BE REGARDED AS ACCESSORIES

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

Cathy Jamieson: I do not imagine that clause 14 will cause as much debate, discussion and controversy as clause 13, but who knows? I did not expect that the debate on clause 13 would go on quite as long as it did. We are unlikely to have so many people bobbing up and down and name-checking their constituencies or local individuals who might benefit from the clause.

It is important to put a couple of points on the record, however. If someone looked at the types of vehicles that are most likely to have the additional security enhancements mentioned in clause 14—the BMW X5 and 7 Series, the Jaguar XJ, the Land Rover Range Rover and Discovery 4, and some Lexus and Mercedes Benz models—they might misinterpret what the clause is about. It is important to understand that people are not getting some kind of tax break for no good reason or simply because they are able to afford these incredibly expensive vehicles. The clause is designed for individuals who can demonstrate that the nature of their employment creates a threat to their personal security. Certain security enhancements, such as armour plate and bullet-resistant glass, will not be considered accessories under the law and will thus not count towards the price of a company car for the purpose of calculating a taxable benefit.

The clause has been proposed to ensure that individuals are not unfairly impacted by the abolition in April 2011 of the £80,000 cap on the cash equivalent of the benefit on company cars made available for private use. HMRC has argued that the tax amendment supports the Government's objective of a fair tax system. I will resist the temptation to go into any other issues around what the Government think is or is not a fair tax system at this time and I will focus solely on this clause. The measure will take effect retrospectively from April 6 2011.

The current legislation, as people may be aware, is covered by part 3 of the Income Tax (Earnings and Pensions) Act 2003, which sets out the types of earning and benefits received by employees that are treated as taxable earnings under the benefit-in-kind rules. Chapter 6 of part 3 covers the treatment of cars, vans and related benefits.

There is a formula for deriving the sum that people would be entitled to have offset. In view of the nature of their employment, a number of individuals in both the public and private sectors can be provided with company cars that have been modified to accept security enhancements, such as those that I described earlier. Under the existing legislation, those are currently regarded as accessories for tax purposes and the value of the enhancements falls within the computation of the cash equivalent of the benefit, which may significantly add to the level of tax on the benefit, resulting in a disproportionate tax liability for some individuals.

The proposed revisions ensure that, under section 120 of chapter 6:

"If this Chapter applies to a car in relation to a particular tax year, the cash equivalent of the benefit of the car is to be treated as earnings from the employment for that year."

Section 121 sets out how to calculate the cash equivalent and the security enhancements that do not currently fall within any of the four categories of excluded accessory. The measure will treat those security enhancements as excluded accessories.

I do not want to say much more on this. The Government's impact assessment states that the employees most likely to be impacted by the legislation change are senior public sector employees such as members of the police and the armed forces, and some people employed in the private sector, such as people working in the pharmaceutical industry and animal test laboratories and, interestingly, some journalists. It estimates that the number of employees affected will be around 100.

The Chartered Institute of Taxation has said that in most cases before the cap was introduced in 2011, the cars in question were already expensive brands so often the addition of security features did not add to the benefit. It has drawn attention to the fact that the clause leaves out the cost of security features for all company cars and not just the more expensive brands.

In the Exchequer Secretary's letter of 23 April 2012 to Mr Hood and Mr Bone he stated that:

"A reserved power enables additions or amendments to be made to that list if required."

Will the Minister tell us what circumstances or additional amendments would be required in future to make that reserved power necessary?

Fabian Hamilton (Leeds North East) (Lab): Mine is a brief intervention. While commending this clause, I ask the Minister for some information on our diplomats abroad. Not many of us will have travelled in these armour-plated vehicles, unless we have been abroad to some of our embassies, but I wanted to know how our diplomats are treated in terms of their remuneration. Will they have had to pay any additional tax on the use of the vehicle provided, which is often one of these extremely expensive models, or are they regarded as company vehicles that are used by the individuals concerned occasionally? It would be helpful if the Minister could clarify the tax treatment.

John Mann: It is a pleasure to serve under your chairmanship again, Mr Bone.

I welcome the spirit and the detail behind this clause. Could the Minister clarify whether two groups of people might be covered by it? One group is politicians. Would any politicians potentially be covered? Would that be on the basis of the post they held or of a perceived or known security threat? Would that be determined at the local level, the national level or a corporate level by IPSA or someone else? I should be interested to have some clarification on that. Just so we are certain, I want the Minister to confirm that no champions league footballers taking a windfall from the champions league final, could in any way be deemed to be covered by this by their club suggesting there was a perceived threat.

2.30 pm

Miss Smith: It is a pleasure to take my turn in serving under your chairmanship, Mr Bone. Regrettably I did not get a chance to contribute to the last debate, but I should put it on the record that Norwich finished significantly higher than Ipswich this season and we are very proud of that fact.

I welcome the comments of the hon. Member for Kilmarnock and Loudoun on the clause. Let me lay out in brief what it does. The clause makes changes to ensure that certain passive security enhancements to company cars are not treated as accessories for the purpose of calculating the cash equivalent of the benefit of a company car when it is made available for private use. As hon. Members may well know, the background to that is that the calculation of the company car benefit value is based on the car list price, the cost of any accessories and the level of the car's CO_2 emissions. Previously, there was a cap of £80,000 on the list price used to calculate the car benefit charge. This was abolished by the previous Government with effect from 6 April 2011.

The changes made by the clause ensure that individuals who are provided with security-enhanced cars due to the nature of their employment are not unfairly affected by the removal of the cap. The changes confirm that certain specified security enhancements are excluded from being treated as accessories for this purpose. The specific enhancements that will be excluded are all passive in nature and are essential for the protection of the car's occupants, such as bullet-resistant glass and armour plating. The comments we have heard this afternoon show that is it recognised that unless we introduce relief in this area, some individuals may decide not to take advantage of a security-enhanced car, which could put them at substantial risk. That would be wholly undesirable. We estimate that a small number of employees will be affected—up to 100.

Ian Lavery: The report and the Minister say that there are probably 100 involved, and we are talking about an £80,000 car. Can the Minister give some examples of who is involved?

Miss Smith: I certainly will. I was coming to precisely that point, so let me try to make this absolutely clear: the 100 does not multiply by anything to form the £80,000. They are not connected figures in that sense. It is 100 people and the cap is what it is. They do not multiply together in any way. The relief is confined to those individuals who can demonstrate that the nature of their employment could cause a threat to their personal security. Examples have been given by other members of the Committee.

The hon. Member for Leeds North East asked about diplomats. I can confirm that diplomats are Crown servants and would fall within these provisions. In answer to the hon. Member for Bassetlaw, I can confirm that there is a specific exemption for Ministers of the Crown. The Independent Parliamentary Standards Authority has advised that no other MPs have security-enhanced cars. If he will forgive me, I cannot confirm whether Members involved with the champions league are affected. It is clear that most people in the type of role that we are talking about will be in the public sector. It is possible that a few employees from the private sector could be affected.

The hon. Member for Kilmarnock and Loudoun raised a point about how powers might be amended. Clause 14 contains an order-making power to amend the list of relevant security enhancements subject to the relief, in case that should be required in future, so that can be done by order. As I have explained, the clause focuses on security enhancements that provide essential protection and what is called passive protection. If we become aware of other enhancements that would provide the same level of protection, they could be considered. It would depend on the evidence on what was in use and what was appropriate.

If there are no further questions, I will conclude by saying that the measure supports the Government's objective of a fair tax system by ensuring that individuals who are provided with security-enhanced cars by virtue of their employment are not unfairly affected by the abolition of the £80,000 cap on the cash equivalent of the benefit.

Question put and agreed to.

Clause 14 accordingly ordered to stand part of the Bill.

Clause 15

Termination payments to MPs ceasing to hold office

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

Cathy Jamieson: I always hesitate, when talking about issues relating to MPs and payments, to suggest that they are uncontroversial. I should draw the Committee's attention to the Register of Members' Financial Interests and my entry regarding resettlement payments when I left the Scottish Parliament. I would also like to put on record that I was a member of the Committee on Members' Expenses, which produced a report in this Parliament.

The clause ought to be fairly straightforward, but it is important that we have this opportunity to put something on record. I would not like any suggestion that a matter relating to MPs' expenses had been slipped through without scrutiny, notwithstanding that the clause simply replicates a previous arrangement; that is important in the interests of transparency.

Clause 15 amends section 291(2)(a) of the Income Tax (Earnings and Pensions) Act 2003. As we know, the MPs' expenses scheme is administered by IPSA and is now intended to include provision for an interim resettlement payment for the benefit of any MP who involuntarily leaves office. The measure introduces an income tax exemption for such payments, subject to a £30,000 limit, and will ensure that any payments made by IPSA are treated in the same way as resettlement grants previously paid under the House of Commons Members' allowances scheme, similar grants payable to Members of the devolved Administrations, and termination payments received by other employees and office holders. Again, it would have retrospective effect, applying to any payments made on or after 1 April 2012.

We may already be aware of the background, but in the interests of transparency I put on the record that in the fourth edition of the Members' expenses scheme, IPSA introduced an interim resettlement payment. The scheme states:

"MPs who lose their seat in a general election held before the next scheduled general election (under the Fixed-term Parliaments Act 2011) will be eligible to receive a resettlement payment in accordance with IPSA's published resettlement payment policy."

The guidance sets out that interim policy:

"To qualify for the resettlement payment, the individual must have been an MP on the day before the dissolution of Parliament and a candidate for re-election for the same seat, but not re-elected.

The amount of the resettlement payment payable is one calendar month's salary (at the rate payable to Members immediately before the dissolution) for each completed year of service subject to a maximum payment equal to six month's salary."

Clause 15, which provides for the first £30,000 of any resettlement payment to be tax-free, brings the IPSA payments in line with the previous scheme operated by the House of Commons, under which the first £30,000 was also tax-free.

Ian Swales: As the hon. Lady says, this is a sensitive issue. Does she think the wording sufficiently covers the effect of the boundary changes that we are expecting? Does she think that the Minister should respond on the consequent complexities that might occur?

Cathy Jamieson: Without wishing to let the Minister off the hook by saying that it is perhaps not for him to respond on what IPSA has to do, it is important that IPSA understands the potential impact on individual Members. I am sure that the matter is on its radar and that it will give it appropriate consideration. Having said that, I would welcome any comment that the Minister might wish to make.

Ian Mearns: My hon. Friend is most generous in giving way. The wording of IPSA's statement is interesting, in that an individual must be

"a candidate for re-election for the same seat, but not re-elected."

Given the boundary changes, does the Minister care to speculate on what constitutes "the same seat"?

Cathy Jamieson: Again, I am sure the Minister can speak for himself and does not need me to do so for him. My understanding is that the policy IPSA is trying to adopt would stop a practice that I believe used to happen in the dim and distant past: instead of simply choosing to stand down from Parliament, people stood in what were described as unwinnable seats so that they could secure some sort of resettlement payment. That is clearly not to be encouraged. I understand that that is the intention behind IPSA's policy. My hon. Friend the Member for Gateshead and the hon. Member for Redcar have both raised an important point, and I am sure that, through whatever channels are available, it will be brought to IPSA's attention and that IPSA will begin to consider the matter.

Fabian Hamilton: Does my hon. Friend agree—sorry, my voice is going—that the IPSA scheme we are discussing differs from the previous House of Commons scheme, which was not limited to six months? Does she also agree that it is essential that the resettlement grant for MPs be separated from the winding-up grant, which should not be subject to taxation because it pays for staff and other office costs when an MP steps down or is defeated?

Cathy Jamieson: My hon. Friend makes an important point on how the scheme is different from what is essentially a winding-up allowance that may be used to pay bills, or address staffing matters or whatever, when an MP steps down or is not re-elected. The scheme is obviously different because of the six months. None the less, on the policy we are discussing, my understanding is that the first £30,000 of the payment will be exempt, and anything over £30,000 would be taxable. To that extent, IPSA is trying to put in place an interim scheme.

The summary of changes at the beginning of the fourth edition of the Members' expenses scheme states that IPSA anticipates developing a permanent resettlement payment policy in the review of Members' pay and pensions:

"MPs who lose their seats in an election before 2015 will be eligible for a resettlement payment. This is an interim policy in advance of the review of MPs' pay and pensions, which will identify a longer term solution."

Lest anyone looking in from the external world thinks that this is somehow MPs trying to pre-empt a situation, change the system, or award themselves something, that is obviously not the case. The proposal is simply to try to ensure that a scheme that was previously in place will be present again.

2.45 pm

Ian Lavery: Is the £30,000 tax exemption not exactly the same as the exemption in normal workplace redundancy schemes? It is exactly the same amount.

Cathy Jamieson: My hon. Friend makes a valid point. From his many years of dealing with trade union matters and, sadly, redundancies, he will be aware of the issue. I am keen to emphasise that the measure is simply—I am beginning to feel that I am making the Government's arguments for them, rather than allowing the Minister to do so—putting in place an interim scheme, so that if anyone loses their seat and is entitled to a resettlement payment, the same situation would apply to them and to others in a redundancy situation. It would be the same situation as pertained under the previous House of Commons scheme.

I hope that the Minister will respond to the points that have been raised. Perhaps he can say with greater authority than I can what future discussions will take place with IPSA, and tell us about any update that could be provided to the Committee.

Several hon. Members *rose—*

The Chair: Order. Before I call the next speaker, I remind hon. Members that the clause is fairly tight. This is not a general discussion about IPSA, and I hope that hon. Members will remember that.

Jacob Rees-Mogg (North East Somerset) (Con): All I want to say is that I have the greatest concerns about the principle of the electorate being charged for making a democratic decision to remove a Member of Parliament. Although I accept that the clause merely takes account of the change from parliamentary resolutions to the rules of IPSA, there should not be a cost to the taxpayer for deciding that they no longer wish to have the services of a Member of Parliament. Constitutionally, that is wrong. We are not in ordinary jobs. We are not ordinary employees. We are in a very privileged position, and the electorate should not find that they have a bill if they decide that our services are no longer required.

John Mann: I want to tease an answer out of the Minister about the 50 proposed compulsory redundancies, because it seems valid in the context of the clause. I have no particular interest to declare, because the Boundary Commission reviews have not really affected my seat either way. It is the right sort of size.

Miss Smith: It is not your seat; it is the people of Bassetlaw's.

John Mann: Well, it will be the people who decide next time. I hope to re-stand, and let us see what happens. *[Interruption.]*

The Chair: Order.

John Mann: There is still the question of those who will be less fortunate in the context of the boundary reviews. By definition, they are likely to be those in small seats, because if there are clusters of small seats, some will go. Wales is an obvious example, but it is not the only one. There seems to be a contradiction, in that some people will be unable to stand, because there will be no seat for them to stand in. If the number of seats in Wales is reduced by—I think—a quarter, some people will, by definition, be unable to stand. I hope we do not see the rather farcical situation that used to apply in the European Parliament, where people were prepared to stand anywhere, in a tokenistic fashion, purely to get the European equivalent of a winding-up allowance. That seemed to be total nonsense, and I can think of examples of people who did that. Should Parliament, in its wisdom, choose to confirm the 50 compulsory redundancies, there seems to be a quagmire that the Government need to think through. It seems that those people, whoever they are, and if it can be determined who they are, would be rightly due redundancy pay.

The Chair: Order. The hon. Gentleman is making a fair point, but that is more to do with IPSA than what we are discussing in the clause.

John Mann: I hear what you say, Mr Bone. I have made my point and I will listen with interest to the Minister's response.

Mr Robert Syms (Poole) (Con): Under the old system, where we had a resettlement grant, there was a tax-free element, as allowances in most jobs have when people are made redundant. The IPSA scheme is rather limited and may have some unforeseen consequences. First, seats will disappear, and secondly, people in safe seats might be tempted to stand as independents when they retire, in order to collect the money, rather than retire quietly. That was one of the reasons why the original scheme was changed.

It seems a little strange that someone who is ill and retires in a safe seat will not get a payment, whereas someone who is healthy and young and who is made redundant after one term will get a payment. IPSA needs to look at that again.

My question to the Minister is this: was the clause drawn up so that it would still apply if IPSA changed the arrangements to cover more Members being made redundant because of the abolition of seats, or if the scheme was broadened? Is this a blanket clause to cover the IPSA arrangements, whatever IPSA decides? If IPSA decides to widen the scheme, will we have to legislate again in this area ?

Mr Gauke: I am grateful to hon. Members for raising various issues in the course of this short debate. I am grateful to the hon. Member for Kilmarnock and Loudoun, who in many respects did my job for me in setting out what the clause will do and why it is quite helpful for us to have a short debate on the matter.

Clause 15 will make a minor change to ensure that an existing income tax exemption for termination payments made to MPs can apply to payments that are now made by the Independent Parliamentary Standards Authority.

Before the creation of IPSA, all MPs leaving the House of Commons could claim a one-off payment known as a resettlement grant. From 1 April, IPSA has made provision for resettlement payments to MPs. Under the IPSA rules, such payments will be made only to an MP who leaves office involuntarily, for example if they contest and lose their seat at a general election.

Ian Lavery: Would an MP who loses the opportunity to stand for a seat because of boundary changes fall into that category?

Mr Gauke: The tax change in the clause relates to resettlement payments made by IPSA. That is the main point; again, I am grateful to the hon. Member for Kilmarnock and Loudoun for making that point for me. The question of exactly when such resettlement payments will be made is up to IPSA. The purpose of the clause is to ensure that there is continuity in the tax treatment of those resettlement payments. It is not for the Committee today to decide exactly what resettlement payments there will be; that is a matter for IPSA. It is challenge enough to try to explain the workings of the tax system without also attempting to explain the workings of IPSA, which I fear may be beyond me.

Cathy Jamieson: I will not attempt to explain the workings of IPSA either. So that Members get the clarity that they are looking for, will the Minister confirm that the wording of the clause, particularly,

"made under section 5(1) of the Parliamentary Standards Act 2009 in connection with a person's ceasing to be a member of the House of Commons",

means that should IPSA change its rules and payment scheme, no further change at all will be required, in relation to income tax payments, to either this Bill or the Parliamentary Standards Act 2009? Is this a catch-all clause that allows IPSA to change things under its own rules?

Mr Gauke: It is a good question; it is the essence of the point made by my hon. Friend the Member for Poole. If IPSA changes the terms of payment, would the exemption still apply? The answer is yes. This provides sufficient flexibility. I always have to put in a caveat, but essentially the purpose is to provide flexibility if IPSA changes the rules. Many of the points that have been raised during the debate have been about those rules. As you rightly said in your guidance, Mr Bone, it is not for me to get into such matters.

On the point raised by the Member for Leeds North East about winding-up payments and whether this legislation applies, the answer is no. This new legislation applies only to resettlement payments made by IPSA to MPs who leave office involuntarily following a general election. Winding-up expenditure is paid to such MPs separately to enable them to meet the costs of completing outstanding parliamentary functions before leaving office. Winding-up expenditure is taxable, but it qualifies for matching tax relief, so that is a separate subject.

Clause 15 merely allows the existing exemption to apply to resettlement payments made by IPSA. It puts MPs on the same footing as other employees, who are exempt from tax on the first £30,000 of termination payments when they lose their jobs, and as Members of the devolved Administrations. Without the clause, MPs would be taxable on the full amount of any resettlement payment they received.

The clause results in no net change from the previous system, but ensures that MPs continue to be treated in a similar way to other employees. I therefore commend the clause to the Committee.

Question put and agreed to.

Clause 15 accordingly ordered to stand part of the Bill.

Clause 16

EMPLOYMENT INCOME EXEMPTIONS: ARMED FORCES

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

Cathy Jamieson: I welcome the opportunity to say a few words about the clause and to ask the Minister some questions. I should say at the outset that I am not seeking to oppose the measures in the clause. I simply want to ensure that we have the opportunity to scrutinise properly, and fully understand, the Government's intentions.

As people may be aware, the continuity of education allowance is paid to service personnel to enable them to provide a continuity of education for their children that would perhaps not otherwise be possible if they accompanied their parents on frequent assignments at home or overseas. The CEA is liable to tax when paid to recipients based in the UK, but the tax is paid by the Ministry of Defence on behalf of the recipients. As is outlined in the papers supplied by the Government, the financial impact of the measure will be neutral for service personnel and their families, but the clause will simplify the administration of the allowance and the whole process.

I think Opposition Members would like further information about the eligibility criteria, so that we can think about them; perhaps inspiration will strike. We want to know the breakdown and how many people in each rank are claiming the CEA. They can claim up to £6,074 per child per term towards the cost of either state or independent boarding schools on the list that the MOD has accredited, so long as they are serving a company. Parents are required to contribute a minimum of 10% of the school fees, although I understand that some pay more if they can afford to do so, as the maximum allowance would not necessarily cover the full costs of many of the schools to which people choose to send their children. Under the scheme, special arrangements are made for children with special educational needs.

3 pm

The estimates for 2010 put the cost of the scheme at about £180 million a year to support the 7,900 children of about 5,500 service claimants. About £70 million was to settle the tax liability that would otherwise have been incurred by claimants based in the UK. To give an idea of the scale, those 7,900 service children are distributed across about 440 schools. Of those, 25 are state boarding schools, and those service children represent about 11% of the total number of children in boarding schools in the UK.

A survey undertaken in 2011 by the Army Families Federation found that 59% of service families spent more than £1,000 a term on sending each child to school, and that 10% chose to spend more than £3,000. It also found that 52% of claimants were officers and 48% were from the other ranks, which is why I am asking the Minister for further information.

After the continuity of education allowance had been reviewed in 2011, the Minister for the Armed Forces, the hon. Member for North Devon (Nick Harvey), talked about the need to ensure that the principle would remain, that the current rates for parental contributions—

a minimum of 10% of the school fees—would be maintained, that parents would continue to be able to choose the school that was most appropriate for their children from a wide range of independent and state schools on the MOD database, and that there would be no change to the allowance for special needs, north Wales and day school provision. However, there were to be some changes to the policy regulations: there was a new restriction on the age range for eligible children, meaning that initial claims for year 12 and 13 children who had not previously been in continuous receipt of the CEA would no longer be permitted, and a central payment system was to be established by the MOD, so that the CEA was paid directly to the school, rather than to the claimant.

Interestingly, at the same time, one of the comments was that parents would be encouraged to use state boarding schools as they provided continuity of education at a lower cost both to the MOD and to parents, because the state already funded the tuition element of the costs. I want to hear from the Exchequer Secretary on whether that has happened. How has that been promoted, supported and encouraged, and has it had any success? At the time, the MOD was going to continue to simplify the CEA policy to ensure that its purpose and procedures were well understood.

Obviously, many comments were made at the time about the benefits for children in service families. Significantly, an Ofsted report—I will not go into it in great detail—had several key findings, including that there was no accurate record in the UK of the number of service children and that no organisation was properly accountable for tracking their location and their movement between schools, including in relation to pre-school children, those who are home-educated, and those who are not in education, employment or training.

In a sense, the issue is important because of the tax implications, but we should see it in the broader context of the military covenant, our support for our armed forces, and the need to ensure that children's lives are not disrupted and that they achieve the best quality of education. I appreciate that such wider issues are not in the direct remit of the Minister, but I hope that he will continue to work with his colleagues to ensure that they take account of those issues. I look forward to hearing his response.

Mr Gauke: As we have heard, the clause will introduce an exemption from income tax for payments of the continuity of education allowance to UK service personnel. It aims to support the principles of the armed forces covenant, particularly that service personnel and their families should not be put at any disadvantage from entering military life. The MOD offers the allowance to service personnel with children aged between eight and 18. It covers up to 90% of the cost of boarding school fees and is designed to provide children with the continuity of education that would be impossible if they changed school whenever their parent is required to move base, which can happen as frequently as every 18 months. The allowance is currently paid for about 6,800 children, in respect of about 4,800 service personnel, and is available to personnel of all ranks.

On the point raised by the hon. Member for Kilmarnock and Loudoun, we do not have a detailed breakdown of the distribution, but we understand that the recipients are distributed evenly, and that the regime is not just the preserve of officers. The hon. Lady rightly hinted that it is for the Ministry of Defence to decide the terms of the payment; it is not something that we in the Treasury determine.

Ian Mearns: The Minister says that the scheme is not particularly weighted towards officers, but proportionately, it is, given the number of officers and their children benefiting from it, as opposed to people of other ranks. The last time I saw related figures, about 52% of people benefiting from the scheme were officers and 48% were of other ranks, but, of course, the numbers do not compare across automatically.

Mr Gauke: I appreciate the hon. Gentleman's point about different proportions. It is right, however, to appreciate that the CEA is not only for officers, but made use of in all ranks. The scheme is run by the MOD and the proposals that we are outlining today allow continuity in the policy.

John Mann: The Minister says that the question of choice is not one for the Treasury, because that impacts on the cost to the Treasury. Is there not a good case for suggesting that the majority of such children should be attending our excellent state boarding schools, where the Exchequer would pay the accommodation cost, but would have no additional tuition costs? At private schools, the Exchequer has two costs—accommodation and tuition—so there is clearly a value-for-money issue, considering the high quality of state boarding schools, which is recognised by Ofsted and the general public.

Mr Gauke: I think the hon. Gentleman is making a case for the Treasury controlling nearly all aspects of government. That argument can always be made, but perhaps it should not detain us for too long on this occasion. The approach that the MOD has taken, under Governments of different colours, is to provide a degree of flexibility and choice for parents. As part of our commitment to continuing to support the military, we do not intend to curtail the choice that exists now for military personnel, albeit in difficult financial times for the country.

John Mann: I thank the Minister for giving way generously, but he wrongly attributes to me the thought that the Treasury should control all aspects of life; what it should control is expenditure. At a time when the Treasury is demanding huge cuts in the MOD, including front-line costs, should it not be the Treasury's responsibility to look at value for money and the total cost of this subsidy, as well as seeing, in particular, whether more use can be made of our excellent state boarding schools? There are 39 across the country, so from the figures provided by the Minister, it is clear that some are not being used at the moment. As there is no tuition fee, they would be significantly cheaper and prove to be better value for money. Is that not part of the Treasury's remit at a time of declining resources and cuts in the defence budget?

Mr Gauke: I think I am making broadly the same point. Of course it is right that the Treasury and, indeed, the MOD try to obtain value for money. The measure provides continuity in the policy of allowing

[Mr Gauke]

flexibility for military personnel in relation to schools. As always, however, the hon. Gentleman makes an interesting point.

The CEA is currently liable to tax when it is paid to recipients based in the United Kingdom. However, the tax is paid by the MOD on behalf of recipients, so individuals do not, in practice, pay tax on CEA payments. A routine review by Her Majesty's Revenue and Customs of the tax arrangements that apply to allowance payments to service personnel provided a suitable opportunity to consider the underlying tax treatment against the principles of the armed forces covenant. The changes made by the clause will exempt CEA payment from income tax. The exemption's financial impact will be neutral for service personnel and their families, because the MOD already foots the tax bill on their behalf. However, the change will simplify administration of the allowance.

Consequential amendments have been made to corresponding income tax exemptions. Those apply to payments of the operational allowance and to council tax relief for members of the armed forces, reflecting the correct designation of the allowances in the MOD.

To conclude, the clause will simplify administration of the CEA; it will ensure that taxation never becomes an impediment to service personnel who want to obtain a stable and enduring education for their children; and it supports the Government's wider commitment to support the armed forces through practical application of the principles of the armed forces covenant. Therefore, I beg to move that the clause stand part of the Bill.

The Chair: Before I put the question, it is not necessary for the Minister to move that the clause stand part of the Bill.

Question put and agreed to.

Clause 16 accordingly ordered to stand part of the Bill.

Clause 17

TAXABLE BENEFITS: "THE APPROPRIATE PERCENTAGE" FOR CARS FOR 2014-15

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

Catherine McKinnell (Newcastle upon Tyne North) (Lab): It is a pleasure to serve under your chairmanship once again, Mr Bone. The clause sets out the company car tax rates for 2014-15. It increases by one percentage point the tax rate on company cars emitting carbon in excess of 75 grams per kilometre, up to a maximum of 35%. That means that individuals who drive a petrol-fuelled company car will pay £70 extra tax in 2014-15, and £165 in 2015-16 and 2016-17. Overall, the change will increase tax for most drivers who use a company car. The measure rightly gives two years' notice of the increase, because for some drivers, if not all, the change will be keenly felt.

Does the Economic Secretary know how many people who have petrol-fuelled company cars will be affected by the tax increases? What estimate has she made of the proportion of basic rate taxpayers and higher rate taxpayers that will be affected by the new rules? On whom will the change impact most?

According to the explanatory notes to the clause, the changes

"support the Government's commitment to reducing the UK's carbon footprint."

We all recall the Prime Minister's pledge in the heady early days of the coalition to make this the greenest Government ever. Although that is a welcome goal and pledge, the Bill's explanatory notes, unsurprisingly, make no reference to the Government's stated aim, as laid out on page 31 of the coalition agreement, to

"increase the proportion of tax revenue accounted for by environmental taxes."

3.15 pm

Ian Lavery: On this Government's wish to be considered the greenest Government of all time, is it my hon. Friend's esteemed view that this is a green measure or is it just another way of raking finances off ordinary people? The Government wish to raise £120 million in 2014-15, £375 million in 2015-16 and £350 million in 2016-17. Is it a green tax or an additional burden on ordinary people?

Catherine McKinnell: My hon. Friend makes an important point and does so eloquently, in his usual style. I hope that the Economic Secretary will shed some light on the issue when she explains who the tax is most likely to affect.

I said that it is unsurprising that the Bill's explanatory notes make no reference to the Government's aim and strategy in relation to this change because in November 2011 the Economic Secretary responded to a question tabled by my predecessor, my hon. Friend the Member for Pontypridd (Owen Smith), whom we all miss, by saying that the Government were "currently finalising" their definition of environmental taxation. She went on to say:

"This will establish a baseline against which the Government's commitment to increase the proportion of revenue from environmental taxes can be measured."—[*Official Report*, 14 November 2011; Vol. 535, c. 644W.]

I am not sure that it is the wisest of strategies to commit to something that is so difficult to define. Perhaps that is the genius of the enterprise: how can members of the public hold the Government to account on a measurement that they have not yet been able to define? Will the Economic Secretary shed some light on the matter and provide a definition of environmental taxation? Does she believe that the Government are succeeding in their stated aim of increasing

"the proportion of tax revenue accounted for by environmental taxes"?

Julie Hilling (Bolton West) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone. I want to ask a few brief questions. The measure appears to be being sold as a tax rise that hits those who are able to pay it. The Government say that more than 90% of those individuals with company cars earn above the median income and that 60% of them are higher taxpayers. I want to explore those figures. In 2011, the median income was £26,244, which is not a huge amount of money. Tax increases affect that level of family income, so the measure will affect a group of people who have been badly hit by other taxes introduced by the Budget.

It appears that breakdown figures in relation to company cars and earnings were last available in 2007-08, which is problematic if the Government want to judge the impact—certainly the equality impact—of the changes. The figures show that 5,000 people with a company car earned £8,500 a year, which is not a great deal of money. Even if those people had received a 5% pay rise each year since 2007-08—which is highly unlikely, given that most people have had either no pay rise or one of 1% or 2%—they would now be earning £10,000 a year and their taxes are going to be increased. According to the figures, 255,000 people with company cars earned £25,000 or less a year, which is also on the lower income level, and 450,000 people earned between £25,000 and £45,000 a year. The provision seems to be another tax on the squeezed middle and the battered base, which has been referred to.

Ian Lavery: Is it not ironic that we have been discussing security accessories to cars in relation to abolishing the cap of £80,000? That is only for rich people. I would not have thought that anybody here—I have not—has a car around the £80,000 mark. At the same time, we are looking to increase tax on car allowances. Is there a message there?

Julie Hilling: I thank my hon. Friend for that intervention because there is a whole message in the Budget. It is an attack on the poor and an absolute attack on the squeezed middle. Let us consider some of those things: the loss of tax credits, a caravan tax—

John Mann *rose—*

Julie Hilling: Let me finish my little list and I will happily give way to my hon. Friend to add to it. There is the loss of tax credits, the caravan tax, the pasty tax and the hairdresser tax. Next year, a whole lot of people will be moved into a higher rated tax band with no pay increase. Of course, alongside that is the reduction in the 50p tax for the very rich.

John Mann: I thank my hon. Friend for giving way. She is eloquently explaining the problem for those people the Government seem to want to hit most: car drivers—in this case, company car drivers. Is she aware that, under this Chancellor, petrol has already risen by £1 a gallon, which is the biggest ever single increase under any Chancellor in post-war Britain?

Julie Hilling: I thank my hon. Friend for that intervention. *[Interruption.]* I hear, from a sedentary position, a Government Member saying that taxes are lower than they would have been under a Labour Government. However, this Government have increased VAT.

The Chair: Order. This is developing into a Second Reading debate again. We need to stick to the clause. I do not want to be in Committee on the Finance Bill in a year's time still discussing this. We must stick to the clause.

Julie Hilling: Again, Mr Bone, it is with great regret that I cannot continue with my comments, as I would love to refute some of those remarks that come from the Government side.

Ian Mearns: The point that my hon. Friend has been making about the impact on middle and lower earners is particularly apposite because, although the Government claim that around 60% of the people affected by the measure will be higher or additional rate taxpayers, that means that 40% of those affected will be in the lower tax bracket. What we are getting from the HMRC impact note is that those people will have to pay out an additional £70 in tax in 2014-15 and £165 in subsequent years. People at the bottom end of the tax-paying scale will have to fork out significant additional sums.

Julie Hilling: I thank my hon. Friend for his intervention and for quoting the figures. When we look at tax, sometimes we might think that people at the higher end can afford to pay that extra bit. However, I do possibly accept that there is an unintended consequence of the view that people who have company cars are directors—the rich. It is true that some people with company cars are directors, but directors of small firms are not necessarily highly paid at all. We are talking about people who use their car for work—for example, sales people, engineers, fitters and carers. They are not the affluent. It is expected that the measure will bring in £120 million in 2014-15 and £375 million in 2015-16.

Labour changed the policy so that cars were taxed according to not only their list price but their emissions. Roughly three quarters of company cars are diesel and a quarter are petrol, and of course people were encouraged to move towards diesel cars to reduce CO_2 emissions. Now, however, it appears that diesel cars will be subject to the same level of tax as petrol ones. Again, if we are talking about environmental concerns, why are we doing that? As I understand it, the exemption for zero-carbon cars and those with ultra-low carbon emissions will also come to an end.

According to the Government, the clause ensures that company car tax continues to reflect changes in fuel efficiency and supports the sustainability of the public finances, but it seems to me that the Government have simply realised that more and more people are driving low-emission cars and that the tax take on those is, therefore, less. Where is the environmental concern in all this? Raising money becomes more important than continuing to promote greener cars. The Government said that they wanted to be the greenest Government ever, but they are demonstrating in all sorts of ways that they are not. Why do a U-turn on car emissions and on company car tax? Is the change to ensure that company car tax continues to reflect changes in fuel efficiency, or is it simply about the sustainability of the public finances? I would like to hear the Minister's explanation.

The figures are from 2007-08, so how many people are going to be affected by these changes? What are the pay scales of those who will be affected? How many of them are low paid? How many of them are standard rate tax payers? Next year, how many of those will be higher rate taxpayers, not because their income has increased but because they have simply slipped into the higher tax bracket?

Seema Malhotra (Feltham and Heston) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Bone. I follow an excellent speech by my hon. Friend the Member for Bolton West on a clause that might not be considered the most controversial, but

[Seema Malhotra]

which raises important questions about who will gain and lose, perhaps in unintended ways, from the proposed changes. From April 2012, we have had the revised graduated table of company car tax bands, which has now changed from two bands to three. That creates more complexity, and I would like the Minister to explain the reasoning behind that change.

We have heard already that the projected revenues are £120 million in 2014-15, £375 million in 2015-16 and £350 million in 2016-17, and that, based on HMRC research, those driving a petrol-fuelled company car will pay £70 extra in two years' time and £165 extra a year in three years' time. There are slight variations for diesel-fuelled cars. Overall, tax will increase for the majority of company car drivers.

The point, which has been made so eloquently by my hon. Friends, is the lack of differentiation on the impact for higher-rate taxpayers and lower-rate taxpayers. More than 90% of individuals who use company cars may well have incomes above the UK median, but that means that 10% do not. The proposed changes will mean that those 10% have to give more thought to the option of a company car, alongside their other finances and the balance of things in the package that they negotiate and opt for at work. Such decisions may need to be taken some time in advance, and people might not realise the impact of the proposed changes. One year can roll into another, especially when life is busy.

Following on from the comments made by my hon. Friend the Member for Bolton West, my question is who is affected and, more to the point, what communications may take place? Those who might be proportionately harder hit could be made aware of that well in advance and be informed sufficiently to decide whether it still made financial sense for them to have a company car.

3.30 pm

I am also interested to know whether there has been any assessment of whether particular occupations might be more affected, and whether geography might have an impact, with rural areas more affected—in areas with less public transport, people might depend more on the vehicle for work. Have car manufacturers been involved in any discussions about emission efficiencies? It is certainly good news that the level of CO_2 emissions produced by new cars has fallen by more than 5 grams in the past year, and it would be interesting to know whether that is expected to continue.

Finally, are there likely to be changes to car allowances? People might opt for car allowances rather than a company car, and if someone has made that decision based on their finances, will this or other changes have an impact? The change comes at a time when drivers are feeling the squeeze from rising petrol prices. We have had debates elsewhere on whether we should have seen VAT on fuel reduced temporarily, and there is an active campaign on that, on which I am sure Government Members, as much as Opposition Members, are receiving representations. Will people be sufficiently informed about the changes before they occur, and do the Government recognise that the changes are being made when incomes are being squeezed greatly, in particular those of middle-income families?

Miss Smith: I will begin by briefly saying what the clause does, and will then run over some of the statistics that come into play here. You will be aware, Mr Bone, that sadly I would not be in scope if I discussed some of the questions raised, because the clause legislates only for the immediate year's worth of changes. The questions posed on the diesel supplement and emissions, for example, are technically out of scope for this year—I hope that I am in line with your ruling, Mr Bone.

Clause 17 changes company car tax rates from 2014. Company car tax provides for the benefit-in-kind charges under income tax and employer national insurance contributions—NICs—that apply to company cars made available for private use. I shall give a little background to that before I go on in detail and start rattling through some numbers, as requested. Company car tax was indeed reformed in 2002, as has been mentioned, and it is now based on CO_2 emissions. The company car tax applies when an employer provides an employee with a car, and that car is made available for their private use. The company car benefit is taxed as the car list price multiplied by the appropriate percentage, multiplied by the individual's marginal tax rate. Employees then pay income tax on the benefit at their marginal rate, while employers pay the NICs on it. The appropriate percentage is based on CO_2 emissions—the lower the car's emissions, the lower the appropriate percentage.

The practice of announcing in advance company car tax rates also comes from the 2002 reforms. Company car tax changes have been announced at least two Budgets in advance, and the practice of advance announcement provides a certain stability and certainty in the company car market. Perhaps that begins one answer, at least, to the hon. Member for Feltham and Heston. She asked me about advance timing, and there is her answer. It allows employers and drivers to plan changes to their fleets well ahead of any tax changes.

To ensure that company car tax continues to reflect changes in fuel efficiency and to support the sustainability of the public finances, Budget 2012 set out those rates from 2014-15 through to 2016-17, including the removal of the diesel supplement in 2016, although, as I have said, that is not within the scope of this clause. From 6 April 2014, the appropriate percentage of the list price, which is subject to tax, will increase by one percentage point for cars emitting more than 75 grams of CO_2 per kilometre up a scale to a maximum of 35%. Zero emitting cars, such as electric cars, will retain the appropriate percentage of 0%, and the 5% rate will remain for ultra-low carbon cars emitting between one and 75 grams CO_2 per kilometre. As I have said, those changes will not come into effect until 2014, so existing drivers of company cars will have up to two years of lead-in time to plan and adjust.

Julie Hilling: I thank the Economic Secretary for her explanation, but I am wondering, in terms of the advanced notice, when the tax bands will change for zero carbon and so on?

Miss Smith: It will be in line with the two years' notice schedule to which I just referred. The hon. Lady will see in Budget 2012 how the rates were outlined to change and the intention of the Government is that that occurs two years in advance each time. She will able to

track that through a table, if she has it in front of her, or in her head with a facility for mental arithmetic outstripping, no doubt, anyone else in the room.

The other brief point I want to make about the advance notice question is that company cars are an important feeder to the second-hand car market. That is another way in which the lead-in times involved here have a role to play. The uptake of cleaner company cars will in due course also have beneficial effects on the second-hand car fleet.

I will address the questions raised by the hon. Member for Newcastle upon Tyne North, who asked for some numbers, which I am very happy to provide. She asked for the number of petrol cars affected. I can confirm that in the UK at present there are around 1 million company cars—there are some 30 million cars in total, just to put that in context—and the latest figures available to me show that some 70% are diesel and 30% are petrol. She can do the maths from there. I am also happy to confirm to her something that other hon. Members have already picked up, which is that the proportion of higher-rate taxpayers who drive the cars in question is 60%, so the proportion of basic-rate taxpayers is 40%.

As has also been noted—I will use this to move on to the questions posed by the hon. Member for Bolton West—some 90% of the drivers in question earn above the UK median income. There is something important to say about that, and this is where I come on to the broad points raised by the hon. Lady. She dwelled on the median income of £26,000 and linked that to the idea that this reform and change to the rates is a new tax on a squeezed middle.

I want to say two things about that. First, any notion of how we might treat the median income of £26,000 is rather rich coming from the Opposition, who refused to back a benefits cap hinged around exactly that number. Secondly, turning from there to her somewhat confusion about whether this tax was to be for revenue-raising purposes or for green purposes, I have already said that it will be well without the scope of the clause for me to answer any of the vast number of questions about the greenness of the entirety of Government policy. Discussion of that matter is for another day.

Ian Mearns: Will the Minister give way?

Miss Smith: Let me make this one point—perhaps the hon. Gentleman will help to answer it. There is one further really important point that I need to make to the hon. Member for Bolton West and indeed to various other Members of the Committee. Yes—surprise, surprise—we face a revenue challenge in Budget 2012, which is being legislated for through the Finance Bill that we are now considering. The point is that that revenue challenge we face is the one left by the last Labour Government, who created and left to us an entire hole in the public finances. And then Labour Members seek to pose questions about how that hole should be filled.

It is fair to ask this proportion of drivers to contribute towards filling that black hole; it is fair that all citizens of the UK, according to principles of fairness, should be asked to contribute towards filling it. It is a shame that that black hole left by the hon. Lady's Government—the last Government—is so large, but that is the situation we are in.

As I have said, it is proper that individuals should pay a fair proportion of tax, but it is also proper in this particular case that individuals should pay a fair proportion on the private use of a company car. Let me bring the Committee back to that exact point; clause 17 legislates for the private use of a company car. Others who do not use a company car, and who might use their own car, have to buy their own car, maintain it, insure it and tax it themselves. That is the equivalence that we are talking about between company cars and fully privately owned cars. So it is fair that we are asking people to pay a contribution to the public finances through this particular part of the taxation system.

Catherine McKinnell: On that point, the Minister may have misunderstood the purpose of the questions that were asked. I say that because there is a concern that quite a lot of the people who are probably the taxpayers most affected by this change are in the sorts of jobs where they have no choice but to accept a company car. Let us take a health visitor or a midwife, for example. This tax rise will hit their family budgets fairly hard. So, to compare it with a benefit as opposed to comparing it with the situation in the private sector can be a bit of a false comparison in those circumstances.

Miss Smith: The hon. Lady underlines my point for me, in many ways. If someone was being offered a company car by their employer, it could be argued that they do not then need their own car. The point that we are dealing with in the clause is about the private use of a company car. It is about what someone does—let us hypothesise—on a Sunday afternoon with a company car. The point then is that it is fair to pay some tax on the use of that car, as everybody else has to pay tax on the use of their own private car. That is a point of fairness, whether it be for somebody who is a nurse or somebody who earns significantly more than a nurse and who, therefore, ought to pay tax because they are on a higher salary.

Let me answer a couple of the other questions that were posed. The hon. Member for Feltham and Heston asked about the occupations of those who might be involved in this process; indeed, she also asked about the geography, and whether any analysis had been done of such things. I regret to say that this Government do not have a sort of Gosplan-like knowledge of where all the cars are owned. As a Minister, I would certainly not be aware—in an entirely proper way—of that information, because we do not see individual tax records, of course, and nor should we. However, I can obviously confirm that employers in the broader private sector would, on the whole, only be able to provide a car where it would be of benefit to their business. That, by its nature, means that a wide range of occupations may come under that kind of consideration.

The hon. Lady also asked, quite rightly, whether car manufacturers had expressed their views on this measure. I can reassure her that I and other Government Ministers have a wide range of meetings in the lead-up to the Budget, to try to understand the industries that are affected by the Budget and the Finance Bill.

John Mann: I am reflecting on the Minister's previous comment about being unable to answer my hon. Friend the Member for Feltham and Heston. Is she saying that

[John Mann]

the Government no longer use tax modelling to look at the projected range of revenues that come in and where they would be coming from? If she is saying that, it would seem to be going back 40 or 50 years. Alternatively, has she not had the opportunity to see the tax modelling, which would help her to answer the question?

3.45 pm

Miss Smith: It is obvious to the hon. Gentleman that it is quite a leap from what he has just outlined to then being able to refer to the occupations of those who might drive company cars. The right hon. Gentleman who previously occupied No. 11 Downing street or No. 10, if one is considering the flats upstairs, may have wanted to have that level of information, but this Administration simply does not.

Seema Malhotra: There is a distinction between the occupations where there may well be less data but there may be some broader patterns or estimates, perhaps based, as my hon. Friend the Member for Newcastle upon Tyne North mentioned, on the public sector where people may be out in the community much more. There may even be a public and private sector distinction. It may not be at a very granulated level. The distinction could be geographic. It might be much easier to get some data even by region or by urban areas versus rural areas. I am sure that there is a lot of data available through previous patterns of where company cars have been, how they might have been registered and where employers might be.

Miss Smith: I regret to say that there is no such research available to me.

John Mann *rose—*

Miss Smith: I shall make the final point to which the hon. Gentleman may have a clever answer. Cars, by their nature, move. So where they were bought becomes somewhat movable.

John Mann: I thank the Minister for so generously giving way. The key words that the Minister added were "to me". The modelling of company cars in relation to Government taxation is long-standing. Records have been provided to the academic world in relation to this. Those of us who have had any connection with the industry have accessed those figures in the past. Of course one knows. One knows who supplied the company cars and the basis for it. Whole industries are structured on how much there is going to be because company cars change over. The second-hand car sales of former company cars are a key part of the car market in this country. For the Minister to suggest that there is not a wealth of data in relation to company cars is nonsense. It is one of the areas where there is a huge amount of data available to the Government. The Minister should be able to do a little better in answering the point made by my hon. Friend the Member for Feltham and Heston.

Miss Smith: I suggested the hon. Gentleman might want to provide a clever answer, which I am afraid that was not. He rightly says there is a wealth of information in the motor industry. There is indeed, but the trick in this case would be to align it with tax records in order to answer the question posed in good faith by the hon. Member for Feltham and Heston. That is the part I do not have available, so I regret that I am unable to give her the answer she seeks. The hon. Lady also asked, if I understood her correctly, about the way in which three bands have moved to two. I am not clear what she meant. There are 27 bands involved in the full range. I would be happy to clarify if she wishes and come back to her later.

Julie Hilling: The Minister has not answered one of my questions about the date of the last statistics. Will she confirm that the statistics have not been gathered since 2007-08? That certainly appears to be what National Statistics is saying. How is she basing her modelling, if it is based on 2007 salary bands?

Miss Smith: As with the other figures I mentioned—such as the 1 million—I understand that they are the latest figures available. As the hon. Member for Bassetlaw pointed out, there is a wealth of information in the motor industry. I understand, in good faith, that to be the latest information available to me.

The changes ensure that company car tax continues to reflect both changes in fuel efficiency and to ensure that company car drivers make a fairer contribution to the sustainability of the public finances.

Question put and agreed to.

Clause 17 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned. *—(Greg Hands.)*

3.50 pm

Adjourned till Tuesday 12 June at half-past Ten o'clock.