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HOUSE OF COMMONS
OFFICIAL REPORT

PARLIAMENTARY DEBATES

(HANSARD)

Monday 26 October 2015

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THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE FIRST SESSION OF THE FIFTY-SIXTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 18 MAY 2015]

SIXTY-FOURTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 601**

SIXTH VOLUME OF SESSION 2015-2016

House of Commons

Monday 26 October 2015

The House met at half-past Two o'clock

PRAYERS

[Mr Speaker *in the Chair*]

Oral Answers to Questions

EDUCATION

The Secretary of State was asked—

Kinship Carers

1. **Mark Spencer** (Sherwood) (Con): What support her Department offers to kinship carers. [901762]

The Minister for Children and Families (Edward Timpson): Let me begin by welcoming the new shadow Front-Bench team to their respective roles, and in particular the hon. Member for Washington and Sunderland West (Mrs Hodgson), whom I look forward to working with on the whole of my portfolio, as we did on special educational needs in the past. I am sure she, along with the rest of the House, would agree that kinship carers play a pivotal role in caring for many children who cannot live with their parents. That is why during the previous Parliament we issued family and friends care statutory guidance for local authorities, which makes it clear that every council should publish a family and friends care policy setting out how it will support the needs of children living with kinship carers, whether or not they are looked after. Some 83% of English local authorities now have a published policy, compared with 42% in 2012, and I intend to write again to councils on this issue.

Mark Spencer: I know the Minister will recognise the important role that kinship carers are taking, many of whom are the grandparents of those for whom they have responsibility. Their caring responsibilities prevent them from working full-time. What assistance can my hon. Friend give to grandparents who happen to be kinship carers to support them further in their caring duties?

Edward Timpson: My hon. Friend is right to raise the important and often crucial role that working grandparents play in proving childcare and supporting working families. As a Government we recognise that fact. That is why we have announced plans to extend the current system of shared parental pay and leave to cover working grandparents, thereby providing much greater choice for families trying to balance childcare and work. We will bring forward legislation to enable this change with the aim of implementing it by 2018.

Bill Esterson (Sefton Central) (Lab): Carers save the taxpayer a great deal of money, as well as often being the best option for the children they are looking after, so in addition to the publication by local authorities of their practice, will the Minister ensure that those local authorities have the resources they need to support kinship carers, both to save the taxpayer money and to do what is right for the carers and the children in the short as well as longer term?

Edward Timpson: We have taken such a strong interest in these issues for all the reasons that the hon. Gentleman set out, because kinship carers are performing a role that would otherwise have to be performed by the state. That is why, whether through the discretionary housing fund or through the work that we are doing with the Family Rights Group and others to encourage family group conferences, we are trying to help those families where at all possible to keep children living with them, thereby helping to save not only taxpayers' money, but those children's futures.

Mr David Burrowes (Enfield, Southgate) (Con): Given the significant financial pressure from placement breakdown on the formal fostering system, will the Minister support

a kinship reform grant, similar to the adoption reform grant, which has a significant impact, to show that the Government are matching the intent with the money to support kinship care?

Edward Timpson: My hon. Friend will be aware of the already impressive impact the adoption support fund has had on helping families trying to care for some of the most vulnerable children in our society. It is clear that such a positive approach across the board will help many other families struggling in similar circumstances to bring about those excellent outcomes. The special guardianship review, which is under way, and the improvements to social work reform will help to deliver better pre- and post-placement support for all those children who need it.

Rachael Maskell (York Central) (Lab/Co-op): At my last surgery I had two families who were taking on kinship responsibilities. They have less ongoing support than adoptive parents. Will the Government ensure that they get support equal to that which adoptive parents receive?

Edward Timpson: In the previous answer, on the support that we have offered on adoption, I touched on some of the other support that is available to kinship carers in their own local authority area. That is why through Ofsted inspections of local authorities and through the family and friends statutory guidance we have made sure that there is a greater emphasis on the support that we know works for kinship carers. More importantly, the announcement on shared parental leave will help many of those families who have a grandparent who works and who is helping with childcare, by providing the flexibility they need to have a much better balance between having a family and having good childcare in place.

Andrew Gwynne (Denton and Reddish) (Lab): I was privileged to meet a group of kinship carers, along with the Family Rights Group, in Parliament a couple of weeks ago. They told me that the Government's changes to welfare might have an unintended consequence by deterring people from taking up kinship care, because many look after more than three children. What assessment has the Minister made of the likely impact of changes to tax credits on this group of people, who are doing such fantastic work?

Edward Timpson: The hon. Gentleman is right to highlight the importance of ensuring that we have the right support in place for kinship carers and that any changes are thought through carefully, and that is exactly what we have done. He will know that the two-child policy is not being introduced until April 2017, and that any extra support that kinship carers receive from their local authority is disregarded when it comes to the benefit cap. Extra support is available in exceptional circumstances to protect kinship carers from those changes from April 2017. All these things have been thought through, but of course we are happy to consider them as they are implemented.

School Funding

2. **Michael Fabricant** (Lichfield) (Con): What steps her Department is taking to ensure a more equitable allocation of funding per pupil throughout England; and if she will make a statement. [901763]

12. **Nigel Huddleston** (Mid Worcestershire) (Con): What plans the Government have to deliver fairer funding for schools. [901774]

The Secretary of State for Education (Nicky Morgan): The Government remain committed to implementing our manifesto pledge to make funding fairer. We are protecting the schools budget, which will rise as pupil numbers increase, and we have made significant progress towards fairer funding for schools, with an extra £390 million for underfunded areas this year, which we have now confirmed will be included in budgets for next year as well.

Michael Fabricant: My right hon. Friend will know that schools in Staffordshire receive about £320 less per pupil than the English average. At the risk of boring you, Mr Speaker, I raised this matter in 1992, and I raised it during Prime Minister's questions with Tony Blair, who was very sympathetic but also did nothing, and when I raised it in the previous Parliament, I was told that it was being blocked by the "wicked Liberals" and David Laws. Well, now we are in government, so what are we going to do about it and when will it happen?

Mr Speaker: The hon. Gentleman might be considered exotic, but never boring—not by the Chair anyway.

Nicky Morgan: I entirely agree, Mr Speaker.

The Minister for Schools recently met colleagues in Staffordshire to discuss school funding, which I hope they found useful. My hon. Friend the Member for Lichfield (Michael Fabricant) was unable to attend, but I know that he was there in spirit. As I have said, we have protected the per pupil funding in Staffordshire so that schools will continue to receive the additional £130,000 they received in 2015-16, but I am determined to make further progress on this.

Nigel Huddleston: Under current arrangements, per pupil funding in Worcestershire is £4,231, whereas in nearby Birmingham it is £5,218. When my right hon. Friend visits Worcestershire in a couple of weeks, will she be able to deliver some good news to my constituents about upcoming arrangements that will narrow that gap?

Nicky Morgan: I am very much looking forward to my visit to Worcestershire. I cannot say what I will be saying at that point, but I know that my hon. Friend and other Members from Worcestershire, including my Parliamentary Private Secretary, my hon. Friend the Member for Worcester (Mr Walker), have been campaigning tirelessly for fairer schools funding for some time, and I know that they will welcome the nearly £7 million extra per year that we have given to schools in Worcestershire. I look forward to working on this further.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): If the Secretary of State is to get into equitable funding right across England, will she also look at where that equitable funding ends up in terms of where students end up, whether in further education colleges, sixth-form colleges or studio schools? The fact of the matter is that so many kids across our country are not getting a fair share.

Nicky Morgan: I think that I can therefore welcome the hon. Gentleman's support for the principle of fairer funding. As he will know, we are of course looking at all elements of funding as part of the forthcoming spending review, but we have made it clear that we are protecting per pupil funding in this Parliament, which means that the amount going to schools will go up as the number of pupils goes up.

John Pugh (Southport) (LD): With due respect to the hon. Member for Lichfield (Michael Fabricant), I must say, as one of the "wicked Liberal Democrats", that equitable funding requests do not always seem to sit happily with the pupil premium policy. Has the Secretary of State any thoughts on either revising or reviewing that policy?

Nicky Morgan: I think that we can all agree that pupil premium funding has been hugely successful. It is absolutely right that over £2.5 billion is given to schools for additional funding to help those who are most disadvantaged, and schools, by and large, are spending it extremely effectively. The hon. Gentleman is absolutely right to say that obviously the school funding formula reflects both deprivation funding and pupil premium funding, which has since been introduced, but we absolutely want to ensure that the same pupils with the same needs attract the same funding. I reiterate that pupil premium funding has been very successful.

Neil Carmichael (Stroud) (Con): Given the scale and complexity of the issue, does the Secretary of State agree that we need some proposals relatively soon so that the Education Committee, for one, can examine them and be satisfied that they offer a long-term solution to a very significant problem?

Nicky Morgan: My hon. Friend, who chairs the Committee, is absolutely right that any solution must be for the long term. I can assure him that, were there to be any changes, there would be an extensive consultation, in which I hope members of the Committee as well as members of the public, including schools, teachers and parents across the country, would be involved.

Wes Streeting (Ilford North) (Lab): Redbridge, like many other parts of London, faces an acute shortage of places in primary and secondary provision over the course of this Parliament. Will the Secretary of State or a relevant Minister agree to meet me and representatives from the local authority to discuss this? Will she consider allowing local authorities such as Redbridge with a good track record of local authority maintained schools not only to expand existing local authority schools but to build new ones?

Nicky Morgan: I or one of the Ministers will be happy to meet the hon. Gentleman. I remind him that in the previous Parliament we put in an extra £5 billion into the system to build new places, and we have committed another £7 billion for new places across the system. Of course, his own party took out funding for 200,000 places at a time of growing pupil numbers.

Rebecca Pow (Taunton Deane) (Con): In a similar vein to questions from other hon. Friends, may I point out that pupils in Taunton Deane receive £2,000 less than the average per pupil nationally? I have the backing of thousands of teachers and parents on a petition for our fairer funding campaign. Can I give them any indication from the Minister that they will be listened to?

Nicky Morgan: I know that petitions and signatures are being collected up and down the country, as in my Leicestershire constituency, where fair funding is also a huge issue. I can assure my hon. Friend that I am extremely aware of these issues, as are Ministers across Government.

Nic Dakin (Scunthorpe) (Lab): The Institute for Fiscal Studies has shown that for the first time since the mid-'90s school spending per pupil will fall in real terms. Those in further education and early years already fear huge cuts. Will the Secretary of State assure this House that any increases in funding in one area of her budget will not be at the further expense of others?

Nicky Morgan: The hon. Gentleman will know that I cannot give any predictions about the forthcoming spending review until all the negotiations and discussion with the Treasury are concluded, but of course the issues of fairer funding that we have been discussing are a very important part of responding to the pressures on schools budgets across the country.

Mental Health Services

3. **David Rutley** (Macclesfield) (Con): What steps she is taking in the education system to support children and young people with mental health issues. [901764]

4. **Stella Creasy** (Walthamstow) (Lab/Co-op): What assessment she has made of the effect of child and adolescent mental health services on the health, wellbeing and performance of young people in schools and colleges. [901765]

11. **Paul Maynard** (Blackpool North and Cleveleys) (Con): What plans the Government has to improve mental health in schools. [901773]

13. **Ruth Cadbury** (Brentford and Isleworth) (Lab): What assessment she has made of the effect of child and adolescent mental health services on the health, wellbeing and performance of young people in schools and colleges. [901775]

Nicky Morgan: We have high aspirations for all children and want them to be able to fulfil their potential academically and in terms of their mental wellbeing. This attainment is best supported if they have good mental health, character and resilience.

David Rutley: I am pleased that a new initiative in Macclesfield, Emotionally Healthy Schools, has been established between our local mental health service providers—Cheshire and Wirral Partnership NHS Foundation Trust—Cheshire East Council, and six schools and local community groups, including Just Drop-In, which does incredibly important work in this area. Does my right hon. Friend agree that such local initiatives have a vital role to play in improving mental health outcomes for young people in our communities?

Nicky Morgan: I absolutely do recognise that the partnerships between health and education are vital in getting the right mental health support to children quickly. I welcome the initiatives that have been established in Macclesfield. We believe that the significant investment of £1.4 billion in children and young people's mental health services that this Government have announced will make a real difference. I am delighted that there are so many questions on children's mental health in this session today.

Stella Creasy: A parent of a young girl in Walthamstow suffering from an eating disorder recently wrote to me giving a harrowing account of the struggle to get support for her daughter. She suggested that one of the things that would make a difference would be for child and adolescent mental health services to have a presence directly in schools so that they could intervene earlier. As my hon. Friend the Member for Scunthorpe (Nic Dakin) pointed out, we know from the IFS that real-terms funding for schools is going to be cut for the first time since the 1990s. What can the Secretary of State say directly to my constituent to reassure her that every young person will have access to mental health services directly in their schools so that such situations can be avoided in future?

Nicky Morgan: I agree with the hon. Lady. We all, as constituency MPs, hear these heart-rending stories. I, too, have had parents in my constituency bring to my attention cases of eating disorders among young people. I mentioned the £1.4 billion that the Government have already introduced, a significant sum of which is being spent this year on supporting young people with eating disorders. We are also contributing £1.5 million to a pilot with NHS England to train single points of contact in schools and specialist mental health services so that those services work well together to ensure that schools, which do not necessarily have mental health experts trained in that area, know exactly who to go to and how to get help for their pupils.

Paul Maynard: The Secretary of State may be aware that Blackpool has the highest proportion in the country of pupils in pupil referral units. This stems partly from poor underlying mental health. What more can the Government do to ensure that each pupil has a single point of contact not just in one school but throughout their education, from age four to whenever they leave, so that we start to tackle this problem?

Nicky Morgan: I have just mentioned the £1.5 million we are contributing to a pilot for single points of contact between schools and specialist mental health services. That pilot will run in 250 schools, with training starting later this term. I should also like to mention that this year, for the first time, the Department for Education included just under £5 million in our voluntary and community sector grants for organisations such as Mind and Place2Be and for putting new resources for parents on the MindEd website.

Ruth Cadbury: As someone who has in the past been a council lead member for children and education, I know the importance of children and adolescent mental health services and the educational psychology service in ensuring that teachers and other school staff are able to keep children with challenges in school and learning effectively. The Mental Health Foundation has said that one in 10 children have mental health problems at some point in their school career; that 81% of educational psychologists have seen an increase in demand for their services in the past 12 months; that there is a shortage in services; and that ed psychs are leaving the profession in alarming numbers, possibly owing to the pressure of their workload. How is the Secretary of State ensuring that an adequate number of professional educational psychologists are working in schools? Is she—

Mr Speaker: Order. We have the thrust of it and are deeply obliged to the hon. Lady, but a degree of truncation would be helpful.

Nicky Morgan: The hon. Lady speaks with great passion on an issue that she obviously cares about greatly. We have commissioned more places with educational psychologists this year than last year. She is absolutely right to say that a lot of this is about making sure that young people stay in education and that there are no barriers to them doing so. I am very happy to write to her with further details.

John Howell (Henley) (Con): Colleagues have rightly pointed to the impact of mental health on the children themselves, but children's mental health problems also impact on the family as a whole. Will the Secretary of State explain what we are doing in that respect?

Nicky Morgan: The hon. Gentleman is absolutely right to say that when somebody in a family, particularly a younger person, is struck with mental ill health, it affects the whole family. That is why funding through the voluntary and community sector programme and organisations such as Mind and Place2Be, as well as the MindEd website, which provides resources for parents, are important. I strongly encourage any parents who are worried about the mental health of their children to have an early conversation with people in their schools, including headteachers and teachers, so that they can then make the referrals.

Post-16 Education

5. **Alex Cunningham** (Stockton North) (Lab): What assessment she has made of the effect of recent changes in 16-19 funding on the (a) breadth and (b) viability of post-16 education. [901766]

The Minister for Skills (Nick Boles): Since 2013-14, all 16-to-19 institutions have received a national funding rate, which we have held steady in 2015-16. We understand the financial challenges facing the sector and have therefore launched a national programme of area reviews to ensure that we have strong and sustainable institutions delivering high-quality routes to employment.

Alex Cunningham: The Secretary of State said earlier that she cannot guarantee funding or protection for any one age group, but the Minister knows that the further education sector has suffered a disproportionate cut in funding over many years and the area review does not even include sixth forms in schools. When are the Government actually going to do something to protect 16 to 19-year-olds?

Nick Boles: The hon. Gentleman is not quite right, because the regional school commissioner, who is responsible for commissioning schools in his or her area, is always going to be part of the area reviews and can bring in the perspective of sixth forms in schools, but I do not think the hon. Gentleman would think it practical to include every single school with a sixth form in the review and actually achieve a result. We are determined to achieve a result in a short space of time so that we have strong, specialist institutions that are able to provide a high-quality education.

James Berry (Kingston and Surbiton) (Con): Kingston college in my constituency has federated with Carshalton college in a neighbouring constituency. Will my hon. Friend congratulate their move to consolidate their efforts and to provide better provision for young people going into further education, and will he visit Kingston college with me?

Nick Boles: The reason I would love to visit is that that is a model example of what the sector should be doing. It is very important for hon. Members to remember that the sector is independent: Government cannot force institutions to merge, but we can encourage them to do so and show great examples such as that outlined by my hon. Friend.

20. [901784] **Yvonne Fovargue** (Makerfield) (Lab): Wigan colleges are concerned that the Greater Manchester area review starts with the strong presumption that the merger of colleges is the only way forward. Will the Minister confirm that other ways to achieve financial stability for colleges and good outcomes for pupils will be given serious consideration if they present a strong case for that?

Nick Boles: We are certainly open to a whole range of options. As I say, ultimately, colleges themselves will determine what they think will work best. I do not agree with the hon. Lady that somehow there is anything necessarily to be afraid of from a merger. A merger can mean that people save a whole lot of administrative and management costs, so they can actually pour more money into paying teachers to do the job that we all want them to do.

Mr Gordon Marsden (Blackpool South) (Lab): In the last Parliament, the Government cut education funding for 16 to 19-year-olds hardest of all. Today, we learn that funding allocations for colleges and schools for the 16-to-19 sector are down over £100 million so far compared with last year. The Government have given them further instability with the flawed series of area FE reviews, jeopardising colleges and their students. With this record, does the Minister have any guarantees for the spending review to secure viability for the 16-to-19 sector?

Nick Boles: We might want to look over the channel to see what happens to an education sector when the Government are not getting a grip on spending and on ensuring a strong economy. In Portugal, schools have been closed and teachers laid off. In Greece, teachers have faced a 30% cut in their salaries. We are ensuring a strong sector that is able to educate young people for a life of work.

Sure Start Children's Centres

6. **Valerie Vaz** (Walsall South) (Lab): What assessment she had made of the effect of the services offered by Sure Start children's centres on the families who use those centres. [901767]

The Parliamentary Under-Secretary of State for Education (Mr Sam Gyimah): It is crucial that we evaluate the impact of children's centres for families. The Department for Education has funded the "Evaluation of Children's Centres in England" research, and three interim reports were published in June 2015. I expect the full impact report to be published later this year, with a consultation to follow on how children's centres can have the greatest impact for local communities going forward.

Valerie Vaz: Palfrey Sure Start in my constituency has twice been rated outstanding for doing community-based work and culturally-sensitive work, not just childcare. What further steps can be taken to ensure that it can continue to support parents with this vital work?

Mr Gyimah: The hon. Lady is an excellent and assiduous MP. I congratulate the Sure Start centre in her constituency on the excellent work it is doing. That highlights the fact that, to look at the future of children's centres, we must look at more innovation and other ways of delivering services that work for local communities and satisfy local demand.

Joan Ryan (Enfield North) (Lab): In Enfield, some 12 children's centres have been closed. Headteachers tell me that that is resulting in more and more children not being school-ready, which affects their progress throughout their whole primary school career and beyond. What does the Minister intend to do to address that problem?

Mr Gyimah: Labour Members continue to count buildings rather than services when they talk about children's centres. One million families have benefited from children's centre services. Free childcare for disadvantaged two-year-olds and for all three and four-year-olds is delivering the school-readiness that has seen record numbers of children ready for school, according to the early years foundation stage profile.

Pat Glass (North West Durham) (Lab): The Minister continues to talk about the services that are offered. However, he will be aware that the charity 4Children has recently highlighted that more than 2,000 children's centre sites have had their budgets significantly cut this financial year and that fewer centres are now able to reach fewer families. Nearly 60% report cutting front-line services, nearly 30% have significantly cut the range of services they offer, 28% are now forced to charge for services that would otherwise have been free and 20% are reducing their hours. Is the Minister proud of the Government's legacy on Sure Start?

Mr Gyimah: I welcome the hon. Lady to her new post. It is great to see that many of her predecessors are still in the shadow education team. It is wonderful that the new politics is being led by the same old faces.

I am proud of our record on children's centres. We have seen record numbers of families receiving support, but there has also been a 50% increase in the number of health visitors and we have expanded the troubled

families programme. We are on the side of the families that need children's centres most, and we are doing something about it.

Tax Credits (Free School Meals)

7. **Dr Lisa Cameron** (East Kilbride, Strathaven and Lesmahagow) (SNP): What assessment she has made of the effect of the Government's proposed changes to tax credits on the number of children accessing free school meals. [901768]

14. **Patrick Grady** (Glasgow North) (SNP): What assessment she has made of the effect of the Government's proposed changes to tax credits on the number of children accessing free school meals. [901778]

The Parliamentary Under-Secretary of State for Education (Mr Sam Gyimah): Thanks to the growing economy, the number of children requiring free school meals is falling. We are currently assessing the effect of proposed changes to tax credits.

Dr Cameron: The proposed changes to tax credits will see 22,000 children in Scotland lose their entitlement to free school meals, although our First Minister has pledged to safeguard that entitlement. Will the Minister make a similar pledge to ensure that children from the most vulnerable backgrounds in the rest of the UK remain eligible for free school meals?

Mr Gyimah: The hon. Lady will be aware that, in the rest of the UK, the majority of children who are entitled to free school meals have parents who are on out-of-work benefits. We are assessing the impact of the changes to tax credits, and there is nothing to suggest that people who are currently receive free school meals will not continue to do so.

Patrick Grady: If children become hungry or undernourished as a result of missing out on free school meals, what effect will that have on attainment levels in the classroom and the life chances of future generations? What steps will the Government take to mitigate the long-term impact of these short-sighted cuts?

Mr Gyimah: The hon. Gentleman will be aware that eligibility for free school meals in Scotland is a matter for the Scottish Government. The Scotland Bill will give the Scottish Government power to top-up or reverse tax credits, or to raise taxes, but they are noticeably silent about what they will do to ensure that such eligibility continues.

Mr James Gray (North Wiltshire) (Con): As the Minister correctly points out, free school meals in Scotland are a matter not for him but for the Scottish Parliament in Edinburgh. Is it not odd to hear Members of the Scottish National party questioning the Minister about free school meals in England, when I cannot go to Edinburgh and question Ministers there about free school meals in Scotland?

Mr Gyimah: I welcome my hon. Friend's question. He highlights the delivery of our manifesto commitment to English votes for English laws, to ensure that English MPs rightly have their say on issues that affect England.

Andrew Stephenson (Pendle) (Con): Does the Minister agree that welfare changes are an essential part of reducing the deficit, and far preferable to sacking thousands of teachers and closing schools, as we have seen in countries such as Greece and Portugal?

Mr Gyimah: My hon. Friend makes an important point that was also highlighted by the Minister for Skills. In countries such as Greece that did not take grown-up, difficult decisions, teachers' pay has been cut by 30% and thousands of schools have closed. This Government are taking the right decisions for the country.

Mrs Sharon Hodgson (Washington and Sunderland West) (Lab): As the Minister knows, free school meals are vital to ensure that many children have access to a hot and healthy meal every day. Recent reports from Kellogg's and the Trussell Trust highlight that thousands of children who rely on free school meals in term time will go hungry during the current half-term holiday. Does the Minister agree that free school meals are a vital tool in combating child hunger, and will he promise to protect universal infant free school meals in the spending review, so that infant children from low-income working families do not go hungry?

Mr Gyimah: I am glad that the hon. Lady has brought up a policy that we in this Government introduced, and I am proud of the take-up and quality of school meals for all children. In our manifesto we committed to continuing with that—we are going through the spending review, but our manifesto commitments remain.

Carol Monaghan (Glasgow North West) (SNP): Assuming that a similar percentage of children across the rest of the UK will lose their entitlement to free school meals as the percentage estimated for Scotland, how much does the Minister estimate that changes to tax credits will save his Department on free school meals, and how will Scotland see its budget cut as a result?

Mr Gyimah: It is worth making absolutely clear that whatever the position of tax credits for the United Kingdom, eligibility for free school meals in Scotland is a matter for the Scottish Government. I would rather that SNP Members did not try to scaremonger about what will happen in the rest of the United Kingdom, and instead made clear what they will do as a result of these changes.

Carol Monaghan: Straightaway we can see from the Minister's answer that there will be budgetary impacts on Scotland from decisions on which Scottish MPs will no longer be able to vote. Can he assure us that when there will be funding implications, Scottish MPs will not be barred from voting?

Mr Gyimah: I am not sure that the hon. Lady listened to my answer, but she makes the point about tax credits in general. Tax credits are a matter for the United Kingdom. This House has voted on tax credits three times and each time the motion has been passed. As for the implications for free school meals, as I said, that is a matter for the Scottish Government.

Safeguarding Policies

8. **Maria Caulfield** (Lewes) (Con): What steps she is taking to ensure that safeguarding policies are in schools. [901770]

The Minister for Children and Families (Edward Timpson): When carrying out their duties to safeguard and promote the welfare of children, schools must have regard to the statutory guidance we have issued, "Keeping children safe in education", which includes ensuring an effective child protection policy, together with appropriate safeguarding responses to children going missing from education and procedures for handling allegations of peer-to-peer abuse.

Maria Caulfield: Further to that reply, can the Minister highlight what support is available to help parents, school governors and teachers who may have concerns about local issues to report those concerns?

Edward Timpson: Where there is a specific safeguarding incident that either a governor or parent wants to raise, they should contact their local authority's children's services safeguarding team; where there are concerns about safeguarding processes at a school, they should be raised through the school complaints process; and if the safeguarding processes at the local authority are causing concern, they should be raised with Ofsted. In law, it is the local safeguarding children's board that is responsible for developing and scrutinising local procedures and arrangements, but I am sure my hon. Friend will also know that the National Society for the Prevention of Cruelty to Children has an excellent helpline to enable parents who have concerns about safeguarding in their school to raise them directly.

Ann Coffey (Stockport) (Lab): Ofsted recently praised Stockport academy for its outstanding work to keep pupils safe. The school uses a software application into which staff input any concern they have about a child, including if they are missing from a lesson. That means that immediate checks can be made to ensure that the child is in a safe place. Does the Minister agree that that approach to safeguarding, using modern technology, should be used by more schools?

Edward Timpson: I know how assiduous the hon. Lady has been in pursuing these matters, and it is good to hear of that initiative in her constituency from Stockport academy. I would like to learn more—as, I am sure, would the Department—about how it has achieved that, so that that best practice might be spread more widely, and I am happy to discuss that with her further.

Diana Johnson (Kingston upon Hull North) (Lab): Many parents will be surprised to know that under the previous Government a requirement for volunteers in schools to undergo a Criminal Records Bureau check was removed. Is the Minister planning to review that change in the law?

Edward Timpson: There are no current decisions to be made about whether to review that particular measure. As the hon. Lady knows, there were some widespread changes made during the last Parliament—they were predominantly led by the Home Office, but the Department for Education was kept closely involved. We feel that we have a robust system in place, but more important is making sure that the people who are delivering the services have the best practice, skills and knowledge at their disposal, because where things go wrong, it tends to be through basic practice failures, rather than systems.

Sixth-form Colleges (VAT)

9. **Bob Blackman** (Harrow East) (Con): What discussions she has had with the Chancellor of the Exchequer on the VAT treatment of sixth-form colleges. [901771]

The Minister for Skills (Nick Boles): My hon. Friend knows that we can have lots of discussions about this issue, as he and I have done, but ultimately the decisions are made by the Chancellor, and we all await those with bated breath.

Bob Blackman: I am sure my hon. Friend agrees that academies, schools and sixth-form colleges should receive equal treatment in respect of VAT. Does he therefore agree that it is grossly unfair that, per institution, the average sixth-form college is out of pocket by £314,000? That is hardly equal treatment.

Nick Boles: I entirely understand those arguments and have some sympathy with them, but I would point out to my hon. Friend that sixth-form colleges, like further education colleges, also have the freedom to borrow, which many of them have taken advantage of. That is not a freedom that is available to other schools, so there are swings and roundabouts.

Kelvin Hopkins (Luton North) (Lab): Sixth-form colleges are arguably the most successful education institutions in our system, in terms of educational achievement and financial efficiency, so would it not be sensible for the Government to encourage the creation of more sixth-form colleges, rather than punishing them for their success?

Nick Boles: I certainly agree with the hon. Gentleman that there are remarkable sixth-form colleges achieving extraordinary things, and I want to support them as best we can. As he knows, one option we are keen to explore is whether some sixth-form colleges might want to link up with groups of schools and multi-academy trusts in order to be stronger themselves and to provide more of their great education to more people.

Secondary School Pupils (Kettering)

10. **Mr Philip Hollobone** (Kettering) (Con): How many pupils of secondary school age there are in Kettering constituency; and how many such pupils there were in 2010. [901772]

The Minister for Schools (Mr Nick Gibb): The January 2015 school census shows 5,757 secondary school-age pupils attending schools in Kettering. In January 2010, there were 5,732 such pupils.

Mr Hollobone: Per-pupil funding in Northamptonshire is £317 less than the English average, yet the rate of house building in Kettering and Northamptonshire over the next 10 or 15 years is among the highest in the country. When the Minister gets around to introducing

a fairer funding formula for schools, will he ensure an extra boost for areas that are growing quicker than everywhere else?

Mr Gibb: We are committed to ensuring fairer funding across the board, and we took a step towards that for 2015-16 when we allocated £390 million to the 69 worst funded local authorities, including my hon. Friend's local education authority.

School Attendance

15. **Mrs Sheryll Murray** (South East Cornwall) (Con): What plans the Government have to improve school attendance. [901779]

The Minister for Schools (Mr Nick Gibb): Reducing absence from school is a top priority for this Government, and good attendance is clearly linked to attainment. There are 200,000 fewer pupils regularly missing school compared with when we began our reforms in 2010, but we need to do more to ensure that all children, regardless of their background or where they come from, are attending school regularly, because even short absences can damage a child's education and life chances.

Mrs Murray: I recently visited the Caradon alternative provision academy in Liskeard, in my constituency. It provides education for young people who have been permanently excluded or are in intervention programmes, and it is achieving fantastic results. Will my hon. Friend join me in congratulating the academy and consider visiting to see the fantastic work it does?

Mr Gibb: My hon. Friend is right. Every child, regardless of background or the problems they face, deserves the opportunity to develop their knowledge, skills and values to prepare them for life in modern Britain. Alternative provision academies, such as Caradon, play a crucial role in ensuring that pupils who cannot currently be educated in a mainstream school continue to receive a good education. I would be delighted to visit the school with her and to congratulate the staff at the academy on their achievements and professionalism.

Mr Stewart Jackson (Peterborough) (Con): Poor attendance, as well as extremely poor educational attainment, is a feature of the most recent Ofsted inspection at the Voyager academy in Walton, Peterborough, which is managed by the Comberton academy trust. May I encourage the Minister and the Secretary of State to use their powers to intervene on this first wave academy to replace Comberton with a much more suitable academy trust for the benefit of pupils in my constituency and beyond?

Mr Gibb: We take very seriously the performance of multi-academy trusts and the trustees' oversight of academies, and the regional school commissioners will be looking at my hon. Friend's case, as they do all issues of poor performance by academies within multi-academy trusts.

Mental Health Services

16. **Graham Evans** (Weaver Vale) (Con): What steps the Government are taking to support young people with their mental health in schools. [901780]

The Parliamentary Under-Secretary of State for Education (Mr Sam Gyimah): Good mental health and attainment are different sides of the same coin, which is why the Secretary of State appointed me as the first Education Minister with responsibility for mental health in schools. We are taking a number of steps, working with partners, to improve the mental health of young people.

Graham Evans: Given that mental health conditions can be life-limiting for many young people in school, how are the Government ensuring that teachers have access to appropriate materials to teach pupils about mental health in an age-appropriate way so that we can break through this stigma?

Mr Gyimah: I am glad my hon. Friend has asked that question. We have been working with the PSHE Association to develop age-appropriate lesson plans, as well as improving counselling and guidance, so that teachers know how to teach about mental health and deal with the range of issues they come across in young people.

Steve McCabe (Birmingham, Selly Oak) (Lab): As well as offering welcome advice and support to schools, will the Government consider introducing a compulsory psychological assessment for all children entering care to complement the physical assessment already required?

Mr Gyimah: That is a very good suggestion. I understand from my hon. Friend the Minister for Children and Families that we already have a health assessment, but we are open-minded on all ideas about how to tackle the problem. I will happily meet the hon. Gentleman to discuss his suggestion.

Safe Transport on School Trips

18. **Jessica Morden** (Newport East) (Lab): What recent steps she has taken to promote safe transport on school trips. [901782]

The Minister for Schools (Mr Nick Gibb): Nothing is more important in education than the safety of young people at school and on school trips. We have worked with the Department for Business, Innovation and Skills, the Foreign Office and the Health and Safety Executive to revise our health and safety advice to provide further guidance on risk assessment and safety standards for school trips, and for trips abroad the Department recommends that tour operators and schools organising their own trips should follow British standard 8848, which provides a rigorous framework for risk assessment.

Jessica Morden: The Nightcap campaign, led by my constituent Pat Harris, is working with coach drivers to highlight their real concerns about the conditions they have to endure on long-distance school trips, including driver's fatigue and concerns about safety. Will the Minister agree to meet the Nightcap campaigners and look at some of their recommendations?

Mr Gibb: I would be happy to meet the campaign, and I know that the hon. Lady has campaigned effectively on the issue of school trip safety for school pupils, particularly, as she said, on long-distance school trips and whether coach drivers are given sufficient time for sleep. As I said, British standard 8848 provides useful

and important guidance on the risks of driver fatigue, and we recommend that schools and tour operators follow it. I would be happy to discuss these issues further with the hon. Lady and her constituent.

Topical Questions

T1. [901752] **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): If she will make a statement on her departmental responsibilities.

The Secretary of State for Education (Nicky Morgan): Since the last time the House met for Education questions, thousands of students across the country have taken key stage 1 and key stage 2 tests, GCSEs, AS-levels and A-levels. I congratulate them all—and I am sure that all hon. Members, including the new shadow Education Secretary, would want to do so—on their results and thank the teachers and families who supported them. It is one year since the workload challenge was launched, and I would like to thank all those involved in our three working groups, which are making excellent progress on marking, lesson planning, resources and data management. I am determined to work with the profession to tackle these issues.

Chi Onwurah: I, too, would like to congratulate all those who took their exams over the summer. Their success is often due to the hard work of teaching assistants who perform a vital role in the classroom, yet recent House of Commons Library figures show that they could lose up to £1,800 per year as a result of the tax credit cuts. Will the Secretary of State stand up for those working on the frontline who are enabling our children to get the best education possible?

Nicky Morgan: The hon. Lady will be aware of the earlier questions asked about the state of school funding and funding for education. She will know that it is essential for schools to be properly funded and that those countries that have not brought their economies under control have sacked thousands of teachers and closed thousands of schools. She will also be aware that, because of the rise in the income tax threshold since 2010, 12 million women pay less income tax and 2 million women pay no income tax at all. We are also offering help to hard-working people with council tax freezes, fuel duty freezes and additional help with childcare.

T2. [901753] **Lucy Frazer** (South East Cambridgeshire) (Con): I support all those who have called for a fairer funding formula, but I would like to develop the argument a little further. Outstanding schools in my constituency, such as Bottisham Village college, do not do well on the funding formula at present, and as a result they are all the more reliant on grants for capital expenditure. Will the Secretary of State consider whether historic underfunding ought to be one of the factors taken into account for capital expenditure grant applications?

The Parliamentary Under-Secretary of State for Education (Mr Sam Gyimah): All local authorities receive capital funding for schools, including for school places and conditions. Cambridgeshire has been allocated almost £160 million in capital allocations between 2011 and 2018. It is important that capital funding is targeted on the school areas that need it most. Academies can also bid for the condition improvement fund. Bottisham's application to the fund was assessed in relation to other expansion bids. Although I understand my hon. Friend's point for capital to be considered as part of the revenue funding formula, she must realise that capital is part of what is done on a needs basis, which is different from how revenue is allocated.

Lucy Powell (Manchester Central) (Lab/Co-op): Thank you for calling me, Mr Speaker. It is good to be here this afternoon.

Yet again today, Ministers are doing the rounds asserting that the expansion of free childcare is one of the measures that will offset the cuts in tax credits for families. As the Secretary of State knows, however, the increase to 15 hours' free childcare will not take place until September 2017 at the earliest, well after the tax credit cuts. Given that the Department is, in its own words, "unable to understand" the costs of childcare following the Secretary of State's review, there are now real questions to be asked about the deliverability of the scheme. Does the Secretary of State agree that families need help with childcare now, especially those who face losing vital tax credits? What help is she providing for families before 2017?

Nicky Morgan: I would believe in the hon. Lady's concern a little bit more if her party's peers had not voted against the Childcare Bill last week, delaying the introduction of both the Bill and the new scheme.

Lucy Powell: Perhaps they would not have done that if the Secretary of State had provided adequate funds. Is not the truth that only a tiny minority of those affected by tax credit cuts will receive this childcare help anyway when it is eventually introduced? What is more, the Institute for Public Policy Research has said that the Secretary of State's childcare pledge is underfunded by £1 billion. Given that the tax-free childcare is already 18 months behind schedule, the Government's childcare policy is a mess. What has the Secretary of State to say to parents who, at the election, thought that they would be better off voting for her?

Nicky Morgan: What I would say to the hon. Lady is that the reason funding in all areas of Government is so tight is the fact that we are dealing with the economic legacy left by the hon. Lady's own party. If she were so interested in this, she would have allowed her peers to support the Bill.

If the hon. Lady wants to—*[Interruption.]*

Mr Speaker: Order. These are highly charged exchanges, but Members must not seek to shout down the Secretary of State. Let us hear the right hon. Lady.

Nicky Morgan: If the hon. Lady had wanted people to believe promises, she would not have tried to carve them on the 8-foot six-inch "Edstone" that was unveiled by the former leader of her party. What we are seeing is a dearth of thinking from the hon. Lady. So far, in her short tenure as shadow Education Secretary, we have heard negativity about teacher recruitment, about childcare and about schools. Indeed, she has attacked a school in her own constituency, Manchester Enterprise Academy, whose head teacher claimed that she had misled him over what was going to be said about the school during the debate on the Bill's Third Reading.

T8. [901759] **Pauline Latham** (Mid Derbyshire) (Con): What plans has the Government to meet the demand for school places in Mid Derbyshire, in the light of the pressure on local authorities to allow planning permission for more housing to be built on brownfield sites?

The Minister for Schools (Mr Nick Gibb): Helping local authorities to secure enough school places is one of the Government's top priorities, and basic need funding is allocated to local authorities to support the creation of new places. Derbyshire will receive £12.8 million of basic need funding between 2015 and 2018.

When we came to office in 2010, we took the issue of providing more school places very seriously. We more than doubled capital spending, and we have created 445,000 new places since 2010. It is interesting to note that the Labour Government, during their last period in office, cut 207,000 places at a time when there was a baby boom.

T3. [901754] **Debbie Abrahams** (Oldham East and Saddleworth) (Lab): Some 150,000 families with a disabled child will be affected by the cuts in child tax credit. What assessment has the Secretary of State undertaken of the effect of the cuts on the additional number of disabled children who will be plunged into poverty, and, in turn, the effect on their development and their opportunity to succeed in education?

Nicky Morgan: Yet again, all that we hear is the continual rumbling, if not outpouring, of negativity from the Labour party. The hon. Lady will know that the Government are spending more on disability benefits than her own party did in government, and also that all tax changes are subjected to the normal impact assessment.

T10. [901761] **Mr Peter Bone** (Wellingborough) (Con): Hopefully, I will be positive and helpful.

I went to both a comprehensive and a grammar school, and it seemed to me that there was much to be said for grammar schools. Would the Secretary of State like to encourage their expansion?

Nicky Morgan: The Government believe very firmly in the expansion of all good and outstanding schools, regardless of what type of schools they are, because we want all children to have an excellent education regardless of birth or background.

T4. [901755] **John Mann** (Bassetlaw) (Lab): A part of rip-off Britain is increasingly affecting schools, which is the branding of every item of clothing by academies under the guise of school uniforms. As there is a monopoly supplier for every school, what is the Secretary of State doing to ensure that there is some competition so parents can have a choice and save some of their valuable earnings?

Mr Gibb: The admissions code is very clear: schools cannot use expensive suppliers for school uniforms. They cannot use the supply of school uniforms as a way of raising extra revenue for the school, and the schools adjudicator takes these matters very seriously, as do we.

Dr Liam Fox (North Somerset) (Con): Edward Saunders, a bright and promising student in my constituency, died tragically aged 18 of meningitis. Will my right hon. Friend make sure everything is done across Government to highlight, including in schools and higher education, the dangers to young adults of meningitis? When he was 11, Edward wrote a children's book entitled "Robey and the Dentist", which has now been published with all profits going to help raise awareness of meningitis and to treat it. Might I present my right hon. Friend with a copy at the Department to help raise the profile of this very worthwhile campaign?

Nicky Morgan: I thank my right hon. Friend very much indeed for that question. I will be delighted and honoured to accept a copy of Edward Saunders' book, and I will also undertake to look at what more we can do to raise awareness of this devastating condition.

T5. [901756] **Peter Kyle** (Hove) (Lab): Now that the Secretary of State is allowing the expansion of grammar schools, will she consider amending the Education and Adoption Bill which is presently going through another place to enable us to tackle coasting in grammar schools, so that where coasting is identified they can swiftly be converted to academies?

Nicky Morgan: I like the hon. Gentleman's thinking in some aspects of that question. He is absolutely right to say that we are serious about tackling the continued underperformance of all schools across the country. I should be clear that there has been no change in policy on grammar schools or selective education. One particular school has been given permission to expand.

Mike Wood (Dudley South) (Con): What assessment have the Government made of the need for greater capacity post-16 for special educational needs such as at the excellent new Pen's Meadow post-16 facility in Pensnett, which I had the honour of opening on Friday?

The Minister for Skills (Nick Boles): I was delighted to hear from my hon. Friend about the opening of this new institution. It is incredibly important that the best possible opportunities are presented to all young people including those with special educational needs, and sometimes that is best done in institutions that specialise in that. I would be delighted to learn more and maybe visit with him at some point in the future.

Mr Speaker: Perhaps the Minister could face the Chamber as we would all be the beneficiaries of that.

T6. [901757] **John Woodcock** (Barrow and Furness) (Lab/Co-op): Further to the questions asked earlier, the Minister will be aware of the merger discussions announced between Barrow sixth-form college and Furness college today, and the fact that it is prompted by the dire situation the sixth-form college finds itself in. Will he agree to meet me and education representatives from the area to discuss the unusual situation Furness finds itself in, where it cannot put courses on with the same number of people and therefore does not have the same efficiency as it does in other areas?

Nick Boles: Of course I would be delighted to meet the hon. Gentleman. My understanding is that this is a proposal that has been brought forward by the sixth-form college, anticipating the problems it has and trying to get ahead of them, and that is an approach we entirely

welcome, but I will be happy to meet with him and representatives of both colleges to understand the situation better.

Scott Mann (North Cornwall) (Con): My hon. Friend will be familiar with the London challenge, which ran in the capital until 2011. As an MP for a very rural area, may I ask the Secretary of State to look at introducing a rural challenge to help support areas in North Cornwall?

Nicky Morgan: I thank my hon. Friend for that question. He will be aware that our stated ambition is that all children should have an excellent education regardless of where they live and their birth or background. I am particularly conscious of the challenges facing rural schools, and I look forward to working with him and MPs across the House on these particular challenges facing their schools.

T7. [901758] **Greg Mulholland** (Leeds North West) (LD): Free school meals was a Liberal Democrat policy achieved by the coalition Government and the pilot areas show it has improved attainment particularly for lower-income children. Will the Secretary of State now give those families the assurance and certainty they need by saying that this programme will not be reduced in the comprehensive spending review?

Nicky Morgan: I wonder whether the hon. Gentleman was here for the earlier exchanges on this issue. For the avoidance of doubt, let me say to him that, like all Government Departments, we are having to look at all areas of spending and at every line in the Department. However, there was a clear commitment in our manifesto to free school meals, which the Prime Minister has recently reiterated.

Helen Whately (Faversham and Mid Kent) (Con): Parents in Kent welcome the Secretary of State's support for the expansion of popular grammar schools. Will she join me in expressing support for the commission launched by Kent County Council to ensure that children from low-income families get enough help to get into grammar schools, so that those schools can fulfil their potential to create social mobility?

Nicky Morgan: I thank my hon. Friend for her question. I should apologise to all Kent Members of Parliament, who will have seen my face in far too many local magazines and newspapers following my announcement. I welcome the work being done by Kent County Council. The new admissions code will specifically allow grammar schools to give priority to disadvantaged children who are eligible for the pupil premium. I also know that schools and authorities across the country are introducing stringent ways of stopping people being prepared for tests through tutoring.

T9. [901760] **Stephen Timms** (East Ham) (Lab): A record number of teachers have left the profession in the past year—more than the number that have been recruited into the profession. What steps are Ministers taking to tackle this growing teacher shortage?

Mr Gibb: I am not sure that the right hon. Gentleman has got his facts right. There are now more teachers in England's classrooms than ever before. There are 455,000, which is 5,000 more than there were last year and 13,000 more than when Labour left office in 2010. Vacancy rates are stable. Almost 90% of teachers continue in the profession following their first year of teaching, with 72% of newly qualified teachers still teaching after five years and 52% still teaching after 18 years. I am afraid that he has got his facts wrong.

Ben Howlett (Bath) (Con): Charities such as Off the Record in my constituency help to facilitate safe spaces for young people who have faced traumatic incidents in schools. Does the Secretary of State agree that the creation of safe spaces in schools would have a dramatic impact and help to reduce mental ill health in schools?

Nicky Morgan: That sounds like a very interesting project, and I would certainly be happy to look into that issue if my hon. Friend writes to us with more details. I was recently at Upton Cross primary school in West Ham, where the charity Place2Be is working with the school to provide a similar service offering spaces where children can share their experiences.

Liam Byrne (Birmingham, Hodge Hill) (Lab): This term, schools around the country are rightly being asked not only to respect but to promote British values. Does the Secretary of State agree with the proposal in my early-day motion, tabled today, that it is time we added compassion to that list of values? My constituents think that that is one of the qualities that make this country great. Should we not start to celebrate it as such?

Nicky Morgan: I welcome the right hon. Gentleman's commitment and his support for the teaching of fundamental British values in all our schools. He is absolutely right to say that those are the values that make our country great. I am very happy to look at this. We could have an endless debate on which values to capture, but the ones that we have, particularly respect and tolerance, are hugely important and I want everyone to get on with thinking about how best we can promote them.

Several hon. Members *rose—*

Mr Speaker: Order. As so often happens, demand has exceeded supply. We must now move on.

Speaker's Statement

3.33 pm

Mr Speaker: I have a short statement to make to colleagues about how I intend to implement the Standing Orders agreed by the House on 22 October—for the benefit of those listening beyond this Chamber, this of course concerns the so-called English votes on English laws issue. After a Government Bill has been introduced, a note will be published in the appropriate place on the Order Paper to the effect that I have not yet considered it for certification. The same process will be followed for statutory instruments requiring consideration. If I sign a certificate, the note on the Order Paper will be changed accordingly. Any certification will also be recorded in the Votes and Proceedings. I do not propose to record a decision not to certify. The absence of any note on the Order Paper will indicate that no certification has been made.

Before Report stage begins, I will seek to identify in advance those changes made in Committee which I would expect to certify, together with any Government amendments tabled for Report stage which, if passed, would be likely to lead me to issue a certificate. At the end of Report stages of Bills, where I am required to consider any matter for certification I would as a matter of course expect a brief suspension of the House, so that I, or a Deputy, can leave the Chair and decide whether to certify. Similar brief suspensions may be necessary at later stages. I propose to accept the advice of the Procedure Committee not, as a rule, to give reasons for decisions on certification during this experimental phase of the new regime. Anybody wishing to make representations to me prior to any decision should send them to the Clerk of Legislation. I wish to assure the House that everything is in hand to provide for "double majority Divisions", including deferred Divisions.

Finally, may I say that, as set out on Thursday, we are in experimental territory and I may indeed myself experiment by adjusting these arrangements as the new regime develops? Whatever the views of colleagues on their merits, I hope the House will support me and the Officers of the House in trying to give effect to these Standing Orders to the best of our ability.

Arrests of Chinese Protesters

3.36 pm

Fabian Hamilton (Leeds North East) (Lab)*(Urgent Question)*: To ask the Minister to make a statement on the arrests of three peaceful protesters during President Xi Jinping's visit to London last week.

The Minister for Policing, Crime and Criminal Justice (Mike Penning): Last week, there was a very successful visit of the President of the People's Republic of China to the United Kingdom, hosted by Her Majesty. As is the case for all state visits, careful plans were put in place to ensure the safety and security of the visit. The Home Secretary was personally briefed on the policing plans by the Metropolitan Police Commissioner. The right of peaceful protest is guaranteed under UK law, with respect to a protester's rights to express their views peacefully, and the policing plans therefore sought to facilitate peaceful protest. However, as part of last week's policing operation three individuals were arrested. I understand, and it is public knowledge, that the Metropolitan police arrested individuals for breach of the peace and, subsequently, on suspicion of conspiracy to commit threatening behaviour. I understand that all three individuals have now been bailed to return to a London police station at a later date, while further investigations continue.

The operational policing of protests and the use of police powers are entirely matters for chief constables in the United Kingdom, and therefore it would be inappropriate for me to comment on specific individual cases. The right to protest peacefully is guaranteed under UK law, but protesters' rights need to be balanced with the right of others to go about their business without fear of intimidation or serious disruption to the community. Rights to peaceful protest do not extend to violent, threatening behaviour, and the police have the powers to deal with such acts. The Metropolitan police issued a statement on this issue last week; they reject any suggestion that they acted inappropriately. They made it clear that throughout the visit they had sought to facilitate peaceful protest and ensured that all those who wished to do so were allowed to express their views. That is the fundamental British value of freedom of expression and association, which I am sure this House would continue to support.

I also remind this House that the system of policing complaints in this country is an independent one; under the procedures laid down in part 2 of the Police Reform Act 2002 to ensure that officers and staff can be answerable to the public, that process is there. However, a police investigation is going on and, frankly, politicians should stay out of that.

Fabian Hamilton: I thank the Minister for his statement. Right hon. and hon. Members from across the House will, I am sure, however, share my deep concern at the way in which Dr Shao Jiang, a former Chinese dissident and veteran of the Tiananmen Square protests of 1989, was arrested last Wednesday on the Mall and the fact that a short time later two Tibetan students, one of whom, Sonam Choden, was a British Citizen, were also arrested for attempting to display a Tibetan flag while the Chinese President's cavalcade was passing the Mansion House. Dr Shao, who is now a British citizen, stepped

out into the road while he was trying to display two A4-sized placards protesting against China's human rights abuses when he was tackled to the ground by five Metropolitan police officers. This was shown on "Channel 4 News". While the three protesters were being held in the cells in Bishopsgate, their homes were searched and their computers and iPads seized. Their mobile phones were also kept by the police. Does the Minister have any idea when their possessions will be returned? Will the confidentiality of the data on their computers be respected, as all three depend on their computers for work? Will he comment on why their homes were searched at night while they were in custody?

The three people arrested were told that any charges they may face will be decided on in early December. Does the Minister believe that that delay is justified? Is it acceptable to detain lawful protesters overnight in the cells? Finally, will the Minister comment on whether these arrests are related to last week's visit of the Chinese President, Xi Jinping?

Mike Penning: There is an ongoing police investigation. Three people are on bail while it continues, and I will not jeopardise the case or any investigations by commenting further. [Hon. Members: "Shameful."]

Mr Speaker: Order. What the Minister chooses to say or not to say is a matter for him. Equally, other Members can raise these matters, with the agreement of the Chair and if appropriate, whenever and how often they wish. These matters will run and run, so colleagues must not worry about that.

Mr Peter Bone (Wellingborough) (Con): This seems to be extraordinary. If only three people were arrested when a lot of people were wanting to protest, the police must have allowed protest. If there were a complaint about 300 people being arrested, I would understand the problem, but not when there were only three.

Mike Penning: As I said in my statement, a lot of preparation work was done to ensure that people had the right to protest peaceably, as the law stipulates. But if the police made a decision to arrest—and they have made that decision—that is an operational matter and not a matter for the Police Minister to comment on.

Jack Dromey (Birmingham, Erdington) (Lab): China is a proud country of 1.4 billion people. It is the second largest economy in the world—soon to be the largest. The Anglo-Chinese relationship is very important. We have, for example, Chinese collaboration, Chinese investment and Chinese students. If it is right that we seek to strengthen that relationship, then that relationship should be underpinned by an integrity of approach. There are certain values of universal human rights that transcend any commercial or other relationship. That is why this country rightly believes that, domestically, our Bill of Rights is so important, rooted as it is in our great democratic traditions back to the Magna Carta. That is why, internationally, in a free society we both engage and speak out, as indeed you did last week, Mr Speaker—would that the Prime Minister had been quite as vigorous as you—as did the Leader of the Opposition and the BBC's Laura Kuenssberg in her interrogation of the Chinese President.

In a free society, we defend the right to dissent and to protest. It would not be appropriate to comment in any detail on the circumstances of this case, because it is under investigation, but these are very serious allegations that should be properly investigated, including the raid on the homes of those engaged in dissent. My hon. Friend the Member for Leeds North East (Fabian Hamilton) is absolutely right to raise these concerns on the Floor of the House of Commons.

Mike Penning: I am not certain whether there was a question there. If I have missed it, I will write to the hon. Gentleman. I think that I agree with everything that he said early on in his contribution about our relationship with China. Indeed, some very, very important business was done last week. The principle of protest is absolutely right. Three people are on bail while an investigation takes place. It would be wrong of me to comment, in any shape or form, on the legitimacy of the case at the moment.

Dr Tania Mathias (Twickenham) (Con): I am glad that the Minister shares our pride in our tradition of peaceful protest. Does he share my shame at the purported harassment of a Tiananmen Square survivor, Dr Shao Jiang? What would the Minister do if peaceful protesters such as myself or other Members in this Chamber got a knock on the door in the middle of the night from the police? Would he help us?

Mike Penning: I am not going to prejudge an investigation by the Metropolitan police, for whom I have great respect—as I do for the other 42 police authorities for which I am responsible. Let us wait and see, rather than prejudge the case. If we let the investigation continue, we will all know the facts.

Anne McLaughlin (Glasgow North East) (SNP): The Chinese ambassador to the UK recently stated that nobody would be put behind bars simply for criticising the Chinese Government. I appreciate that the Government are keen to banish human rights protections in this country, but is the Minister really happy not even to be able to make the same civil liberties commitment as China claims to make? I appreciate that the Minister cannot comment on an individual case, so I will not ask him to do so. Will he tell me, however, whether he can think of any reason, hypothetically speaking, why somebody waving their country's flag should lead to them being arrested, put behind bars and having their mobile phone and PC taken from them?

Mike Penning: With all due respect, this might become slightly repetitive. The police made a decision operationally on the ground, which we should respect. We should wait for the investigation to finish and then we can all make our commentary on the facts. If people want to make a complaint, there is a certain way that that can be done and it certainly does not involve this House. It happens after the case is finished.

Geoffrey Clifton-Brown (The Cotswolds) (Con): Will my right hon. Friend assure the House that these potential breaches of the peace will be subject to the same investigation and same due process as they would whether they had involved the Chinese President's visit or anybody

[Geoffrey Clifton-Brown]

else's visit? Will he also say whether the powers of the Independent Police Complaints Commission will be invoked wherever necessary?

Mike Penning: If an individual wants to make a complaint pertaining to this case to the police complaints authority, that is for them to do. It does not matter whether this was a Chinese demonstration or any other sort of demonstration; if the police decided at the scene that an arrest was needed, I will back them for that. I think that the whole House would support that decision, too.

Mr David Winnick (Walsall North) (Lab): Does the Minister have any idea of the anger felt in this place and outside it over what occurred? It is unfortunate that he appears to be an apologist for that, as it seems to many people that what took place, as far as the police were concerned, could be described as British police action with Chinese characteristics.

Mike Penning: I will treat some of those comments with contempt. Given the amount of experience the hon. Gentleman has in this House, I would have thought that he would have supported the police in this difficult situation. I was not there and I saw the TV coverage, too. The officers who were there made the decision to arrest. Ongoing litigations continue, so let us wait and see what happens.

Tim Loughton (East Worthing and Shoreham) (Con): Perhaps I can elicit more of a comment from the Minister if I talk in generalities. I am pleased that he mentioned freedom of expression as a centrepiece of our democracy. When I asked the Minister of State, Foreign and Commonwealth Office, my right hon. Friend the Member for East Devon (Mr Swire), the same question on Thursday, I appeared to receive an answer to a completely different question, so will the Minister tell me how freedom of expression was equitably allowed by police who corralled peaceful Tibetan demonstrators at the back of the Mall with a line of police officers in front of them while pro-Chinese demonstrators, wearing T-shirts issued by the Chinese embassy, were allowed prime position at the front?

Mike Penning: How to police the protest and surrounding situation is an operational police decision. Politicians stay out of such decisions because we do not want to live in that sort of state.

Matthew Pennycook (Greenwich and Woolwich) (Lab): One of the three individuals arrested, Sonam Choden, is a constituent of mine. She is a British citizen and was arrested on Wednesday for waving a Tibetan flag. I understand the Minister's point about not getting involved in operational matters, but if it proves to be the case that there were no grounds for arrest, will he support me in looking into how the protests are policed and operationally overseen, as it seems that these three individuals were arrested without sufficient grounds?

Mike Penning: I can understand the concern. I am a constituency MP and if I were on the Back Benches I would have the concerns that the hon. Gentleman expressed. However, I would also wait for the police investigation. There are a lot of assumptions about who, why and where. Let us wait. I have faith in the police in this country, as we all have. Let us wait and see as the investigation progresses.

Emily Thornberry (Islington South and Finsbury) (Lab): Dr Shao Jiang is a constituent of mine. The world saw him arrested for waving two A4 placards calling for human rights in China. His home was searched when no one was there, and his and his wife's Johanna's computers have been confiscated. I spoke to Johanna this afternoon. It was a very traumatic experience for both of them, but particularly for Dr Jiang, given that he has already been held for 18 months in a Chinese jail for organising the Tiananmen Square demonstrations. Will the Minister advise me how I as Dr Jiang's Member of Parliament can hold to account those who made the disgraceful decisions to arrest someone who was, on the face of it, behaving in a way that was entirely peaceful, who should not have been arrested and whose house should not have been searched?

Mike Penning: Although I fully understand the hon. Lady's feeling that she needs to support her constituents—I fully understand that—we must wait, because that is the sort of democracy we are in. It is an ongoing investigation. The gentleman she refers to is on bail. Let us wait and see what happens. After it is all over I will be more than happy to meet colleagues to discuss this, but we must wait.

Ann Clwyd (Cynon Valley) (Lab): I spent most of last week in Geneva chairing a committee of the Inter-Parliamentary Union on the human rights of parliamentarians. Many of the breaches of their rights involved freedom of expression and so on—many of the things that appear to have taken place here last week—and I feel rather embarrassed to be lecturing politicians from other countries about freedom of expression when what was, as I understand it, a peaceful demonstration was treated in such a way.

Mike Penning: I met the right hon. Lady just before she went to Geneva so I know exactly why she was there, and I hope it was a very successful visit. Thousands of people did demonstrate peacefully. Three people were arrested. Let us wait and see what the investigation shows. *[Interruption.]* I trust the police to do an investigation. The hon. Member for Walsall North (Mr Winnick) does not, and he should be ashamed. *[Interruption.]*

Mr Speaker: Order. Not an appropriate observation from a sedentary position. The loyalist chirruping of the hon. Member for Northampton North (Michael Ellis)—*[Interruption.]* Order. No comment is required from the hon. Gentleman. His loyalist chirruping is unsurpassed by any Member of the House of Commons. I recognise that in the exercise of his important note-passing responsibilities as Parliamentary Private Secretary to the Home Secretary, he feels a duty to discharge his obligations with great commitment. *[Interruption.]* No, I am not interested in the hon. Gentleman's views. His responsibility is to sit there and nod and shake his head in the appropriate places as a PPS, and to fetch and carry notes when required. It is always a joy to hear the hon. Gentleman on his feet, but I do not need to hear him when he is in his seat.

Mark Pritchard (The Wrekin) (Con): This may have been a lawful arrest; I do not want to prejudge the police, not knowing the evidence, but what we do know is that up and down the country, not only in the Metropolitan police area, but in other police forces in England and Wales, there are unlawful arrests every single day of the week, and for that the taxpayer has to pay out millions of pounds of compensation every year. What we do not know, because the Home Office has yet to publish those figures and is unprepared to do so thus far, is how much that costs taxpayers. Does the Minister agree that if those figures were published, it might incentivise police to be a little bit more careful about what is lawful and unlawful?

Mike Penning: I think my hon. Friend is trying to drag me into a discussion on whether the arrests were lawful or unlawful. I am not willing to get into that discussion while there is an ongoing police investigation.

Mr Alistair Carmichael (Orkney and Shetland) (LD): The Minister is absolutely right: operational matters are and must be for the police, but when the execution of these operational matters is done in such a way as to risk a chilling effect on freedom of speech, that becomes a matter for this House. I do not see how it would prejudice any future prosecution for the Minister to interrogate those responsible for the policy behind these actions now. Indeed, I suggest to him that he has a duty to do so. Will he do that?

Mike Penning: As I said in my opening remarks, before the state visit the Home Secretary was briefed by the Metropolitan Police Commissioner on how legitimate protests would be policed, and on the possibility of protests that were not legitimate or legal. Ultimately, what took place was still the result of operational decisions taken on the day, and of course those decisions will be reviewed. Today's urgent question was about three people being arrested, and I cannot comment on that because doing so could jeopardise ongoing investigations. Of course, we must always learn from how policing is done, and I am sure that is exactly what we will do.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): When the Minister looks back on these police actions and forms a judgment on whether they were appropriate, will he also look at the actions of Birmingham City Councillor Alex Yip—a Conservative councillor—who, as *The Independent* reports today, has been accused of helping pro-Chinese demonstrations? As far as I can see, that was deemed to be totally appropriate.

Mike Penning: I must admit that I am not aware of the actions that the hon. Lady refers to, but I will look into the matter and perhaps drop her a line.

Mr Dennis Skinner (Bolsover) (Lab): Does the Minister not appreciate the propaganda value of what has happened over the past few weeks? First it was all about China, human rights and Tiananmen Square—indeed, you, Mr Speaker, almost referred to that in your remarks in the Royal Gallery. Today, however, the Chinese can say, "Well, things are no different in Britain."

Mike Penning: I find that completely baffling. We went out of our way, during a state visit by a very senior member of a foreign Government, to ensure that people had an opportunity to protest, and at huge cost to the Metropolitan police. When people have been arrested and are on bail while investigations take place, it would not be right for a Policing Minister to judge how other countries will look on those arrests until those investigations have been concluded.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): As someone who has worked very hard to build bridges between this country, this Parliament and China, and who thinks that the recent visit was, by and large, a great success—the balance was right, because they heard some things they did not want to hear, especially from you, Mr Speaker, but it was also a very positive visit—I have to say to the Minister, whom I have known a long time, that we would be much happier if he had started his remarks with the same tone that he has since used. Our right as Members of Parliament is to say that we are really concerned, so my hon. Friend the Member for Leeds North East (Fabian Hamilton) was right to ask this urgent question. At first the Minister sounded as if he was full of testosterone and ready to defend his patch, but he has ended up being much more conciliatory. He should have started that way, because we all quite like him when he is in that mode.

Mike Penning *rose—*

Mr Speaker: Mystic guidance has been provided from Huddersfield, and the Minister must make his own assessment of it, as will all colleagues.

Mike Penning: To be fair, this is a massively serious issue, particularly for the three people who were arrested, but it is also a very important issue for the police, and perhaps for the Crown Prosecution Service, but we all need to wait, and perhaps we will all learn a little from that.

Mike Gapes (Ilford South) (Lab/Co-op): This is a serious matter, but is the Minister aware that a few days before the state visit by the President of China there was a visit to this country by the Chief Executive of Hong Kong, and outside the Dorchester hotel the umbrella movement were playing music and shouting into megaphones? Can he tell us whether any of those democracy protesters from Hong Kong were arrested, or is it a case of one country, two systems?

Mike Penning: The hon. Gentleman's question is better than the last one, but I do not think the soundbite quite worked. I do not know because I was not aware of that, so let me find out. If anyone was arrested, I will obviously let the hon. Gentleman and the House know.

Mrs Madeleine Moon (Bridgend) (Lab): During the visit of President Xi I met a Chinese dissident, Chen Guangcheng—a human rights lawyer who was granted asylum by the Americans. He talked about the pressures that human rights activists are facing in China with the persecution of journalists and of Christians. I appreciate that the Minister is not able to talk about police operations, but it is important that we recognise the sensitivity in countries like China at seeing how democracy operates

[Mrs Madeleine Moon]

in Britain and that freedom of speech is respected, as is the freedom to demonstrate. I hope he will make sure that the Metropolitan police are made aware of that.

Mike Penning: I am sure that the Metropolitan police are listening to this discussion, but I will also make sure that I mention that in the discussions I have with them. The fact that peaceful demonstrations by thousands of people took place in this country is an example to the world that we can have demonstrations like that. I am not going to go into the issue of what happened with the arrest, but we are a democracy where peace-loving people can demonstrate, and thank goodness they can.

Diana Johnson (Kingston upon Hull North) (Lab): Does the Minister know whether formal complaints have been made to the Metropolitan police? If they have, does he think it is appropriate that rather than being dealt with through an internal investigative measure they should be referred automatically to the Independent Police Complaints Commission because of their sensitivity?

Mike Penning: I am not aware of whether a formal complaint has been made. It is the normal procedure for the matter to go to the Metropolitan police and then the Met themselves can either refer it or it can be referred later on once it has gone through the due process of the complaints procedure. I will find out whether the Metropolitan police have done this and arrange for the commissioner to write to the hon. Lady.

Andy Slaughter (Hammersmith) (Lab): The Minister may be embarrassed on behalf of the Government's distinguished foreign guest, but does he understand that many in this House are embarrassed when Mrs Zhang, one of the arrested people, says "It feels like when I was in China"? The police pick up signals from Government, and this Government are in the process of repealing the Human Rights Act 1998 and our obligations under the European convention on human rights, including the article 11 rights to protest and freedom of association. When the operational decisions are over, will he properly investigate these circumstances to ensure that our feelings on these matters are not unsubstantiated?

Mike Penning: Of course, once the investigation is over and decisions are made we will all look very carefully at what went on. It is, however, a stretch of the imagination to insinuate that the police would police a protest because of a feeling they get from a Government's possible future legislation.

Mr Speaker: I am most grateful to the Minister and to participating colleagues. We come now to the urgent question from Chi Onwurah.

Data Breaches (Consumer Protection)

4.2 pm

Chi Onwurah (Newcastle upon Tyne Central) (Lab) *(Urgent Question):* To ask the Secretary of State for Culture, Media and Sport if he will make a statement on Government responsibilities and policies for protecting consumers and infrastructure following large-scale data breaches such as that suffered by TalkTalk.

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): Let me begin by saying that this is clearly a very serious matter. We are all aware that TalkTalk suffered a data breach last week. I want to reassure Members of this House, and TalkTalk customers who may have been affected, that law enforcement has been working very closely with the company since the breach was notified and of course continues to do so.

I commend the chief executive of TalkTalk for her openness and transparency since the company became aware of the attack. I know that she will do all she can to protect her customers. Nevertheless, this is a very serious incident. I understand that the company has offered free support to customers to ensure that they are alerted to any suspicious activity in relation to their bank accounts. I am also reassured that the Financial Conduct Authority has said that it is not aware of any unusual activity at the moment, and that further advice and guidance is available in a range of places such as Get Safe Online and Cyber Streetwise.

However, it is extremely important that companies do all they can to protect themselves, and of course their customers, from cyber-attacks. This Government and the previous Administration have worked extremely hard to ensure that companies have the tools they need to protect themselves. We have invested £860 million over five years in the national cyber-security programme, set up the national cybercrime unit inside the National Crime Agency, and launched the Cyber Streetwise and Cyber Essentials schemes. I am pleased that the number of businesses aware of Cyber Streetwise has doubled and that more than 1,000 businesses have now signed up to the Cyber Essentials scheme, which sets out basic technical controls.

A year ago we made it mandatory that any company that contracts with Government should be accredited under the Cyber Essentials scheme, where appropriate and proportionate. I am also pleased that almost every FTSE 350 company has included cyber-security on its risk register. The "10 Steps to Cyber Security" guidance gives large businesses and organisations comprehensive advice and there are simplified versions available for small and medium-sized enterprises.

Recent events show how vital it is that we maintain that momentum and that businesses act on our advice in order to protect their customers from harm. I will write again to the FTSE 350 companies, to reinforce the steps we expect them to take and the robust procedures that they need to have in place.

The Government take the UK's cyber-security extremely seriously and we will continue to do everything in our power to protect organisations and individuals from attacks.

Chi Onwurah: Thank you, Mr Speaker, for granting this urgent question.

When someone's data are lost, criminals are given a gateway into their lives. I have spoken to one woman who lost £5,000 in a sophisticated scam following a previous TalkTalk breach. Today, up to 4 million people are wondering what data they have lost and where a cyber-attack will come from. They are checking their bank accounts, callers and credit cards. The Government need to reassure us that our digital lives are secure, and they need to help our digital economy to grow.

When did the Minister first speak to TalkTalk about the breach and its implications? Is he now aware of what data were taken and whether they were encrypted? What obligations were there on TalkTalk to report the breach to the Information Commissioner's Office and to advise customers, and did it do that quickly enough? What rights of compensation do TalkTalk customers have and for how long, and how can they exercise them?

Will the Minister ask the Information Commissioner to update his guidance in the light of the current confusion? What additional resources will police have to respond to the up to 4 million inquiries from frightened customers, and will the breach be reported as one cybercrime or many?

For many years, we have been calling on the Government to take action to protect consumers and citizens from cyber-scams. This Government's data policy is chaos illuminated by occasional flashes of incompetence. Will the Minister acknowledge that all the innovation has come from the criminals while the Government sit on their hands, leaving it to businesses and consumers to suffer the consequences?

Mr Vaizey: Of course, the hon. Lady is perfectly entitled to ask those questions, many of which are valid, but I have to take issue from the very beginning with her assertion that the Government have somehow been sitting on their hands. I do not think she heard my response to the urgent question. We have invested more than £860 million in cyber-security and we have a number of very effective schemes with which to engage business. It is worth remembering that that money was invested at a time of economic austerity and that that was one of the first decisions taken by the coalition Government.

The hon. Lady asked how many people have lost their data. The situation is fast moving and, given that the investigation is ongoing, it would be remiss of me to put a final figure on it. As I said in my response, law enforcement agencies have been in touch, and we have been in continuous discussion, with TalkTalk since Thursday.

On the question of what data have been taken, the chief executive of TalkTalk has issued a number of statements, saying that bank account details have been given out and that some credit card details, albeit tokenised, have been stolen as well.

The question of whether TalkTalk reported the breach to the Information Commissioner's Office in time will be a matter between the Information Commissioner and TalkTalk, although I understand that it was reported on the Thursday. As I understand it, any rights of compensation and how long they will take will also be a matter for the Information Commissioner.

I am delighted that, since last month, the Information Commissioner falls within my Department. It is precisely that kind of joined-up Government that is needed to make our combating of cybercrime and cyber-fraud as effective as possible. I will certainly meet the Information Commissioner to discuss the issues.

The police have extensive resources with which to combat cybercrime, and we are the Government who set up the national cybercrime unit.

Jesse Norman (Hereford and South Herefordshire) (Con): May I just confirm that we will look very closely at this issue on the Culture, Media and Sport Committee? Has my hon. Friend noted that it appears that much of the information had not been encrypted? Is there in fact a case for requiring the encryption of customer data by other companies, such as this one, in future?

Mr Vaizey: I am delighted that the Chairman of the Select Committee will conduct an inquiry into data protection. I am sure that the inquiry, particularly the findings that come out of the report, will be extremely valuable. It has to be said that companies should encrypt their information. There has been some misinformation that the Government are somehow against encryption.

John Nicolson (East Dunbartonshire) (SNP): Wednesday's cyber-attack on TalkTalk has illustrated the problems faced by a Government who have failed to protect the interests of consumers through their lightweight regulation of telecoms. For the third time in less than a year, the 4 million customers of TalkTalk have had their confidential details compromised and, once again, the Government and TalkTalk have fallen short in their response.

TalkTalk has attempted to downplay the impact of the attack on its website, stating that the core system was not affected, but that ignores the broader use of personal data in fraud and identity theft. It is estimated that the value of a credit card number to a criminal increases by 500% when combined with the personal details of the individual. Although credit card numbers expire and can change, self-evidently people's names, addresses and dates of birth do not. Once a criminal has those details, they can use them for numerous purposes. TalkTalk is clearly not taking that seriously enough.

In the United States, AT&T was fined £17 million for failing to protect customer data. In the United Kingdom, the ICO can only place fines of up to £500,000. For a company that received an annual revenue of nearly £1.8 billion, a fine that small will clearly not be terrifying. The regulation of telecoms must be strengthened to protect consumers.

Does the Minister agree that telecom providers must be held fully responsible for failing to protect confidential data? Regulation needs to be strengthened to ensure that; I am afraid that free counselling from TalkTalk is meaningless twaddle.

Mr Vaizey: I thank the hon. Gentleman for that extensive question. As I said earlier, the Information Commissioner's Office will obviously look at this data breach. It has extensive powers to take action and, indeed, to levy significant fines. The Government are

[Mr Vaizey]

always open to suggestions about how that could be improved. As I said in an earlier answer, I will certainly meet the Information Commissioner to look at what further changes may be needed in the light of this data breach.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The internet is the fastest growing sector of the economy, having moved from about 6% of GDP in 2011 to 10% now and growing. One of the aims of the Government's admirable UK cyber-security strategy is to make the UK

"one of the most secure places in the world to do business"

in cyberspace. However, that depends on the capabilities of our law-enforcement operations, such as the Met police who are working with TalkTalk today. What can the Minister say about ensuring that our law-enforcement officers have the skills and capabilities needed to tackle cybercrime and to maintain the valuable confidence we need to continue to do growing business on the internet?

Mr Vaizey: My right hon. Friend is quite right to say that cyber-security lies at the heart of the success of our digital economy. It is absolutely vital that customers can trust the websites to which they go and that we have the right law-enforcement capabilities. I am delighted that the police national cybercrime unit has received significant funding and that we have regional cybercrime units, including the Metropolitan police's very effective cybercrime unit, which has worked so closely with TalkTalk since this matter came to light.

Keith Vaz (Leicester East) (Lab): Two years ago, Adrian Leppard, the country's most senior police officer for online fraud, told the Home Affairs Committee that we were not winning the war against cybercrime. Every month there are 600,000 cyber-attacks against British companies, and we need a 21st-century response to this 21st-century crime. Will the Minister seek an urgent meeting with the Home Secretary to see whether more of the cyber-budget could be put into policing, and will he consider what can be done to advise and assist British companies that lose £34 billion every year to cybercrime? Many attacks are launched from the territories of EU partners, and this is an international crime. The Government should be commended for putting in the money, but we must do more through Europol, in conjunction with other countries.

Mr Vaizey: Given that the right hon. Gentleman has been gracious enough to commend the Government for investing money in this area, let me meet him half way. Of course Ministers meet across Departments—a number of Departments have relevant interests in this area—and we will always consider what more can be done. I will certainly take the right hon. Gentleman's advice and ensure that Ministers meet across Departments to consider how we can co-ordinate our action more effectively.

Andrew Stephenson (Pendle) (Con): I welcome what the Minister has said because it underlines the importance of cyber-security skills to our whole economy. Will he join me in congratulating Training 2000, which is currently establishing an institute of cyber-security in my constituency? That will provide cyber-security apprenticeships, along with a range of other courses for small and medium-sized businesses in my area.

Mr Vaizey: I certainly join my hon. Friend in commending Training 2000. There are around 14 cyber-security clusters throughout the United Kingdom, and the Government continue to support this important industry.

Joan Ryan (Enfield North) (Lab): No doubt the Minister is aware that many companies have decided to rethink their data protection strategies in the light of some of the more publicised cases of cybercrime, yet according to recent surveys, some 24% of companies are not doing that. The Government need to take more action to persuade companies to act. Perhaps the Minister will also think about reviewing the legislation on these matters, which is no longer fit for purpose.

Mr Vaizey: This is not a case of the Government simply issuing a strategy and forgetting about it: we constantly engage with businesses, trade associations and professional services that can do a huge amount to advise their clients. However, I will take the right hon. Lady's question in the spirit in which it was asked, because we can—and should—constantly engage with businesses on this issue. We will certainly consider any changes in legislation that she thinks necessary, and keep the issue under review.

Mr Peter Bone (Wellingborough) (Con): The suggestion by the Chair of the Home Affairs Committee that most of these attacks come from the European Union means that I can blame the European Union for something more, although probably unfairly in this case. More seriously, constituents are getting calls and emails from companies that apparently need to talk to them because of the TalkTalk situation. Those companies say, "So that we know we are talking to the right person, can we have your address and date of birth?" What is the Minister's advice to my constituents?

Mr Vaizey: This case has achieved a great deal of publicity, and common sense tells us that people will somehow try to scam off the back of it. My advice to my hon. Friend's constituents is to put the phone down. If any hon. Members have an issue with a constituent who feels that this matter is not being taken seriously, they are welcome to contact me.

Albert Owen (Ynys Môn) (Lab): I was not clear from the Minister's response to the Chair of the Home Affairs Committee whether the data that have been stolen from TalkTalk are raw or encrypted. There is a lot of concern about that. Is not part of the problem that all the information has to be provided online, and there is no opportunity for other forms of data—such as the old paper way—which were safer? Many people feel more secure providing smaller amounts of data but keeping copies.

Mr Vaizey: The hon. Gentleman makes an interesting point. We now live in a digital world and we will see more and more companies engaging with their customers on digital platforms. Indeed, it is important to stress that customers find this convenient. I am sure all of us in this House transact with many organisations digitally,

so I am not sure we can go backwards in that respect. The challenge for the Government is to engage with business and to emphasise, as we have not been shy in doing, the importance of maintaining proper cyber-security.

Maggie Throup (Erewash) (Con): With the apparently increasing frequency of cyber-attacks, and to reassure my constituents, will my hon. Friend say whether he agrees that businesses that handle sensitive personal data such as bank account details must now put in place comprehensive procedures to ensure that customers are informed immediately if their data may have been breached by cyber-attack?

Mr Vaizey: It is very important that all businesses, particularly those handling significant amounts of sensitive customer data, have robust procedures in place to protect those data and to inform customers when there may have been a data breach.

Diana Johnson (Kingston upon Hull North) (Lab): Has the Minister had any meetings with the Home Office to discuss legislative changes that are required? Also, has he thought about using the draft communications Bill, which would seem to be an ideal vehicle for that and which I understand will come before the House later this month?

Mr Vaizey: Whether it is an ideal vehicle would be a matter for the Home Office, but we certainly have plans to sit down with Ministers across Departments to discuss any possible legislative changes that need to be made.

Wes Streeting (Ilford North) (Lab): The Minister will be aware that there are discussions in the European Union about updating data protection legislation, so, first, what outcomes would he like for consumers and what chance is there of achieving them? Secondly, if anyone has lost out financially as a result of this data protection breach, would TalkTalk or the banks be liable for compensating those consumers?

Mr Vaizey: We have been working for many years on data protection regulation in the European Commission, and it is almost at the point of being completed. It has always been an important principle from the UK's perspective that we put the consumer and the citizen at the centre of this. These are their data, and it is their right to own them and be sure about how they are used.

As far as compensation is concerned, as I said earlier, it will be a matter for the Information Commissioner's office and TalkTalk to decide on any appropriate levels of compensation.

Andrew Gwynne (Denton and Reddish) (Lab): Since the election, the number of people working for the Government data services has declined and the appointment of a chief data officer has still not been made. What impact is that having on the advice that Ministers receive from officials about data protection and the security of online digital services in government?

Mr Vaizey: I think the hon. Gentleman is referring to the Government Digital Service; and the Minister for the Cabinet Office, who is responsible for that service, has today made an important speech on its future. It is an extremely successful part of Government, and the hon. Gentleman can rest assured that the Government take the protection of citizens' data on their own platforms extremely seriously.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I had better start by declaring an interest: I am a customer of TalkTalk and have so far not been contacted by the company by email or phone, or in any other way. The title for the urgent question contains the words "consumer protection". Have Ministers considered ways that consumers can assess whether the providers of any of these services have robust cyber-security mechanisms in place? At the moment, we are completely blindsided as consumers.

Mr Vaizey: The right hon. Lady makes a valid point. In many cases, businesses set out extremely detailed terms and conditions, but the idea that they are consumer-friendly is wide of the mark. If I can take, as it were, the spirit of her question, some kind of kitemark to denote companies that have robust cyber-security procedures in place would be something worth exploring.

Point of Order

4.24 pm

Mr James Gray (North Wiltshire) (Con): On a point of order, Mr Speaker. Moving from the latest in data protection to a more traditional format, may I ask your advice on a matter concerning the Administration Committee, on which I serve? I was, I have to admit, a few moments late for a meeting of the Committee on 12 October and was surprised to discover that a motion had been rushed through in the first few seconds of the meeting to change the means by which we record the Acts of Parliament from vellum, which has been used for 1,000 years or more, to paper. I immediately registered my opposition and said that I disagreed with that, but was very surprised to discover this morning when the report was published that the decision appears to be unanimously supported by the Committee, including by me.

Mr Speaker, am I right in thinking that because the use of vellum was brought in by an order of the House, voted for on the Floor of the House, its removal would also require a vote of this House? If that is the case, would that be an opportunity for me both to register my dissent properly and to try to encourage hon. Members on both sides of the House to oppose what seems to me to be a disgraceful piece of heritage vandalism?

Mr Speaker: I am extremely grateful to the hon. Gentleman for his point of order and for his courtesy in giving me advance notice of it. It is of course based, as he has just advised us, on his experience of the Administration Committee, of which I can confirm he is himself a distinguished ornament.

I understand that the hon. Gentleman was not present for the decision to agree to the report, but came to the meeting very soon thereafter, expressed his dissent and indeed asked for it to be recorded. The formal minutes, as printed with the report, do—I think unintentionally, but I accept unsatisfactorily from his point of view—imply that he consented to the report. His dissent will, I understand, be recorded on the informal minutes. He has now put on the record—it should not be necessary to have to do so by a point of order, but it was in this case—his opposition to the substitution of archival paper for vellum.

I can confirm that for the recommendation—this is the key point—to be implemented, the matter would have to be brought to the Floor of the House, as it was in 1999. In such circumstances, he will very likely have the chance to address the House on the subject and, if need be, to press his opposition to a Division. Perhaps I can just say in this context, and I feel sure that the hon. Gentleman will be familiar with the *Official Report*, that the vote of 1 November 1999 will be fresh in the minds of some colleagues.

Now that the Liaison Committee is fully functioning, under the distinguished leadership of the right hon. Member for Chichester (Mr Tyrie), I gently suggest to the hon. Gentleman that he might raise with the Committee the case for any change in the practice of formal minuting in such cases.

The hon. Gentleman did not refer to a date on which a previous resolution was passed. I believe it was in 1849, but there is no doubt that whatever the precise date it was in the long-distant past and a considerable period away from the 21st century that he and I now inhabit. I will leave the matter there for today, but knowing the hon. Gentleman and his perspicacity, he will require no further incentive to proceed with the matter as he thinks fit.

FINANCE BILL (WAYS AND MEANS) (PAYMENT OF CORPORATION TAX)

Resolved,

That provision may be made in connection with the payment of corporation tax.—*(Mr Gauke.)*

FINANCE BILL (WAYS AND MEANS) (RESTITUTION INTEREST PAYMENTS)

Resolved,

That–

(1) The Corporation Tax Act 2010 is amended as follows.

(2) In section 1 (overview of Act), in subsection (3), after paragraph (ac) insert–"(ad) restitution interest (see Part 8C),".

(3) After Part 8B insert–

"PART 8C

RESTITUTION INTEREST

CHAPTER 1

AMOUNTS TAXED AS RESTITUTION INTEREST

357YA Charge to corporation tax on restitution interest

The charge to corporation tax on income applies to restitution interest arising to a company.

357YB Restitution interest chargeable as income

(1) Profits arising to a company which consist of restitution interest are chargeable to tax as income under this Part (regardless of whether the profits are of an income or capital nature).

(2) In this Part references to "profits" are to be interpreted in accordance with section 2(2) of CTA 2009.

357YC Meaning of "restitution interest"

(1) In this Part "restitution interest" means profits in relation to which Conditions A to C are met.

(2) Condition A is that the profits are interest paid or payable by the Commissioners in respect of a claim by the company for restitution with regard to either of the following matters (or alleged matters)–

(a) the payment of an amount to the Commissioners under a mistake of law relating to a taxation matter, or

(b) the unlawful collection by the Commissioners of an amount in respect of taxation.

(3) Condition B is that–

(a) a court has made a final determination that the Commissioners are liable to pay the interest, or

(b) the Commissioners and the company, have in final settlement of the claim, entered into an agreement under which the company is entitled to be paid, or is to retain, the interest.

(4) Condition C is that the interest determined to be due, or agreed upon, as mentioned in subsection (3) is not limited to simple interest at a statutory rate (see section 357YU).

(5) Subsection (4) does not prevent so much of an amount of interest determined to be due, or agreed upon, as represents or is calculated by reference to simple interest at a statutory rate from falling within the definition of "restitution interest".

(6) For the purposes of subsection (2) it does not matter whether the interest is paid or payable–

(a) pursuant to a judgment or order of a court,

(b) as an interim payment in court proceedings,

(c) under an agreement to settle a claim, or

(d) in any other circumstances.

(7) For the purposes of this section–

(a) "interest" includes an amount equivalent to interest, and

(b) an amount paid or payable by the Commissioners as mentioned in subsection (2) is "equivalent to interest" so far as it is an amount determined by reference to the time value of money.

(8) For the purposes of this section a determination made by a court is "final" if the determination cannot be varied on appeal (whether because of the absence of any right of appeal, the expiry of a time limit for making an appeal without an appeal having been brought, the refusal of permission to appeal, the abandonment of an appeal or otherwise).

(9) Any power to grant permission to appeal out of time is to be disregarded for the purposes of subsection (8).

357YD Further provision about amounts included, or not included, in "restitution interest"

(1) Interest paid to a company is not restitution interest for the purposes of this Part if–

(a) Condition B was not met in relation to the interest until after the interest was paid, and

(b) the amount paid was limited to simple interest at a statutory rate

(2) Subsection (1) does not prevent so much of a relevant amount of interest determined to be due, agreed upon or otherwise paid as represents or is calculated by reference to simple interest at a statutory rate from falling within the definition of "restitution interest".

(3) In subsection (2) "relevant amount of interest" means an amount of interest the whole of which was paid before Condition B was met in relation to it.

(4) Section 357YC(7) applies in relation to this section as in relation to section 357YC.

357YE Period in which amounts are to be brought into account

(1) The amounts to be brought into account as restitution interest for any period for the purposes of this Part are those that are recognised in determining the company's profit or loss for the period in accordance with generally accepted accounting practice.

(2) If Condition A in section 357YC is met, in relation to any amount, after the end of the period for which the amount is to be brought into account as restitution interest in accordance with subsection (1), any necessary adjustments are to be made; and any time limits for the making of adjustments are to be disregarded for this purpose.

357YF Companies without GAAP-compliant accounts

(1) If a company–

(a) draws up accounts which are not GAAP-compliant accounts, or

(b) does not draw up accounts at all,

this Part applies as if GAAP-compliant accounts had been drawn up.

(2) Accordingly, references in this Part to amounts recognised for accounting purposes are references to amounts that would have been recognised if GAAP compliant accounts had been drawn up for the period of account in question and any relevant earlier period.

(3) For this purpose a period of account is relevant to a later period if the accounts for the later period rely to any extent on amounts derived from the earlier period.

(4) In this section "GAAP-compliant accounts" means accounts drawn up in accordance with generally accepted accounting practice.

357YG Restitution interest: appeals made out of time

(1) This section applies where–

(a) an amount of interest ("the interest") arises to a company as restitution interest for the purposes of this Part,

(b) Condition B in section 357YC is met in relation to the interest as a result of the making by a court of a final determination as mentioned in subsection (3)(a) of that section,

(c) on a late appeal (or a further appeal subsequent to such an appeal) a court reverses that determination, or varies it so as to negative it, and

(d) the determination reversing or varying the determination by virtue of which Condition B was met is itself a final determination.

(2) This Part has effect as if the interest had never been restitution interest.

(3) If–

(a) the Commissioners for Her Majesty's Revenue and Customs have under section 357YO(2) deducted a sum representing corporation tax from the interest, or

(b) a sum has been paid as corporation tax in respect of the interest under section 357YQ,

that sum is treated for all purposes as if it had never been paid to, or deducted or held by, the Commissioners as or in respect of corporation tax.

(4) Any adjustments are to be made that are necessary in accordance with this section; and any time limits applying to the making of adjustments are to be ignored.

(5) In this section–

"final determination" has the same meaning as in section 357YC;

"late appeal" means an appeal which is made by reason of a court giving leave to appeal out of time.

357YH Countering effect of avoidance arrangements

Any restitution-related tax advantages that would (in the absence of this section) arise from relevant avoidance arrangements are to be counteracted by the making of such adjustments as are just and reasonable in relation to amounts to be brought into account for the purposes of this Part.

(2) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of an assessment, the modification of an assessment, amendment or otherwise.

(3) For the meaning of "relevant avoidance arrangements" and "restitution-related tax advantage" see section 357YI.

357YI Interpretation of section 357YH

(1) This section applies for the interpretation of section 357YH (and this section).

(2) "Arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

(3) Arrangements are "relevant avoidance arrangements" if their main purpose, or one of their main purposes, is to enable a company to obtain a tax advantage in relation to the application of the charge to tax at the restitution payments rate.

(4) But arrangements are not "relevant avoidance arrangements" if the obtaining of any tax advantages that would (in the absence of section 357YH) arise from them can reasonably be regarded as consistent with wholly commercial arrangements.

(5) "Tax advantage" includes–

(a) a repayment of tax or increased repayment of tax,

(b) the avoidance or reduction of a charge to tax or an assessment to tax,

(c) the avoidance of a possible assessment to tax,

(d) deferral of a payment of tax or advancement of a repayment of tax, or

(e) the avoidance of an obligation to deduct or account for tax.

(6) In subsection (5)(b) and (c) the references to avoidance or reduction include an avoidance or reduction effected by receipts accruing in such a way that the recipient does not bear tax on them as restitution interest under this Part.

357YJ Examples of results that may indicate exclusion not applicable

Each of the following is an example of something which might indicate that arrangements whose main purpose, or one of whose main purposes, is to enable a company to obtain a restitution-related tax advantage are not excluded by section 357YI(4) from being "relevant avoidance arrangements" for the purposes of section 357YH–

(a) the elimination or reduction for the purposes of this Part of amounts chargeable as restitution interest arising to the company in connection with a particular claim, if for economic purposes other or greater profits arise to the company in connection with the claim;

(b) preventing or delaying the recognition as an item of profit or loss of an amount that would apart from the arrangements be recognised in the company's accounts as an item of profit or loss, or be so recognised earlier;

(c) ensuring that a receipt is treated for accounting purposes in a way in which it would not have been treated in the absence of some other transaction forming part of the arrangements.

CHAPTER 2

APPLICATION OF RESTITUTION PAYMENTS RATE

357YK Corporation tax rate on restitution interest

(1) Corporation tax is charged on restitution interest at the restitution payments rate.

(2) The "restitution payments rate" is 45%.

357YL Exclusion of reliefs, set-offs etc

(1) Under subsection (3) of section 4 (amounts to which rates of corporation tax applied) the amounts to be added together to find a company's "total profits" do not include amounts of restitution interest on which corporation tax is chargeable under this Part.

(2) No reliefs or set-offs may be given against so much of the corporation tax to which a company is liable for an accounting period as is equal to the amount of corporation tax chargeable on the company for the period at the restitution payments rate.

(3) In subsection (2) "reliefs and set-offs" includes, but is not restricted to, those listed in the second step of paragraph 8(1) of Schedule 18 to FA 1998.

(4) Amounts of income tax or corporation tax, or any other amounts, which may be set off against a company's overall liability to income tax and corporation tax for an accounting period may not be set off against so much of the corporation tax to which the company is liable for the period as is equal to the amount of corporation tax chargeable at the restitution payments rate.

CHAPTER 3

MIGRATION, TRANSFERS OF RIGHTS ETC

357YM Assignment of rights to person not chargeable to corporation tax

(1) Subsection (4) applies if–

(a) a company which is within the charge to corporation tax under this Part ("the transferor") transfers to a person who is not within the charge to corporation tax under this Part a right in respect of a claim, or possible claim, for restitution,

(b) the transfer is made on or after 21 October 2015, and

(c) conditions A and B are met.

(2) Condition A is that the main purpose, or one of the main purposes, of the transfer is to secure a tax advantage for any person in relation to the application of the charge to tax on restitution interest under this Part.

(3) Condition B is that as a result of that transfer (or that transfer together with further transfers of the rights) restitution interest arises to a person who is not within the charge to corporation tax under this Part.

(4) Any restitution interest which arises as mentioned in Condition B is treated for corporation tax purposes as restitution interest arising to the transferor.

(5) A person is "within the charge to corporation tax under this Part" if the person–

(a) is a UK resident company, and

(b) would not be exempt from corporation tax on restitution interest (were such interest to arise to it).

(6) In this section "tax advantage" has the meaning given by section 357YI.

357YN Migration of company with claim to restitution interest

(1) This section applies where–

(a) restitution interest arises to a non-UK resident company,

(b) the rights in respect of which the company is entitled to the restitution interest had (to any extent) accrued when the company ceased to be UK resident, and

(c) the company's main purpose, or one of its main purposes, in changing its residence was to secure a tax advantage for any person in relation to the application of the charge to tax on restitution interest under this Part.

(2) The company is treated as a UK resident company for the purposes of the application of this Part in relation to so much of that restitution interest as is attributable to relevant accrued rights.

(3) "Relevant accrued rights" means rights which had accrued to the company when it ceased to be UK resident.

(4) The company is to be treated for the purposes of sections 185 and 187 of TCGA 1992 as not having disposed of its assets on ceasing to be resident in the United Kingdom, so far as its assets at that time consisted of rights to receive restitution interest.

(5) Any adjustments that are necessary as a result of subsection (4) are to be made; and any time limits for the making of adjustments are to be ignored for this purpose.

CHAPTER 4

PAYMENT AND COLLECTION OF TAX ON RESTITUTION INTEREST

357YO Duty to deduct tax from payments of restitution interest

(1) Subsection (2) applies if the Commissioners for Her Majesty's Revenue and Customs pay an amount of interest in relation to which Conditions 1 and 2 are met and–

(a) the amount is (when the payment is made) restitution interest on which a company is chargeable to corporation tax under this Part, or

(b) a company would be chargeable to corporation tax under this Part on the interest paid if it were (at that time) restitution interest.

(2) The Commissioners must, on making the payment–

(a) deduct from it a sum representing corporation tax on the amount at the restitution payments rate, and

(b) give the company a written notice stating the amount of the gross payment and the amount deducted from it.

(3) Condition 1 is that the Commissioners are liable to pay, or have agreed or determined to pay, the interest in respect of a company's claim for restitution with regard to–

(a) the payment of an amount to the Commissioners under a mistake of law relating to a taxation matter, or

(b) the unlawful collection by the Commissioners of an amount in respect of taxation.

(4) Condition 2 is that the interest is not limited to simple interest at a statutory rate. In determining whether or not this condition is met, all amounts which the Commissioners are liable to pay, or have agreed or determined to pay in respect of the claim are to be considered together.

(5) For the purposes of Condition 1 it does not matter whether the Commissioners are liable to pay, or (as the case may be) have agreed or determined to pay, the interest–

(a) pursuant to a judgment or order of a court,

(b) as an interim payment in court proceedings,

(c) under an agreement to settle a claim, or

(d) in any other circumstances.

(6) For the purposes of subsection (2) the restitution payments rate is to be applied to the gross payment, that is to the payment before deduction of a sum representing corporation tax in accordance with this section.

(7) For the purposes of this section–

(a) "interest" includes an amount equivalent to interest, and

(b) an amount which the Commissioners pay as mentioned in subsection (1) is "equivalent to interest" so far as it is an amount determined by reference to the time value of money.

357YP Treatment of amounts deducted under section 357YO

(1) An amount deducted from an interest payment in accordance with section 357YO(2) is treated for all purposes as paid by the company mentioned in section 357YO(1) on account of the company's liability, or potential liability, to corporation tax charged on the interest payment, as restitution interest, under this Part.

(2) Subsections (3) and (4) apply if–

(a) the Commissioners have, on paying an amount which is not (when the payment is made) restitution interest, made a deduction under section 357YO(2) from the gross payment (see section 357YO(6)), and

(b) a company becomes liable to repay the net amount to the Commissioners, or it otherwise becomes clear that the gross amount cannot, or will not, become restitution interest.

(3) If the condition in subsection (2)(b) is met in circumstances where the company is not liable to repay the net amount to the Commissioners, the Commissioners must–

(a) repay to the company the amount treated under subsection (1) as paid by the company, and

(b) make any other necessary adjustments;

and any time limits applying to the making of adjustments are to be ignored.

(4) If the condition in subsection (2)(b) is met by virtue of a company becoming liable to repay to the Commissioners the amount paid as mentioned in subsection (2)(a)–

(a) this Part has effect as if the company were liable to repay the gross payment to the Commissioners, and

(b) the amount deducted by the Commissioners as mentioned in subsection (2)(b) is to be treated for the purposes of this Part as money repaid by the company in partial satisfaction of its liability to repay the gross amount.

(5) Subsections (3) and (4) have effect with the appropriate modifications if the condition in subsection (2)(b) is met in relation to part but not the whole of the gross amount mentioned in subsection (2)(a).

(6) In this section "the net amount", in relation to a payment made under deduction of tax in accordance with section 357YO(2), means the amount paid after deduction of tax.

357YQ Assessment of tax chargeable on restitution interest

(1) An officer of Revenue and Customs may make an assessment of the amounts in which, in the officer's opinion, a company is chargeable to corporation tax under this Part for a period specified in the assessment.

(2) Notice of an assessment under this section must be served on the company, stating the date on which the assessment is issued.

(3) An assessment may include an assessment of the amount of restitution income arising to the company in the period and any other matters relevant to the calculation of the amounts in which the company is chargeable to corporation tax under this Part for the period.

(4) Notice of an assessment under this section may be accompanied by notice of any determination by an officer of Revenue and Customs relating to the dates on which amounts of tax become due and payable under this section or to amounts treated under section 357YP as paid on account of corporation tax.

(5) The company must pay the amount assessed as payable for the accounting period by the end of the period of 30 days beginning with the date on which the company is given notice of the assessment.

357YR Interest on excessive amounts withheld

(1) If an amount deducted under section 357YO(2) in respect of an amount of interest exceeds the amount which should have been deducted, the Commissioners are liable to pay interest on the excess from the material date until the date on which the excess is repaid.

(2) The "material date" is the date on which tax was deducted from the interest.

(3) Interest under subsection (1) is to be paid at the rate applicable under section 178 of FA 1989.

357YS Appeal against deduction

(1) An appeal may be brought against the deduction by the Commissioners for Her Majesty's Revenue and Customs from a payment of a sum representing corporation tax in compliance, or purported compliance, with section 357YO(2).

(2) Notice of appeal must be given–

(a) in writing,

(b) within 30 days after the giving of the notice under section 357YO(2).

357YT Amounts taxed at restitution payments rate to be outside instalment payments regime

For the purposes of regulations under section 59E of TMA 1970 (further provision as to when corporation tax due and payable), tax charged at the restitution payments rate is to be disregarded in determining the amount of corporation tax payable by a company for an accounting period.

CHAPTER 5

SUPPLEMENTARY PROVISIONS

357YU Interpretation

(1) In this Part "court" includes a tribunal.

(2) In this Part "statutory rate" (in relation to interest) means a rate which is equal to a rate specified–

(a) for purposes relating to taxation, and

(b) in, or in a provision made under, an Act.

357YV Relationship of Part with other corporation tax provisions

(1) So far as restitution interest is charged to corporation tax under this Part it is not chargeable to corporation tax under any other provision.

(2) This Part has effect regardless of section 464(1) of CTA 2009 (priority of loan relationship provisions).

357YW Power to amend

(1) The Treasury may by regulations amend this Part (apart from this section).

(2) Regulations under this section–

(a) may not widen the description of the type of payments that are chargeable to corporation tax under this Part;

(b) may not remove or prejudice any right of appeal;

(c) may not increase the rate at which tax is charged on restitution interest under this Part;

(d) may not enable any provision of this Part to have effect in relation to the subject matter of any claim which has been finally determined before 21 October 2015.

(3) Subject to subsection (2), regulations under this section may have retrospective effect.

(4) For the purposes of this section a claim is "finally determined" if a court has disposed of the claim by a final determination or the claimant and the Commissioners for Her Majesty's Revenue and Customs have entered into an agreement in final settlement of the claim.

(5) Section 357YC(8) (which defines when a determination made by a court is final) has effect for the purposes of this section as for the purposes of section 357YC.

(6) Regulations under this section may include incidental, supplementary or transitional provision.

(7) A statutory instrument containing regulations under this section must be laid before the House of Commons.

(8) The regulations cease to have effect at the end of the period of 28 days beginning with the day on which they are made unless, during that period, the regulations are approved by a resolution of the House of Commons.

(9) In reckoning the 28-day period, no account is to be taken of any time during which–

(a) Parliament is dissolved or prorogued, or

(b) the House of Commons is adjourned for more than 4 days.

(10) Regulations ceasing to have effect by virtue of subsection (8) does not affect–

(a) anything previously done under the regulations, or

(b) the making of new regulations."

(4) In the Taxes Management Act 1970, in section 59D (general rule as to when

corporation tax is due and payable)–

(a) in subsection (3) after "with" insert "the first to fourth steps of'";

(b) in subsection (5) after "59E" insert "and section 357YQ of CTA 2010 (assessment of tax chargeable on restitution interest)".

(5) Paragraph 8 Schedule 18 to the Finance Act 1998 (company tax returns, assessments etc: calculation of tax payable) is amended as follows–

(a) in paragraph 2 of the first step, after "company" insert "(other than the restitution payments rate)";

(b) After the fourth step insert–

"Fifth step

Calculate the corporation tax chargeable on any profits of the company that are charged as restitution interest.

1. Find the amount in respect of which the company is chargeable for the period under the charge to corporation tax on income under Part 8C of CTA 2010.

2. Apply the restitution payments rate in accordance with section 357YK(1) of that Act.

The amount of tax payable for the accounting period is the sum of the amounts resulting from the first to fourth steps and this step."

(6) Schedule 56 to the Finance Act 2009 (penalty for failure to make payments on time) is amended in accordance with paragraphs (7) and (8).

(7) In paragraph 1, in the table after item 6 insert–

"6ZZA	Corporation tax	Amount payable under section 357YQ of CTA 2010	The end of the period within which, in accordance with section 357YQ(5), the amount must be paid"

(8) In paragraph 4(1), for "or 6" substitute ", 6 or 6ZZA".

(9) The amendments made by paragraphs (1) to (8) have effect in relation to interest (whether arising before or on or after 21 October 2015) which falls within paragraph (11).

(10) Section 357YO of the Corporation Tax Act 2010, and the amendments made by subsections (1) to (8) so far as relating to the deduction of tax under section 357YO, have effect in relation to payments of interest made on or after 26 October 2015. This rule is not limited by the rule in paragraph (9).

(11) Interest arising to a company falls within this paragraph if–

(a) a determination made by a court that the Commissioners for Her Majesty's Revenue and Customs are liable to pay the interest becomes final on or after 21 October 2015, or

(b) on or after 21 October 2015 the Commissioners and a company enter into an agreement in final settlement of a claim for restitution, under which the company is entitled to be paid, or to retain, the interest.

(12) In paragraphs (9) to (11)–

(a) the reference to a determination made by a court becoming "final" is to be interpreted in accordance with section 357YC of the Corporation Tax Act 2010;

(b) the references to "interest" are to be interpreted in accordance with section 357YC of the Corporation Tax Act 2010.

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—*(Mr Gauke.)*

FINANCE BILL PROGRAMME (NO.2) MOTION

Ordered,

That the following provisions shall apply to the Finance Bill for the purpose of supplementing the Order of 21 July 2015 (Finance Bill (Programme)):

(1) Paragraphs (10) and (11) of the Order shall be omitted.

(2) Proceedings on Consideration shall be taken in the order shown in the first column of the following Table.

(3) The proceedings shall (so far as not previously concluded) be brought to a conclusion at the times specified in the second column of the Table on the day on which proceedings on Consideration are commenced.

Table

Proceedings	Time for conclusion of proceedings
New Clauses standing in the name of a Minister of the Crown	6.30 pm
Amendments relating to vehicle excise duty	
New Clauses and amendments relating to inheritance tax	9.00 pm
Remaining new Clauses	
Remaining proceedings on Consideration	

(4) Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on the day on which proceedings on Consideration are commenced.—*(Mr Gauke.)*

Finance Bill

Consideration of Bill, not amended in the Committee and as amended in the Public Bill Committee

New Clause 4

EIS, VCTs ETC: EXCLUDED ACTIVITIES

'(1) In section 192 of ITA 2007 (excluded activities for the purposes of sections 181 and 189 (and, by virtue of section 257HF(2), Part 5A)), in subsection (1)—

(a) in paragraph (kb), omit the final "and";

(b) after paragraph (kb) insert—

(kc) making reserve electricity generating capacity available (or, where such capacity has been made available, using it to generate electricity), and".

(2) In section 303 of ITA 2007 (excluded activities for the purposes of sections 290 and 300), in subsection (1)—

(a) in paragraph (kb), omit the final "and";

(b) after paragraph (kb) insert—

(kc) making reserve electricity generating capacity available (or, where such capacity has been made available, using it to generate electricity), and".

(3) The amendment made by subsection (1) has effect in relation to shares issued on or after 30 November 2015.

(4) The amendment made by subsection (2) has effect in relation to relevant holdings issued on or after 30 November 2015." *—(Mr Gauke.)*

Brought up, and read the First time.

4.29 pm

The Financial Secretary to the Treasury (Mr David Gauke): I beg to move, That the clause be read a Second time.

Mr Speaker: With this it will be convenient to discuss the following:

Government new clauses 5, 6 and 8.

Amendment 91, page 57, in clause 42, leave out lines 26 and 27.

Amendment 92, page 57, leave out lines 30 to 41.

Amendment 93, page 58, leave out from beginning of line 1 to end of line 37 on page 60 and insert—

"Graduated rates of duty payable on first vehicle licence

For the purpose of determining the rate at which vehicle excise duty is to be paid on each of the first three years of vehicle licence for a vehicle to which this Part of this Schedule applies, the annual rate of duty applicable to the vehicle shall be determined in accordance with the following table by reference to the applicable CO2 emissions figure.

Table

Carbon Dioxide emissions		*Rate*		
(1) Exceeding g/km	(2) Not exceeding g/km	(3) First full year (£)	(4) Second full year (£)	(5) Third full year
0	0	0	0	0
0	50	10	10	10
50	75	25	25	25
75	90	100	100	100
90	100	120	120	120
100	110	140	140	140
110	130	160	160	160
130	150	200	200	200
150	170	500	500	500
170	190	800	800	800
190	225	1,200	1,200	1,200
225	255	1,700	1,700	1,700
255	-	2,000	2,000	2,000

Rates of duty payable on any other vehicle licence

1GD For the purpose of determining the rate at which vehicle excise duty is to be paid on any other vehicle licence for a vehicle to which this Part of this Schedule applies, the annual rate of vehicle excise applicable to the vehicle shall be determined in accordance with the following table by reference to the applicable CO2 emissions figure.

Table

Carbon Dioxide emissions		*Rate*
(1) Exceeding g/km	(2) Not exceeding g/km	(3) Standard rate (£)
0	0	20
0	50	40
50	75	60
75	90	80
90	100	100
100	110	120
110	130	140
130	150	160
150	170	180
170	190	200
190	225	220
225	255	240
255	-	260"

New clause 3—*Tax treatment of private equity fund managers' pay—*

'(1) The Chancellor of the Exchequer shall, within six months of the passing of this Act, publish and lay before the House of Commons a report setting out proposals for amending the law to ensure that no element of the remuneration paid to an investment fund manager may be treated as a capital gain, and that such remuneration shall be treated for tax purposes wholly as income.

(2) For the purposes of this section, an "investment fund manager" is a person who performs investment management services directly or indirectly."

Government amendments 71 to 88 and 31 to 70.

Mr Gauke: I would like to open the debate by discussing amendments 31 to 70. As announced in the Public Bill Committee, the Government are introducing amendments to clauses 25 and 26 and schedules 5 and 6 to ensure that the Bill works as intended and that the new rules work correctly with the existing provisions.

[Mr Gauke]

I remind the House that the original clauses and schedules make changes to the rules for the enterprise investment scheme and venture capital trust to bring them into line with new state aid rules. This will secure the future of the schemes and ensure they continue to be well targeted towards companies that need investment to develop and grow. The enterprise investment and venture capital schemes have been supporting small companies to access finance for more than 20 years and provide generous tax incentives to encourage private individuals to invest in high-risk small and growing companies that would otherwise struggle to access finance from the market. The original clauses and subsequent amendments ensure the long-term future of these important schemes.

Alongside the amendments, the Government are also introducing new clause 4, which makes changes to exclude companies from qualifying for the seed enterprise and investment scheme, the enterprise investment scheme and the venture capital trust, if their activities involve making available reserve electricity generating capacity—for example, under the capacity market agreement or the short-term operating reserve contract. In recent years, there has been a significant increase in tax-advantaged investment in energy companies benefiting from other guaranteed income streams. These activities are also generally asset-backed. The new clause will ensure that the Government remain consistent in their approach by keeping the venture capital schemes targeted at high-risk companies. We will also introduce secondary legislation to exclude subsidised renewable energy generation by community energy organisations.

Jesse Norman (Hereford and South Herefordshire) (Con): The Minister will be aware that the very late tabling of new clause 4 might have disconcerted and inconvenienced companies. Among those it has unsettled is one in my constituency which was on the point of closing a funding arrangement that would have given it access to capital of about £25 million to £40 million. Given that the concern the new clause appears to address is focused on state aid or subsidy, particularly capacity market agreements, will he confirm that it is not intended to apply to businesses that do not use capacity market agreements, such as the one I have described?

Mr Gauke: I am grateful to my hon. Friend for letting me know earlier today about his constituency case. It is difficult to be drawn too much on an individual case, although I understand why he has raised it, and I can assure him that the representation he made to me earlier today on behalf of his constituent is being looked at closely. He has obviously put his concerns on the record, but all I can say now is that there is a clear objective behind new clause 4. It is about ensuring that the provisions are state aid compliant and that the regime is well targeted. I hope he will be reassured that I and my officials will look closely at his case, but if he will forgive me, I will not get too drawn into the specific circumstances he outlines.

Jesse Norman: I am extremely grateful to the Minister for those assurances. Am I right in thinking that there will be scope within regulation to allow the kind of carve-out that might be necessary if his investigations uphold, as it were, the position that I am taking?

Mr Gauke: My hon. Friend draws me more into the specifics, but I hope he will be satisfied if I ask him to let me look at the particular circumstances that his constituent has raised. In that context, before we get into process matters, he should let me look at those particular circumstances. There are good reasons why we are bringing forward new clause 4, which is consistent with our general approach to ensure that the schemes are properly targeted.

As I mentioned, we shall introduce secondary legislation to exclude subsidised renewable energy generation by community energy organisations. This follows the announcement in the summer Budget that the Government would continue to monitor the use of the venture capital schemes by community energy to ensure that the schemes were not subject to misuse and that they provided value for money to the taxpayer. All these changes on energy activities will take effect for investments made on or after 30 November. The Government intend to apply all these exclusions to the social investment tax relief when SITR is enlarged.

New clause 5 corrects a technical defect in the legislation relating to corporation tax instalment payments. Instalment payments are currently made by large companies—that is, companies with profits that exceed £1.5 million. The definition of "large" was previously included in primary legislation, which has since been repealed when corporation tax rates were unified from 1 April 2015, at which point the definition moved to secondary legislation. Following that, there is a mismatch between the cessation of the repealed legislation and the commencement of the new definition, which could be interpreted to mean that corporation tax payments would be due nine months and a day after the accounting period. There is no evidence of companies having acted on the defect, and corporation tax receipts are, happily, above forecast. The changes proposed in new clause 5 correct this uncertainty to ensure that the definition of "large" will apply for accounting periods that span 1 April 2015, so that corporation tax instalment legislation will apply.

New clause 8 addresses an unfairness whereby in certain claims for repayment of tax and restitution through interest payments, taxpayers might receive a significant additional benefit at the expense of the public purse. The vast majority of interest payments that are paid by Her Majesty's Revenue and Customs are made under the relevant Taxes Act. These will continue to be subject to the normal rate of corporation tax. However, the interest payments targeted by this clause arise from claims made under common law, which stretch over a large number of years—in some cases, going back to 1973—and represent a unique set of circumstances.

As it stands under current law, any payments will be taxed at the low corporation tax rate that applies at the time the payments are due to be made. Since the interest payments targeted by the clause have accrued over years when the rate of corporation tax was much higher than companies currently enjoy, those making the claims receive a significant financial benefit. In addition, such payments may have to be calculated on a compound basis, further improving the advantage gained at the expense of the public purse.

Mark Field (Cities of London and Westminster) (Con): While I support the robust way in which the Minister is protecting the public purse, he will also recognise, not

least from the correspondence he must have received, that many colleagues and constituents feel that this fairness deal does not apply both ways. At times when individuals have owed the Exchequer rather more money, they have had interest charged at very high levels. Will my hon. Friend try to ensure that what is good for the geese is also good for the gander in respect of these matters? I entirely understand that he wants an equitable arrangement, but there is a sense from many taxpayers and indeed their financial advisers that all too often the Revenue does not see it in quite the same light when they are on the other side of the equation.

Mr Gauke: I can tell my right hon. Friend, who is a tireless defender of the interests of the taxpayer, that the measure is targeted at very specific circumstances in which compound interest may have to be paid in relation to claims which, as I have said, potentially date back to 1973. I hope I can reassure him that we do not believe the same approach should be applied in every case.

As I have said, such payments may have to be calculated on a compound basis, which would increase the advantage gained at the expense of the public purse. To address that unfairness, the Government are ensuring that an appropriate amount of tax, set at a rate of 45% , is paid on any such awards. That rate reflects the long period over which any such interest accrued, the higher rate of corporation tax which applied during the period, and the compounding nature of such potential awards. It is a special rate which applies in special circumstances. We are also introducing a withholding tax on those payments to provide for the easiest method of paying and collecting the tax that is due.

The changes will affect only a relatively small number of companies which have claims related to historic issues. They will affect fewer than 0.5% of companies making corporation tax returns. This is a prudent step to ensure that if any such payments have to be made, they are subject to a fair rate of tax. HMRC will continue to challenge all aspects of the claims on the basis of strong legal arguments.

New clause 8 will ensure that a principled and targeted system is in place to address a potential unfairness whereby a few businesses receive significant benefits resulting from the unique nature of this litigation at the expense of the public purse.

New clause 6 and amendments 71 to 88 relate to clauses 40 and 41. Let me begin with a brief reminder of the provisions in those clauses. Investment fund managers are rewarded for their work in a range of ways, one of which is known as carried interest. It is the portion of a fund's value that is allocated to managers in return for their long-term services to the fund. The manager's reward therefore depends on the performance of the fund. Aspects of the UK tax code meant it was possible for asset managers to reduce the effective tax rate payable by them on their carried interest awards. In particular, it was possible for them to pay tax on amounts much lower than their actual economic gains. The changes made by clauses 40 and 41 ensure that investment managers will pay at least 28% tax on the economic value of the carried interest that they receive.

Amendments 71 to 88 make a series of technical changes in relation to carried interest to ensure that it operates as intended. New clause 6 is an addition to the provisions dealing with the tax treatment of carried interest and the related measures on disguised investment management fees. It establishes a comprehensive definition when sums arise for tax purposes under these rules.

Mark Field: Will the Minister give us an indication of the amount of consultation that has taken place on these changes, which, obviously, have been introduced since the publication of the Finance (No. 2) Act 2015? While I entirely appreciate that he rightly wants to ensure that the Exchequer receives the correct amount of money, and while I also appreciate that there is clearly a potential for carried interest payments to be at least—shall we say—uncertain, is he entirely satisfied that there has been sufficient consultation to ensure that those who will be affected by the changes have had an opportunity to put their case?

4.45 pm

Mr Gauke: It certainly is the case that there has been no shortage of representations received by the Treasury on the changes we have undertaken in this area. As always, it is necessary to strike a balance between ensuring we move swiftly to address any risk to the Exchequer and ensuring the legislation is adequate and achieves what the Government seek. I am satisfied that in these circumstances we have struck that balance successfully, and that there has been the opportunity to understand the implications of this legislation while at the same time ensuring we have been able to protect the Exchequer.

While I am on my feet, and perhaps to anticipate some of the points that will be made on this somewhat diverse group, I shall address the related matter of new clause 3 tabled by Scottish National party Members. It proposes a review within six months of Royal Assent on the tax treatment of investment fund managers' remuneration. Legislating for a review in six months is unnecessary. The Government have already launched a consultation in this area to ensure rewards will be charged to income tax when it is correct they are, according to the activity of the fund. That consultation closed on 30 September and we will be publishing our response along with any resulting draft legislation in due course.

In anticipation of remarks I know we will hear from the hon. Member for Salford and Eccles (Rebecca Long Bailey) about vehicle excise duty, let me also turn to amendments 91 to 93. They would require the Chancellor to replace the changes made by clause 42 and introduce a new VED system that addressed none of the challenges of the current VED system. The amendments call for first year rates of VED to be extended to cover the first three years of ownership and thereafter for rates to be based on a shallower graduation of CO_2. By continuing to base annual rates of VED on CO_2, these amendments would recreate the sustainability challenge of the existing VED system. As new cars become more fuel efficient, more and more ordinary cars will fall into the lower rate of VED bands for their entire lifetime. The changes would also weaken incentives for people to purchase the very cleanest cars. The system Opposition Members propose would therefore need updating regularly to keep pace with technological change. Unless Opposition Members are proposing to retrospectively tax motorists every time the system needs tweaking, an entirely new VED system would need to be created each time. This would create uncertainty for motorists and car

[Mr Gauke]

manufacturers, something they have repeatedly asked the Government to avoid. These amendments would also mean the VED system remains regressive and unfair for motorists. Poorer families with older, less fuel-efficient cars would still end up paying more tax than richer ones who were able to buy a new car every few years.

In contrast to amendments 91 to 93, the changes made by clause 42 do address the fairness and sustainability problems of the current VED system. These changes base annual rates of VED on a flat rate of £140 for all cars except zero-emission cars, which pay nothing. There will be a standard rate supplement of £310 for cars worth above £40,000 to apply for the first five years in which the standard rate is paid. These changes improve fairness across all motorists and ensure that those with expensive cars pay more than those with ordinary family cars. Those who can pay more will pay more.

They also provide long-term certainty in VED revenues. This supports the creation of the new roads fund so that from 2020 all revenue raised from VED in England will go into the fund. It will be invested directly back into the English strategic road network. The changes made by clause 42 still support uptake of the cleanest cars. They maintain and strengthen the environmental signal where it is most effective in influencing people's choice of car in the highly visible first-year rates.

By returning VED to a flat rate while continuing to support the cleanest cars, clause 42 provides a simple, fairer, more certain and more sustainable long-term solution. It allows for the creation of a new roads fund which will ensure that our roads network will receive the multi-billion programme of investment it needs. I commend clause 42 and urge the house to reject amendments 91 to 93.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): How will the roads fund work when applied to Wales, Scotland and Northern Ireland, with the duty coming from Welsh, Scottish and Northern Irish car taxes?

Mr Gauke: I can assure the hon. Gentleman that the Government are talking to the devolved Administrations about exactly how we are going to do that. We are conscious that these are devolved matters, and we are actively engaged with the devolved Administrations.

I hope that the new clauses and amendments to which I referred earlier in the context of the enterprise investment scheme, venture capital trusts, corporation tax instalment payments and restitution interest payments will be able to stand part of the Bill and have the support of the whole House.

Rebecca Long Bailey (Salford and Eccles) (Lab): It is an honour for me to speak from the Dispatch Box for the first time under your chairmanship, Madam Deputy Speaker, and I hope that this will be the first of many debates in the Chamber with the Financial Secretary to the Treasury, the hon. Member for South West Hertfordshire (Mr Gauke).

I shall first speak to the Government's amendments and new clauses, before speaking to our amendments on vehicle excise duty. On the whole, the Government's amendments are technical in nature, designed to preserve the integrity of the Bill, to comply with EU law and to close loopholes. On that basis, we broadly support them, but I will make a few comments.

The explanatory notes and impact assessments relating to the measures were only provided by the Government at 11.50 this morning. Given the detailed nature of the proposed changes, that simply does not allow sufficient time for scrutiny. The hon. Member for Hereford and South Herefordshire (Jesse Norman) has already made that point, and KPMG has also voiced its concern, stating:

> "It is important…that the Government is seen to follow the process consistently, and provide suitable time for consultation and Parliamentary scrutiny wherever possible: the addition of entirely new measures to the Summer Finance Bill so late in its passage through the Commons…is likely to foster only uncertainty."

I hope that the Minister will take these concerns into account and ensure that this does not happen again.

New clause 4 will exclude certain contractual activities relating to reserve electricity generating capacity from the scope of venture capital trusts. These proposals are required to comply with EU state aid rules, along with amendments 31 to 45 and 46 to 70. New clause 5 relates to corporation tax instalment payments and corrects a legislative defect that has previously caused uncertainty over how the legislation will apply to accounting periods that run over 1 April 2015.

New clause 6 relates to carried interest and disguised investment management fees. These are technical corrections to clause 40 that are meant to ensure that where carried interest is charged to tax under the capital gains tax code, the full economic gain is brought into charge to tax. This new clause is intended to prevent sums arising to a fund manager as investment management fees or carried interest from being sheltered from tax through arrangements that have the effect that the amounts arise to other persons.

New clause 8 relates to restitution interest payments and introduces a new rate of corporation tax on amounts of restitution interest that may be paid by HMRC under a claim relating to the payment of tax on a mistake of law or the unlawful collection of tax. The interest element of a restitution award will be chargeable to corporation tax at a special rate of 45% instead of the normal 20% rate. We broadly support this measure, but the Minister will be aware of the hostile views that have been expressed by some businesses. He might wish to take this opportunity to respond to some of those views today.

New clause 3 requires the Chancellor to lay a report setting out proposals for amending the law to ensure that no element of the remuneration aid to an investment fund manager may be treated as a capital gain and that such remuneration shall be treated as income for tax purposes. We agree with the general aims of the new clause but we will listen carefully to what the Minister has to say on this issue.

The proposal dealing with vehicle excise duty relates to rates for light passenger vehicles in the UK and considerably flattens them out by introducing a flat-rate excise charge for every vehicle, regardless of carbon dioxide emissions, from 1 April 2017. First-year rates will continue to be determined by a sliding scale, depending on CO_2 emissions. For most greener cars, which emit below 120g of CO_2 per kilometre, people will now pay

VED of up to £160 in the first year, whereas previously they paid nothing—only zero-emission cars will be liable for zero VED. In subsequent years, there will be a flat-rate of VED of £140 a year. Hon. Members will note that this will result in a substantial VED increase for low-emission cars in the first and subsequent years, while there is a substantial reduction for cars that are less carbon-efficient. Previously, VED for subsequent years was banded, with the more polluting cars paying more—up to £505.

Clearly, over time, the approach being taken strongly benefits more polluting cars, which will pay hundreds of pounds a year less, while greener cars, aside from those with zero emissions, will pay about £100 a year more. To put this into perspective, approximately 445 cars are currently in the top least polluting bands and so pay no VED, as they emit less than 100g of CO_2 per kilometre, whereas under the proposed changes only 13 will fall into the exempt category. That represents a significant drop. In addition to those proposals, moves are also being made to additionally penalise vehicles priced at over £40,000 and, over time, there will also be a supplementary rate of £310 for the first five years.

A tax on passenger vehicles has been a feature of Government policy since as far back as 1889, but it is important to note that it was the Labour Government in 1999 who introduced bands of VED linked to the levels of CO_2 emissions. The measure was designed to encourage the purchase and use of more fuel-efficient and low-emission vehicles, with the aim of lessening the environmental impact of an ever-increasing number of cars on the road. There is broad consensus on both sides of the House that VED reform is needed. Greener, more carbon-efficient vehicles are slowly becoming more commonplace across the UK, and this will undoubtedly have clear implications for VED as a future source of Government revenue. VED bands were set up in 2008, when the average emission was 158g of CO_2 per kilometre, whereas the average car now produces 125g of CO_2 per kilometre. Many cars therefore pay no VED at all.

Labour Members agree with the Government that this is unsustainable, but we question whether the approach they have taken to address it is pragmatic. We do not agree that increasing the duty paid on low-emission cars while decreasing the duty paid on higher-emission cars is the logical solution. The fact that zero-emission vehicles will continue to be exempt from road tax is welcome, but we are concerned that a flat rate of VED, as outlined in this proposal, will mean that low-emission vehicles will pay £800 to £1,000 more over a seven-year period than they do now, while many high-emission vehicles are expected to pay up to £440 less.

Mark Field: I congratulate the hon. Lady on her debut at the Dispatch Box, and I hope she will be looking across in precisely the same direction for many years to come. Will she give at least some thought to what was said by the Minister, in that there is a delicate balance to be struck here? We are trying not only to encourage people to have low-emission vehicles—this is not just about carbon dioxide, because nitrogen dioxide is increasingly seen as being a problem, although none of this legislation properly addresses that—but to ensure that relatively less well-off people who perhaps have to hang on to a car for many years should not be artificially penalised. Does she not recognise that the balance the Government have tried to put in place is at least a sensible one?

Rebecca Long Bailey: I welcome the right hon. Gentleman's comments. He is certainly a silver-tongued fox, and I look forward to staring at him from these Benches in the months to come. He raises some important issues. Hopefully, I will address them during my speech.

Sammy Wilson (East Antrim) (DUP) *rose—*

Rebecca Long Bailey: I wish to make a little progress before I take any further interventions.

Let me cite an example to show the absurdity of the current proposals. Although I appreciate and agree that VED needs to be reformed as it is unsustainable in its present form, the current proposals create the obvious absurdity of a Mitsubishi Outlander plug-in hybrid owing as much VED as a BMW 5 series saloon from year 2. On top of that, many vehicles that harness the latest technological developments tend to be rather expensive and may be hit by the supplementary rates as well as by the higher flat rate. For instance, the Volvo V60 plug-in hybrid estate—a hybrid suitable for families—would have to pay a first-year rate of £320 and a supplementary rate of £450 for five years thereafter despite being at the forefront of low-emission technology.

5 pm

Although the Government's proposals to make zero-emission cars completely exempt are certainly welcome, Labour Members question whether we are likely to see a radical shift towards completely zero-carbon vehicles in the near future. Indeed, my scouring of motor magazines and blog sites in preparation for this debate led me to one clear conclusion: although people travelling short distances might be happy to rely on an electric vehicle, plug-in hybrids still appear to be the main option considered by the more discerning green consumer who wants reliability and green credentials rolled into one. Members will no doubt be aware that hybrid cars have both a regular engine and an electric motor. The beauty of them is that a person can drive short distances and never use any fuel. An electric range of about 20 to 30 miles is common. When longer journeys are required, the petrol or diesel engine kicks in to provide comfort and security to the driver that they will not get caught short. Of course we are making amazing technological advances every day. Electric vehicles are becoming more and more efficient and suitable for longer journeys. As a result, I have no doubt that public opinion may change quickly in the years to come, but when assessing VED in the light of encouraging the purchase of more greener cars from 2017 onwards, I would be more inclined to trust current consumer viewpoints rather than a hypothetical chocolate box vision of the future where, simply as a result of zero-emissions vehicles being VED exempt, there is a sudden stampede of people going out to buy them.

Clearly, a more pragmatic approach is required and Labour Members have serious concerns that these changes, together with the freeze in fuel duty announced in the Budget—let me be clear though that that was a welcome announcement—will dissuade people from purchasing all of the bands of low-emission vehicles in the future.

We are certainly not alone in harbouring those concerns. Although the Government have claimed that the clause strengthens incentives to purchase low-emission cars, key players in the industry disagree.

Although the RAC welcomes the Government's proposal to ring-fence VED in the creation of the road fund, it also stated:

"A big question mark remains however over how the new changes will affect people's inclination to buy low carbon dioxide emitting, fuel efficient vehicles."

The Society of Motor Manufacturers and Traders welcomes VED reform, but stated that

"the new regime will disincentivise take up of low emission vehicles."

Similarly, the AA, which welcomes reform, called for further measures to sit alongside the Government's proposals to offer fiscal encouragement for converting the main urban emissions polluters to hybrid or electric alternatives.

Leaving the environmental impact of this clause to one side for a moment, car manufacturers have expressed concern that the supplementary rate for cars worth more than £40,000 will have a profoundly negative effect on car manufacturing in Britain. The UK has a proud history of producing premium vehicles, which are now likely to be the subject of the supplement rate of £310 a year.

Car manufacturing is one of the few heavy industries remaining in the UK. Given the Government's negligence at work, with Redcar acting as a backdrop, we do not feel that they have set out a clear argument on the issue of the premium vehicle supplement to allay the concerns raised by car manufacturers and to provide comfort that they are committed to promoting long-term growth within the industry. Indeed, the Society of Motor Manufacturers and Traders has warned that the UK car industry supports almost 800,000 jobs and that a punitive tax on those premium vehicles will almost certainly have an impact on domestic demand, thus affecting growth in UK manufacturing.

As I have outlined, my hon. Friends are concerned that the clause as drafted will discourage the manufacture and purchase of low-emission vehicles. We also appreciate that, although it might increase Exchequer revenue in the longer term, it will potentially have a detrimental impact on car manufacturing in the UK. For the reasons I have outlined, we have tabled amendments that will encourage the manufacture and purchase of low-emission vehicles and preserve Exchequer revenue as lower emission cars are purchased. That is achieved by frontloading VED for the first three years with a reduced taper rate thereafter, dependent on a sliding scale of CO_2 emissions.

The Financial Secretary cited research in Committee that suggests that consumers' choices are more influenced by the immediate cost and he therefore reasoned that an increase in the first year rate was sufficient to influence behaviour. Logically, frontloading VED for the first three years, as we would, will therefore have a greater influence on consumer behaviour and encourage the purchase of greener vehicles. We have also scrapped the punitive regime for cars over £40,000. I have no doubt that the Minister and all hon. Members wish to encourage the manufacture and purchase of low-emission vehicles while at the same time increasing growth within the car manufacturing industry and increasing Exchequer revenue. That is achievable if our amendments are agreed to today, and I urge hon. Members to support them.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): I rise to support new clause 3, tabled in my name and those of my hon. Friends. I also welcome the hon. Member for Salford and Eccles (Rebecca Long Bailey) to the Front Bench. I was pleased to hear the Minister talk about his desire to see fairness in the tax system. We all welcome that.

If you will allow me, Madam Deputy Speaker, I want to start with a quote I used in Committee:

"I was shocked to see that some of the very wealthiest people in the country have organised their tax affairs, and to be fair it's within the tax laws, so that they were regularly paying virtually no income tax. And I don't think that's right."

Those were the words, of course, of the Chancellor of the Exchequer, speaking in April 2012. He was right then, but we need to do more about it now. I acknowledge that, as the Minister said, some progress is being made in the clauses proposed by the Government in the Bill, and I welcome that, but for us they are not nearly sufficient. Not enough is being done, so we have brought back this new clause on Report.

As I also noted in Committee, support for our argument comes from many quarters. Of particular interest to me is the fact that in May 2014 the OECD, not known for its radical tax positions, released a raft of recommendations to tackle rising income inequality in the OECD area. They included

"taxing as ordinary income all remuneration, including fringe benefits, carried interest arrangements, and stock options."

Private equity fund managers shrink their tax bills by arranging to pay what will now be 28% capital gains tax rather than 45% income tax on their carried interest. Carried interest is in effect their remuneration for managing other people's money and should therefore be taxed as income tax. Their ability to pay capital gains tax on what is properly income also allows fund managers to avoid paying any national insurance contributions on a major portion of their income. I note, however, that those who would be affected if we closed the so-called Mayfair loophole are, as a group, the highest donors to the Conservative party, which might be purely accidental.

I also note that not closing the loophole costs the Treasury between £250 million to £600 million annually. But this Government, through their moves on tax credits, seem more intent on hammering someone earning, say, £15,000 per annum than on asking someone earning £15,000 per week simply to pay their fair share. Stephen Feinberg, head of the private equity firm Cerberus Capital Management, said back in 2011:

"In general, I think that all of us are way overpaid in this business. It is almost embarrassing."

[Interruption.] Yes, I was rather surprised that it was "almost embarrassing." I would have thought it was thoroughly embarrassing.

The average European PE firm's managing director can expect to receive around £8 million per annum in total personal compensation. The largest funds pay out some £15 million or more. Some very junior people can earn £1 million. These figures will be conservative for many in the London area, which has some of the highest paid equity fund managers. In Committee some Members implied that no other developed country was moving to close this loophole. This is not so.

Mark Field: Does the hon. Gentleman recognise that the concept of carried interest is integral to the way that private equity and venture capital industries operate? The Government have been pretty robust at trying to draw the distinction to which he refers, between capital and income, and any abusive schemes will be closed down. Carried interest is not a con. It is the very nature of the way in which venture capital funds operate in investing the funds they have for future projects.

Roger Mullin: I thank the right hon. Gentleman. I do not think I accused anyone of being engaged in a con. It is not a con; it is perfectly legal, as George Osborne himself recognised in 2012. The issue is that, despite the technicalities, the ordinary member of the public will look at this and say, "Is this fair, particularly at this time in the development of our economy?" I am primarily driven by what is fair to the wider public in our society.

Mark Field: I do not want to get involved in a philosophical debate about fairness or otherwise in relation to the tax system. The hon. Gentleman is making a perfectly logical argument and one that I have some sympathy with—that in the longer term we should try to move towards a system whereby capital gains and income gains are considered at similar rates. The fact that there is such a big disparity between those rates causes the imbalance.

Roger Mullin: I agree with much of what the right hon. Gentleman says, but I would go wider. Our whole tax system is incredibly and unnecessarily complicated. Why do we not begin to think about moving towards an alignment, say, of income tax and national insurance in the longer term? There are many areas where the over-complication serves nobody's interests well. It does not serve the Exchequer or the wider public, so I have some sympathy with the right hon. Gentleman's argument. I return to the point I was trying to make before his two excellent interventions.

In Committee some Members implied that no other country in the world was doing anything to close the loophole. My recent research shows that that is not the case. For example, the Netherlands has already tackled the issue more thoroughly than we have in the UK. France has moved—perhaps not as far as some in France would have liked at the time—further than the UK to address the problem, and in other countries, such as Sweden and even the United States, it is a growing element of the political debate.

Sammy Wilson: Is that not the most important point? Provided the tax change does not impact upon the ability of the financial market to do its job, it is right to bring tax rates into line and to close the loophole. If closing the loophole were somehow to distort the financial market or make the financial market work less efficiently, I could understand the argument from the right hon. Member for Cities of London and Westminster (Mark Field), but that is not the case. It does not seem to have had that impact in other countries, so why should it do so here?

Roger Mullin: I thank the hon. Gentleman for that intervention. I point out that, as I am sure he fully understands, this issue is not unique to the United Kingdom; it has international resonance. It has particular resonance with people who are relatively poor and suffering under austerity. As I said in Committee, my constituency manager—we all know how well paid our constituency managers are—will pay an effective rate of tax that is higher than that paid by the vast majority of highly paid fund managers. That cannot be described as fair, as I think people in this country and elsewhere recognise.

5.15 pm

In his speech, the Chancellor spoke of his desire to take further action to prevent the wealthiest in society avoiding their obligations to contribute fairly to society. We only wish that he would do more. We are not asking for them to do more than others; we are asking for them merely to contribute in the same way as others in our society. I hope that many hon. Members will feel able to support our new clause.

Sammy Wilson: I think that there is merit in what is proposed in new clause 3, at a time when the tax system is under scrutiny and people feel under pressure. We must look at both the economic and political consequences of tax proposals, because no tax regime can be viewed in isolation from the political context in which it is set. At a time when many people in lower-income groups feel that they are bearing a disproportionate burden, despite paying less tax, loopholes that become apparent should be closed where possible. I would be worried if it was shown that closing such loopholes would have a detrimental impact on the efficient working of the capital markets, but if that is not the case then I think there is an important reason for closing them.

With regard to the Opposition's amendment on vehicle excise duty, I must say that I was very surprised by the stance taken by the hon. Member for Salford and Eccles (Rebecca Long Bailey). The one thing that is quite clear in the amendment is that although it might be very green, it is not very fair, with regard to the burden of taxation. It is more likely to impose a higher tax burden on those on lower incomes, who tend to have older cars with higher emissions, so it would be highly regressive.

Rebecca Long Bailey: The average car currently emits 128 grams of CO_2 per kilometre, which is actually in the lower band. It is also important to note that these provisions would come into effect from April 2017, so they would not be retrospectively applied—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. I fully appreciate that it is the hon. Lady's first time at the Dispatch Box, but—I am not reprimanding her, but merely giving a little hint for future reference—turning her back on the Chair is not acceptable. Even though she wants the hon. Member for East Antrim (Sammy Wilson), who is sitting behind her, to hear what she is saying, she still must face the Chair at all times. *[Interruption.]* No, she need not apologise, because it is her first time at the Dispatch Box, but she will always get it right in future.

Sammy Wilson: I accept that the provisions would not be retrospective. Nevertheless, older cars tend to more polluting and would therefore, under the new clause, carry the higher rates of duty.

[Sammy Wilson]

The second argument that has been made is about the sale of low-emission cars, whereby it is said that the duty that will be imposed, which is a small percentage of the cost of a new car, will distort the market or dissuade people from purchasing one. When people are purchasing a new car, whether it is a hybrid car or a low-polluting car, the last thing on their minds when deciding to lay out £20,000, £25,000 or £30,000 will be whether they will pay a couple of hundred pounds in vehicle excise duty. It is argued that this will hurt the car market and the emerging market for more energy-efficient cars, but the price elasticity of such cars, or their running cost, is unlikely to impact on the demand for them.

I think the Government have got the balance right on this one. Yes, we do have to consider the detrimental impact of emissions that come from cars, and there should be a tax on that, but we must also recognise that a vehicle is very important for most families across the United Kingdom. As lower-income families tend to have older cars, a regime that ramps up tax payments according to the car's age and emissions would be unfair. The proposal in the Bill is therefore acceptable.

I have a question that the Minister did not give a clear answer to, and I hope he will do so when he sums up. On the road fund that is being proposed as a result of the money that is collected, given that infrastructure developments are devolved issues in Northern Ireland, Scotland and Wales, it will be important to know how exactly that fund will be allocated. Will there be separate accounting for the tax that is collected in each of the areas? Will it be done on the basis of Barnett consequentials or will some other regime be put in place? It is important that we know that, because if this is to be one of the ways in which infrastructure developments are to be financed in future, there needs to be certainty for devolved Administrations as to what money is likely to be coming their way and how it will be calculated.

George Kerevan (East Lothian) (SNP): I want to make a brief contribution on new clause 3. The Minister, elegantly as he does, fobbed us off by saying, "We're having a consultation and so on, but meanwhile we'll press on regardless." However, there is still a major issue regarding a potential tax loophole that has not been closed.

I accept that fund managers are remunerated on two different and distinct levels: they are paid for the work they do as investment managers and also receive a reward for hazarding their own capital. I also accept that there is a gain in having fund managers hazard some of their own capital, perhaps more so than they do at the moment. Unfortunately, though, if we charge very different marginal rates on the income component and on the hazarding their own money component, we will create the capacity for a loophole in paying the lower tax on the capital gain and less on the income.

It does not matter what short-term changes the Minister makes to try to prevent existing ways in which hedge funds allow the personal investment component of the investment to be organised, because people will just think up new ones. We have to close the loophole at source. The obvious way to do that would be to go back to a previous situation in which income tax and capital gains tax were charged at the same marginal rate.

Unfortunately, for the past several decades we have proceeded down a road of constantly cutting taxes on capital. I think there was a case in the 1990s for cutting marginal rates of tax on capital, because it was a difficult economic period and we had to encourage investment, but the Government have transformed that into an ideological demand that we always go on cutting taxes. Indeed, one of the core philosophies of the Finance Bill is to cut corporation tax even more, despite the fact that, on both a UK and a global level, we have pyramided up corporate surpluses, which are not being used. The current problem is not to find more loose capital, but to find fiscal incentives to make the owners of capital invest it.

The inherent philosophical problem with which the Government present us in the Bill is the imbalance created when marginal rates of taxation on capital are pushed lower and lower while significant taxes on labour are not reduced effectively and significantly. Our new clause 3 is specifically designed to force the Government to respond to the philosophical principle that the loophole should not be created in the first place. I do not think that the Minister has answered that effectively, which is why we will press new clause 3 to a vote.

Mr Gauke: Let me respond to what has been an eclectic debate. I welcome the hon. Member for Salford and Eccles (Rebecca Long Bailey) to the Dispatch Box for her debut. I echo the comments of my right hon. Friend the Member for Cities of London and Westminster (Mark Field) and wish her a long and successful career speaking from the Opposition Dispatch Box. I am sure she will be something of a star of the Labour Opposition Front Bench for years to come.

The hon. Lady said that the explanatory notes were only made available this morning, but I understand that they have been available on the gov.uk website since Thursday 22 October, which was the day after the amendments and new clauses were tabled. If she has any contrary information, I will happily look at it.

The hon. Lady touched briefly on the compound interest charge and asked me to respond to hostile comments from business. The measure is being introduced to ensure that a fair amount of corporation tax is paid and that any awards of restitution interest are paid by Her Majesty's Revenue and Customs. We are setting the special rate to reflect the unique circumstances of the claims. It will affect only a relatively small number of companies—about 0.5% of those submitting corporation tax returns in relation to specific payments—and it will not affect the benefit given by the historically low rates of corporation tax on the trading and investment profits they currently make. It will ensure that relatively few do not gain a significant additional benefit at the expense of the public purse.

Let me turn to the lengthier debate we have had about reforms of vehicle excise duty. The hon. Lady raised a concern that they may damage UK car manufacturing and penalise cars built in the United Kingdom. We are not doing that. The supplement will apply to all cars worth more than £40,000, regardless of where they are manufactured, and we are supporting cars such as the Nissan Leaf, which is built in Sunderland, through zero rates for zero-emission cars. We think it is fair that more expensive cars pay more than ordinary family cars.

On the accusation that it is unfair that cars that are more fuel efficient pay the same as gas-guzzling vehicles, I would argue that they do not. Under the new system, the first-year rates for the highest-emitting cars will be doubled compared with the current system. Zero-emission cars will continue to pay no annual VED rate, and more expensive, bigger, higher-polluting cars will pay the standard rate supplement, so there will be incentives to buy smaller, lower-emitting cars on the second-hand market. What is unfair in the current system is that those who can afford to buy a brand-new car pay less than those who cannot do so. That point was made by the hon. Member for East Antrim (Sammy Wilson). In the new system, those who can afford an expensive car will pay more.

5.30 pm

As I have said, we are keeping the CO_2 link at the point where is it most effective—the first year. Consumer research demonstrates that first-year incentives are by far the most important when customers come to choose new cars. If CO_2 bands continue beyond that, we will continue to be subject to the sustainability challenge of the current system. Over time, technological progress means that new cars would end up paying less and less. We would therefore need to tweak the system again and again, and we would not have the sustainable revenues that we need for the road fund.

Jonathan Edwards: If there is any evidence in future years of significant behavioural changes, which some of us are concerned there might be, would the Government be willing to revise their position?

Mr Gauke: The Government and the Treasury keep all taxes under review, and were contrary evidence to emerge, we would of course look at it and, if necessary, adapt the policy. We have, however, made a judgment on the evidence before us, and consumer research demonstrates that first-year incentives are by far the most important when customers come to choose new cars.

The hon. Member for Salford and Eccles asked why the Government are now taxing plug-in and hybrid vehicles the same as conventionally fuelled cars. Such cars will still benefit from cheaper rates. The updated CO_2 banding on first-year rates in the new VED system will strengthen the incentive to purchase the cleanest cars, including plug-in and hybrid vehicles. As I have said, the evidence suggests that up-front incentives are the most effective in influencing behaviour. We will continue to support hybrids and plug-in vehicles with beneficial rates of company car tax and enhanced capital allowances, as well as through the plug-in car grant. The Government have guaranteed that £5,000 grant until February 2016.

Our longer-term plan will be announced after the spending review. To drive down carbon emissions and air pollutants, we will give the greatest incentives to zero-emission cars—those that produce no air pollution or CO_2 whenever they are driven—which pay no VAT.

Mark Field: I appreciate that the current regime for vehicle excise duty reflects carbon emissions, but I mentioned in an earlier intervention that one of the biggest concerns in relation to clean air, particularly in London, is about NOx—nitrogen dioxide—emissions. That is a particular problem in emissions from diesel vehicles. Will some consideration be given to making that part and parcel of the consultation on adapting this duty in the years to come?

Mr Gauke: The view we have taken about NOx is that it is best addressed through regulation, rather than through vehicle excise duty. It is necessary for the Government to use all the tools in the toolbox in these circumstances. We think that that is the right way to address that concern. Indeed, new regulatory standards are being put in place for NOx.

I will, if I may, turn to the £40,000 premium surcharge. A concern was raised that it might slow the uptake of the latest carbon technologies, such as hydrogen fuel cell cars, where price is already a barrier to uptake. In response I would say that the Government are committed to supporting low-carbon vehicle technologies. All manufacturers will need to invest in affordable new technologies to meet their emissions targets, and the Government have committed £11 million through the hydrogen for transport advancement programme to support the roll-out of fuel cell electric vehicles and 12 hydrogen refuelling stations. Fuel cell electric vehicles are also eligible for the plug-in car grant and beneficial rates of company car tax. Hydrogen is also fuel-duty exempt.

Zero-emission cars, even ones with a list price of £40,000, will pay zero first-year rates. Only a small proportion of motorists can afford cars that cost more than £40,000. The most popular cars in the UK cost an average of £15,000, and even the most popular large family cars cost an average of £21,000. It is fair that premium cars—including low-carbon ones—pay more than ordinary family cars.

The hon. Members for East Antrim and for Carmarthen East and Dinefwr (Jonathan Edwards) mentioned the application of the road fund in the rest of the United Kingdom. Although changes to VED affect the whole UK, the road fund relates only to the English strategic road network, which is managed by Highways England. We are in discussions with the devolved Administrations on how exactly the money is allocated, to ensure that we reach a sensible and fair agreement that reflects the various requirements across the whole United Kingdom. In the meantime, just as for a range of other taxes and spending, the devolved Administrations will receive allocations in the normal way through the Barnett formula, as opposed to an assessment of road use or VED for the various nations of the United Kingdom. I hope that that provides some clarity.

New clause 3, tabled by the SNP, relates to carried interest. We had that debate in Committee, so it is rather familiar territory. I shall avoid the temptation to refer the House to the speech that I gave in Committee on a specific date and suggest that Members look at particular columns—*[Interruption.]* As the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) says, no doubt the House has already read it but would like to hear it from me again afresh. This point was also touched on by my right hon. Friend the Member for Cities of London and Westminster (Mark Field).

Carried interest is a reward for a manager that is linked to the long-term performance and growth of the funds they manage. They are therefore capital in nature, and should continue to be charged capital gains tax.

[Mr Gauke]

The measure ensures that private equity managers pay at least 28% tax on the carried interest rewards that they receive. In addition the disguised management fee rules introduced in the Finance Act 2015 put it beyond doubt that when management fees are received by fund managers, the part of the remuneration that is not variable is always subject to income tax. If any part of the manager's reward payment is properly regarded as income rather than capital, they will continue to be charged to income tax. The Government have launched a consultation to ensure that rewards that should be charged to income tax are always taxed in that way.

National insurance is not charged on capital returns and is payable only on earned income. Bringing carried interest into income tax could raise more initially, but over time the yield would disappear as the industry moved to more competitive jurisdictions.

That is the essence of the debate, and it is instructive to look back at what previous Ministers, not just from my party but from the Labour party, have said at the Dispatch Box, which is that we have to strike a balance, ensuring that we get the revenue we should get and that we properly tax income—certainly we want to tax income as income—while also ensuring that we have a regime that properly taxes capital gains as capital gains. There are risks if we put in place a regime that is uncompetitive and out of line with what happens in other jurisdictions. The point was made that other countries are looking at this issue and that there could be changes to the taxation treatment of carried interest in other jurisdictions. I am aware that there is a debate under way in other countries, but I am not aware of any concrete action taken by any competitor countries to change the approach that is generally followed. The UK is therefore in line with the general approach.

It is important that we do not allow income to be turned into capital in a contrived or artificial way. It is also the case that, as a coalition Government, we took steps in 2010 to narrow the difference between the rates charged for capital gains tax and for income tax. We increased the rate of capital gains tax. It is interesting to hear the argument in the Chamber today about whether there should be a greater alignment between the two. The last Government took two steps to increase the alignment: the first was to increase the rate of capital gains tax and the second was to reduce the additional rate of income tax to 45%. There is a long-standing structural danger when there is a large disparity between the two, but we should also understand why there have been differences in the rates. It comes from a desire to attract investment and encourage individuals and businesses to invest, which is why there is a separate capital gains tax regime. This is an issue that Ministers from all parties have wrestled with over many years, but by taking action in this Bill to create a greater focus on making sure that income is taxed as income and capital gains are taxed as capital gains, we are putting things on a sustainable and fair footing.

I also note the remarks that the hon. Member for Kirkcaldy and Cowdenbeath made about our constituency staff—on other occasions people have referred to cleaners paying a higher rate of tax than their employers—but the changes we have made ensure that we are not in that position. Many of the steps we have taken—for example, to increase the personal allowance—have taken many cleaners out of income tax altogether, whereas the changes we have made to capital gains tax rates have ensured that private equity managers pay a higher rate of tax than they might have paid some years ago.

The suggestion has been made that there is one rule for some and another for others, but the rule we have in place on carried interest ensures that investment managers who are receiving capital returns are taxed to at least 28%, the higher rate of capital gains tax. Any carried interest that constitutes income will be chargeable to income tax. The Government have launched a consultation to ensure that when investment managers should be charged for income tax, they will be.

I hope that is helpful to the House in dealing with the various points that have been raised. As I say, in this first group—*[Interruption.]*

Madam Deputy Speaker (Mrs Eleanor Laing): Order. I know that the Minister is concluding, but the points he is making are very important and the Chamber is not a place where people come for a little chat. It is much too noisy. People are not behaving badly in a noisy way; there are just too many people talking just above a whisper. If hon. Members are going to whisper, they should please learn to whisper, because we need to hear the Minister. He is making some important points.

Mr Gauke: I am very grateful for your injunction, Madam Deputy Speaker. The Chamber is no place for people to enjoy themselves, and you and I together are going to put an end to that.

A broad range of issues has been debated. I urge the Labour party not to press their amendments on vehicle excise duty to a Division, just as I urge SNP Members not to press their new clause. I believe the reforms we have made to VED are necessary and sustainable. They will ensure the source of finance for the road fund and a more progressive regime that, in terms of first-year rates, fulfils our environmental objectives. On the reforms relating to carried interest, I believe we are making changes that put us on a sustainable footing.

I thank the House for its patience and urge the parties on the Opposition Benches not to press their amendments and new clauses to a Division.

Question put and agreed to.

New clause 4 accordingly read a Second time, and added to the Bill.

New Clause 5

Corporation tax instalment payments

'(1) The Corporation Tax (Instalment Payments) (Amendment) Regulations 2014 (S.I. 2014/2409) are to be treated as always having had effect as if in regulation 1(2) (commencement) "ending" were substituted for "beginning".

(2) Consequently, for the purposes of the application of regulations 2(2) and 3(5B) of the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175) to accounting periods beginning before, and ending on or after, 1 April 2015—

(a) sections 279F and 279G of CTA 2010 are taken to have effect in relation to such periods, and

(b) paragraph 22 of Schedule 1 to FA 2014 is to be disregarded accordingly."—*(Mr Gauke.)*

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

New Clause 6

CARRIED INTEREST AND DISGUISED INVESTMENT MANAGEMENT FEES: "ARISE"

'(1) In ITA 2007, after section 809EZD insert—

"809EZDA Sums arising to connected persons other than companies

(1) This section applies in relation to an individual ("A") if—

(a) a sum arises to a person ("B") who is connected with A,

(b) B is not a company,

(c) income tax is not charged on B in respect of the sum by virtue of this Chapter,

(d) capital gains tax is not charged on B in respect of the sum by virtue of Chapter 5 of Part 3 of TCGA 1992, and

(e) the sum does not arise to A apart from this section.

(2) The sum referred to in subsection (1)(a) arises to A for the purposes of this Chapter.

(3) Where a sum arises to A by virtue of this section, it arises to A at the time the sum referred to in subsection (1)(a) arises to B.

(4) Section 993 (meaning of "connected") applies for the purposes of this section, but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control").

"809EZDB Sums arising to connected company or unconnected person

(1) This section applies in relation to an individual ("A") if—

(a) a sum arises to—

(i) a company connected with A, or

(ii) a person not connected with A,

(b) any of the enjoyment conditions is met, and

(c) the sum does not arise to A apart from this section.

(2) The enjoyment conditions are—

(a) the sum, or part of the sum, is in fact so dealt with by any person as to be calculated at some time to enure for the benefit of A or a person connected with A;

(b) the arising of the sum operates to increase the value to A or a person connected with A of any assets which—

(i) A or the connected person holds, or

(ii) are held for the benefit of A or the connected person;

(c) A or a person connected with A receives or is entitled to receive at any time any benefit provided or to be provided out of the sum or part of the sum;

(d) A or a person connected with A may become entitled to the beneficial enjoyment of the sum or part of the sum if one or more powers are exercised or successively exercised (and for these purposes it does not matter who may exercise the powers or whether they are exercisable with or without the consent of another person);

(e) A or a person connected with A is able in any manner to control directly or indirectly the application of the sum or part of the sum.

In this subsection, in a case where the sum referred to in subsection (1)(a) arises to a company connected with A, references to a person connected with A do not include that company.

(3) There arises to A for the purposes of this Chapter—

(a) the sum referred to in subsection (1)(a), or

(b) if the enjoyment condition in subsection (2)(a), (c), (d) or (e) is met in relation to part of the sum, that part of that sum, or

(c) if the enjoyment condition in subsection (2)(b) is met, such part of that sum as is equal to the amount by which the value of the assets referred to in that condition is increased.

(4) Where a sum (or part of a sum) arises to A by virtue of this section, it arises to A at the time it arises to the person referred to in subsection (1)(a)(i) or (ii) (whether the enjoyment condition was met at that time or at a later date).

(5) In determining whether any of the enjoyment conditions is met in relation to a sum or part of a sum—

(a) regard must be had to the substantial result and effect of all the relevant circumstances, and

(b) all benefits which may at any time accrue to a person as a result of the sum arising as specified in subsection (1)(a) must be taken into account, irrespective of—

(i) the nature or form of the benefits, or

(ii) whether the person has legal or equitable rights in respect of the benefits.

(6) The enjoyment condition in subsection (2)(b), (c) or (d) is to be treated as not met if it would be met only by reason of A holding shares or an interest in shares in a company.

(7) The enjoyment condition in subsection (2)(a) or (e) is to be treated as not met if the sum referred to in subsection (1)(a) arises to a company connected with A and—

(a) the company is liable to pay corporation tax in respect of its profits and the sum is included in the computation of those profits, or

(b) paragraph (a) does not apply but—

(i) the company is a CFC and the exemption in Chapter 14 of Part 9A of TIOPA 2010 applies for the accounting period in which the sum arises, or

(ii) the company is not a CFC but, if it were, that exemption would apply for that period.

In this subsection "CFC" has the same meaning as in Part 9A of TIOPA 2010.

(8) But subsections (6) and (7) do not apply if the sum referred to in subsection (1)(a) arises to the company referred to in subsection (1)(a)(i) or the person referred to in subsection (1)(a)(ii) as part of arrangements where—

(a) it is reasonable to assume that in the absence of the arrangements the sum or part of the sum would have arisen to A or an individual connected with A, and

(b) it is reasonable to assume that the arrangements have as their main purpose, or one of their main purposes, the avoidance of a liability to pay income tax, capital gains tax, inheritance tax or corporation tax.

(9) The condition in subsection (8)(b) is to be regarded as met in a case where the sum is applied directly or indirectly as an investment in a collective investment scheme.

(10) Section 993 (meaning of "connected") applies for the purposes of this section, but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control")."

(2) In ITA 2007, in section 809EZA(3)(c), omit "directly or indirectly".

(3) The amendments made by this section have effect in relation to—

(a) sums other than carried interest arising on or after 22 October 2015, (whenever the arrangements under which the sums arise were made), and

(b) carried interest arising on or after 22 October 2015 under any arrangements, unless the carried interest arises in connection with the disposal of an asset or assets of a partnership or partnerships before that date.

(4) In subsection (3), "arise", "arrangements" and "carried interest" have the same meanings as in Chapter 5E of Part 13 of ITA 2007."—*(Mr Gauke.)*

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

New Clause 8

RESTITUTION INTEREST PAYMENTS

'(1) CTA 2010 is amended as follows.

(2) In section 1 (overview of Act), in subsection (3), after paragraph (ac) insert—

"(ad) restitution interest (see Part 8C),".

(3) After Part 8B insert—

PART 8C

RESTITUTION INTEREST

CHAPTER 1

AMOUNTS TAXED AS RESTITUTION INTEREST

357YA Charge to corporation tax on restitution interest

The charge to corporation tax on income applies to restitution interest arising to a company.

357YB Restitution interest chargeable as income

(1) Profits arising to a company which consist of restitution interest are chargeable to tax as income under this Part (regardless of whether the profits are of an income or capital nature).

(2) In this Part references to "profits" are to be interpreted in accordance with section 2(2) of CTA 2009.

357YC Meaning of "restitution interest"

(1) In this Part "restitution interest" means profits in relation to which Conditions A to C are met.

(2) Condition A is that the profits are interest paid or payable by the Commissioners in respect of a claim by the company for restitution with regard to either of the following matters (or alleged matters)—

(a) the payment of an amount to the Commissioners under a mistake of law relating to a taxation matter, or

(b) the unlawful collection by the Commissioners of an amount in respect of taxation.

(3) Condition B is that—

(a) a court has made a final determination that the Commissioners are liable to pay the interest, or

(b) the Commissioners and the company, have in final settlement of the claim, entered into an agreement under which the company is entitled to be paid, or is to retain, the interest.

(4) Condition C is that the interest determined to be due, or agreed upon, as mentioned in subsection (3) is not limited to simple interest at a statutory rate (see section 357YU).

(5) Subsection (4) does not prevent so much of an amount of interest determined to be due, or agreed upon, as represents or is calculated by reference to simple interest at a statutory rate from falling within the definition of "restitution interest".

(6) For the purposes of subsection (2) it does not matter whether the interest is paid or payable—

(a) pursuant to a judgment or order of a court,

(b) as an interim payment in court proceedings,

(c) under an agreement to settle a claim, or

(d) in any other circumstances.

(7) For the purposes of this section—

(a) "interest" includes an amount equivalent to interest, and

(b) an amount paid or payable by the Commissioners as mentioned in subsection (2) is "equivalent to interest" so far as it is an amount determined by reference to the time value of money.

(8) For the purposes of this section a determination made by a court is "final" if the determination cannot be varied on appeal (whether because of the absence of any right of appeal, the expiry of a time limit for making an appeal without an appeal having been brought, the refusal of permission to appeal, the abandonment of an appeal or otherwise).

(9) Any power to grant permission to appeal out of time is to be disregarded for the purposes of subsection (8).

357YD Further provision about amounts included, or not included, in "restitution interest"

(1) Interest paid to a company is not restitution interest for the purposes of this Part if—

(a) Condition B was not met in relation to the interest until after the interest was paid, and

(b) the amount paid was limited to simple interest at a statutory rate

(2) Subsection (1) does not prevent so much of a relevant amount of interest determined to be due, agreed upon or otherwise paid as represents or is calculated by reference to simple interest at a statutory rate from falling within the definition of "restitution interest".

(3) In subsection (2) "relevant amount of interest" means an amount of interest the whole of which was paid before Condition B was met in relation to it.

(4) Section 357YC(7) applies in relation to this section as in relation to section 357YC.

357YE Period in which amounts are to be brought into account

(1) The amounts to be brought into account as restitution interest for any period for the purposes of this Part are those that are recognised in determining the company's profit or loss for the period in accordance with generally accepted accounting practice.

(2) If Condition A in section 357YC is met, in relation to any amount, after the end of the period for which the amount is to be brought into account as restitution interest in accordance with subsection (1), any necessary adjustments are to be made; and any time limits for the making of adjustments are to be disregarded for this purpose.

357YF Companies without GAAP-compliant accounts

(1) If a company—

(a) draws up accounts which are not GAAP-compliant accounts, or

(b) does not draw up accounts at all,

this Part applies as if GAAP-compliant accounts had been drawn up.

(2) Accordingly, references in this Part to amounts recognised for accounting purposes are references to amounts that would have been recognised if GAAP-compliant accounts had been drawn up for the period of account in question and any relevant earlier period.

(3) For this purpose a period of account is relevant to a later period if the accounts for the later period rely to any extent on amounts derived from the earlier period.

(4) In this section "GAAP-compliant accounts" means accounts drawn up in accordance with generally accepted accounting practice.

357YG Restitution interest: appeals made out of time

(1) This section applies where—

(a) an amount of interest ("the interest") arises to a company as restitution interest for the purposes of this Part,

(b) Condition B in section 357YC is met in relation to the interest as a result of the making by a court of a final determination as mentioned in subsection (3)(a) of that section,

(c) on a late appeal (or a further appeal subsequent to such an appeal) a court reverses that determination, or varies it so as to negative it, and

(d) the determination reversing or varying the determination by virtue of which Condition B was met is itself a final determination.

(2) This Part has effect as if the interest had never been restitution interest.

(3) If—

(a) the Commissioners for Her Majesty's Revenue and Customs have under section 357YO(2) deducted a sum representing corporation tax from the interest, or

(b) a sum has been paid as corporation tax in respect of the interest under section 357YQ,

that sum is treated for all purposes as if it had never been paid to, or deducted or held by, the Commissioners as or in respect of corporation tax.

(4) Any adjustments are to be made that are necessary in accordance with this section; and any time limits applying to the making of adjustments are to be ignored.

(5) In this section—

"final determination" has the same meaning as in section 357YC;

"late appeal" means an appeal which is made by reason of a court giving leave to appeal out of time.

357YH Countering effect of avoidance arrangements

(1) Any restitution-related tax advantages that would (in the absence of this section) arise from relevant avoidance arrangements are to be counteracted by the making of such adjustments as are just and reasonable in relation to amounts to be brought into account for the purposes of this Part.

(2) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of an assessment, the modification of an assessment, amendment or otherwise.

(3) For the meaning of "relevant avoidance arrangements" and "restitution-related tax advantage" see section 357YI.

357YI Interpretation of section 357YH

(1) This section applies for the interpretation of section 357YH (and this section).

(2) "Arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

(3) Arrangements are "relevant avoidance arrangements" if their main purpose, or one of their main purposes, is to enable a company to obtain a tax advantage in relation to the application of the charge to tax at the restitution payments rate.

(4) But arrangements are not "relevant avoidance arrangements" if the obtaining of any tax advantages that would (in the absence of section 357YH) arise from them can reasonably be regarded as consistent with wholly commercial arrangements.

(5) "Tax advantage" includes—

(a) a repayment of tax or increased repayment of tax,

(b) the avoidance or reduction of a charge to tax or an assessment to tax,

(c) the avoidance of a possible assessment to tax,

(d) deferral of a payment of tax or advancement of a repayment of tax, or

(e) the avoidance of an obligation to deduct or account for tax.

(6) In subsection (5)(b) and (c) the references to avoidance or reduction include an avoidance or reduction effected by receipts accruing in such a way that the recipient does not bear tax on them as restitution interest under this Part.

357YJ Examples of results that may indicate exclusion not applicable

(none) Each of the following is an example of something which might indicate that arrangements whose main purpose, or one of whose main purposes, is to enable a company to obtain a restitution-related tax advantage are not excluded by section 357YI(4) from being "relevant avoidance arrangements" for the purposes of section 357YH—

(a) the elimination or reduction for the purposes of this Part of amounts chargeable as restitution interest arising to the company in connection with a particular claim, if for economic purposes other or greater profits arise to the company in connection with the claim;

(b) preventing or delaying the recognition as an item of profit or loss of an amount that would apart from the arrangements be recognised in the company's accounts as an item of profit or loss, or be so recognised earlier;

(c) ensuring that a receipt is treated for accounting purposes in a way in which it would not have been treated in the absence of some other transaction forming part of the arrangements.

Chapter 2

Application of restitution payments rate

357YK Corporation tax rate on restitution interest

(1) Corporation tax is charged on restitution interest at the restitution payments rate.

(2) The "restitution payments rate" is 45%.

357YL Exclusion of reliefs, set-offs etc

(1) Under subsection (3) of section 4 (amounts to which rates of corporation tax applied) the amounts to be added together to find a company's "total profits" do not include amounts of restitution interest on which corporation tax is chargeable under this Part.

(2) No reliefs or set-offs may be given against so much of the corporation tax to which a company is liable for an accounting period as is equal to the amount of corporation tax chargeable on the company for the period at the restitution payments rate.

(3) In subsection (2) "reliefs and set-offs" includes, but is not restricted to, those listed in the second step of paragraph 8(1) of Schedule 18 to FA 1998.

(4) Amounts of income tax or corporation tax, or any other amounts, which may be set off against a company's overall liability to income tax and corporation tax for an accounting period may not be set off against so much of the corporation tax to which the company is liable for the period as is equal to the amount of corporation tax chargeable at the restitution payments rate.

Chapter 3

Migration, transfers of rights etc

(1) Subsection (4) applies if—

(a) a company which is within the charge to corporation tax under this Part ("the transferor") transfers to a person who is not within the charge to corporation tax under this Part a right in respect of a claim, or possible claim, for restitution,

(b) the transfer is made on or after 21 October 2015, and

(c) conditions A and B are met.

(2) Condition A is that the main purpose, or one of the main purposes, of the transfer is to secure a tax advantage for any person in relation to the application of the charge to tax on restitution interest under this Part.

(3) Condition B is that as a result of that transfer (or that transfer together with further transfers of the rights) restitution interest arises to a person who is not within the charge to corporation tax under this Part.

(4) Any restitution interest which arises as mentioned in Condition B is treated for corporation tax purposes as restitution interest arising to the transferor.

(5) A person is "within the charge to corporation tax under this Part" if the person—

(a) is a UK resident company, and

(b) would not be exempt from corporation tax on restitution interest (were such interest to arise to it).

(6) In this section "tax advantage" has the meaning given by section 357YI.

(1) This section applies where—

(a) restitution interest arises to a non-UK resident company,

(b) the rights in respect of which the company is entitled to the restitution interest had (to any extent) accrued when the company ceased to be UK resident, and

(c) the company's main purpose, or one of its main purposes, in changing its residence was to secure a tax advantage for any person in relation to the application of the charge to tax on restitution interest under this Part.

(2) The company is treated as a UK resident company for the purposes of the application of this Part in relation to so much of that restitution interest as is attributable to relevant accrued rights.

(3) "Relevant accrued rights" means rights which had accrued to the company when it ceased to be UK resident.

(4) The company is to be treated for the purposes of sections 185 and 187 of TCGA 1992 as not having disposed of its assets on ceasing to be resident in the United Kingdom, so far as its assets at that time consisted of rights to receive restitution interest.

(5) Any adjustments that are necessary as a result of subsection (4) are to be made; and any time limits for the making of adjustments are to be ignored for this purpose.

Chapter 4

Payment and collection of tax on restitution interest

357YO Duty to deduct tax from payments of restitution interest

(1) Subsection (2) applies if the Commissioners for Her Majesty's Revenue and Customs pay an amount of interest in relation to which Conditions 1 and 2 are met and—

(a) the amount is (when the payment is made) restitution interest on which a company is chargeable to corporation tax under this Part, or

(b) a company would be chargeable to corporation tax under this Part on the interest paid if it were (at that time) restitution interest.

(2) The Commissioners must, on making the payment—

(a) deduct from it a sum representing corporation tax on the amount at the restitution payments rate, and

(b) give the company a written notice stating the amount of the gross payment and the amount deducted from it.

(3) Condition 1 is that the Commissioners are liable to pay, or have agreed or determined to pay, the interest in respect of a company's claim for restitution with regard to—

(a) the payment of an amount to the Commissioners under a mistake of law relating to a taxation matter, or

(b) the unlawful collection by the Commissioners of an amount in respect of taxation.

(4) Condition 2 is that the interest is not limited to simple interest at a statutory rate.

In determining whether or not this condition is met, all amounts which the Commissioners are liable to pay, or have agreed or determined to pay in respect of the claim are to be considered together.

(5) For the purposes of Condition 1 it does not matter whether the Commissioners are liable to pay, or (as the case may be) have agreed or determined to pay, the interest—

(a) pursuant to a judgment or order of a court,

(b) as an interim payment in court proceedings,

(c) under an agreement to settle a claim, or

(d) in any other circumstances.

(6) For the purposes of subsection (2) the restitution payments rate is to be applied to the gross payment, that is to the payment before deduction of a sum representing corporation tax in accordance with this section.

(7) For the purposes of this section—

(a) "interest" includes an amount equivalent to interest, and

(b) an amount which the Commissioners pay as mentioned in subsection (1) is "equivalent to interest" so far as it is an amount determined by reference to the time value of money.

357YP Treatment of amounts deducted under section 357YO

(1) An amount deducted from an interest payment in accordance with section 357YO(2) is treated for all purposes as paid by the company mentioned in section 357YO(1) on account of the company's liability, or potential liability, to corporation tax charged on the interest payment, as restitution interest, under this Part.

(2) Subsections (3) and (4) apply if—

(a) the Commissioners have, on paying an amount which is not (when the payment is made) restitution interest, made a deduction under section 357YO(2) from the gross payment (see section 357YO(6)), and

(b) a company becomes liable to repay the net amount to the Commissioners, or it otherwise becomes clear that the gross amount cannot, or will not, become restitution interest.

(3) If the condition in subsection (2)(b) is met in circumstances where the company is not liable to repay the net amount to the Commissioners, the Commissioners must—

(a) repay to the company the amount treated under subsection (1) as paid by the company, and

(b) make any other necessary adjustments;

and any time limits applying to the making of adjustments are to be ignored.

(4) If the condition in subsection (2)(b) is met by virtue of a company becoming liable to repay to the Commissioners the amount paid as mentioned in subsection (2)(a)—

(a) this Part has effect as if the company were liable to repay the gross payment to the Commissioners, and

(b) the amount deducted by the Commissioners as mentioned in subsection (2)(b) is to be treated for the purposes of this Part as money repaid by the company in partial satisfaction of its liability to repay the gross amount.

(5) Subsections (3) and (4) have effect with the appropriate modifications if the condition in subsection (2)(b) is met in relation to part but not the whole of the gross amount mentioned in subsection (2)(a).

(6) In this section "the net amount", in relation to a payment made under deduction of tax in accordance with section 357YO(2), means the amount paid after deduction of tax.

357YQ Assessment of tax chargeable on restitution interest

(1) An officer of Revenue and Customs may make an assessment of the amounts in which, in the officer's opinion, a company is chargeable to corporation tax under this Part for a period specified in the assessment.

(2) Notice of an assessment under this section must be served on the company, stating the date on which the assessment is issued.

(3) An assessment may include an assessment of the amount of restitution income arising to the company in the period and any other matters relevant to the calculation of the amounts in which the company is chargeable to corporation tax under this Part for the period.

(4) Notice of an assessment under this section may be accompanied by notice of any determination by an officer of Revenue and Customs relating to the dates on which amounts of tax become due and payable under this section or to amounts treated under section 357YP as paid on account of corporation tax.

(5) The company must pay the amount assessed as payable for the accounting period by the end of the period of 30 days beginning with the date on which the company is given notice of the assessment.

357YR Interest on excessive amounts withheld

(1) If an amount deducted under section 357YO(2) in respect of an amount of interest exceeds the amount which should have been deducted, the Commissioners are liable to pay interest on the excess from the material date until the date on which the excess is repaid.

(2) The "material date" is the date on which tax was deducted from the interest.

(3) Interest under subsection (1) is to be paid at the rate applicable under section 178 of FA 1989.

357YS Appeal against deduction

(1) An appeal may be brought against the deduction by the Commissioners for Her Majesty's Revenue and Customs from a payment of a sum representing corporation tax in compliance, or purported compliance, with section 357YO(2).

(2) Notice of appeal must be given—

(a) in writing,

(b) within 30 days after the giving of the notice under section 357YO(2).

357YT Amounts taxed at restitution payments rate to be outside instalment payments regime

(none) For the purposes of regulations under section 59E of TMA 1970 (further provision as to when corporation tax due and payable), tax charged at the restitution payments rate is to be disregarded in determining the amount of corporation tax payable by a company for an accounting period.

Chapter 5

Supplementary provisions

357YU Interpretation

(1) In this Part "court" includes a tribunal.

(2) In this Part "statutory rate" (in relation to interest) means a rate which is equal to a rate specified—

(a) for purposes relating to taxation, and

(b) in, or in a provision made under, an Act.

357YV Relationship of Part with other corporation tax provisions

(1) So far as restitution interest is charged to corporation tax under this Part it is not chargeable to corporation tax under any other provision.

(2) This Part has effect regardless of section 464(1) of CTA 2009 (priority of loan relationship provisions).

357YW Power to amend

(1) The Treasury may by regulations amend this Part (apart from this section).

(2) Regulations under this section—

(a) may not widen the description of the type of payments that are chargeable to corporation tax under this Part;

(b) may not remove or prejudice any right of appeal;

(c) may not increase the rate at which tax is charged on restitution interest under this Part;

(d) may not enable any provision of this Part to have effect in relation to the subject matter of any claim which has been finally determined before 21 October 2015.

(3) Subject to subsection (2), regulations under this section may have retrospective effect.

(4) For the purposes of this section a claim is "finally determined" if a court has disposed of the claim by a final determination or the claimant and the Commissioners for Her Majesty's Revenue and Customs have entered into an agreement in final settlement of the claim.

(5) Section 357YC(8) (which defines when a determination made by a court is final) has effect for the purposes of this section as for the purposes of section 357YC.

(6) Regulations under this section may include incidental, supplementary or transitional provision.

(7) A statutory instrument containing regulations under this section must be laid before the House of Commons.

(8) The regulations cease to have effect at the end of the period of 28 days beginning with the day on which they are made unless, during that period, the regulations are approved by a resolution of the House of Commons.

(9) In reckoning the 28-day period, no account is to be taken of any time during which—

(a) Parliament is dissolved or prorogued, or

(b) the House of Commons is adjourned for more than 4 days.

(10) Regulations ceasing to have effect by virtue of subsection (8) does not affect—

(a) anything previously done under the regulations, or

(b) the making of new regulations."

(4) In TMA 1970, in section 59D (general rule as to when corporation tax is due and payable)—

(a) in subsection (3) after "with" insert "the first to fourth steps of";

(b) in subsection (5) after "59E" insert "and section 357YQ of CTA 2010 (assessment of tax chargeable on restitution interest)".

(5) Paragraph 8 Schedule 18 to FA 1998 (company tax returns, assessments etc: calculation of tax payable) is amended as follows—

(a) in paragraph 2 of the first step, after "company" insert "(other than the restitution payments rate)";

(b) After the fourth step insert—

"*Fifth step*

Calculate the corporation tax chargeable on any profits of the company that are charged as restitution interest.

1. Find the amount in respect of which the company is chargeable for the period under the charge to corporation tax on income under Part 8C of CTA 2010.

2. Apply the restitution payments rate in accordance with section 357YK(1) of that Act. The amount of tax payable for the accounting period is the sum of the amounts resulting from the first to fourth steps and this step."

(6) Schedule 56 to FA 2009 (penalty for failure to make payments on time) is amended in accordance with subsections (7) and (8).

(7) In paragraph 1, in the table after item 6 insert—

"6ZZA	Corporation tax	Amount payable under section 357YQ of CTA 2010	The end of the period within which, in accordance with section 357YQ(5), the amount must be paid."

(8) In paragraph 4(1), for "or 6" substitute ", 6 or 6ZZA".

(9) The amendments made by subsections (1) to (8) have effect in relation to interest (whether arising before or on or after 21 October 2015) which falls within subsection (11).

(10) Section 357YO of CTA 2010, and the amendments made by subsections (1) to (8) so far as relating to the deduction of tax under section 357YO, have effect in relation to payments of interest made on or after 26 October 2015.

This rule is not limited by the rule in subsection (9).

(11) Interest arising to a company falls within this subsection if—

(a) a determination made by a court that the Commissioners for Her Majesty's Revenue and Customs are liable to pay the interest becomes final on or after 21 October 2015, or

(b) on or after 21 October 2015 the Commissioners and a company enter into an agreement in final settlement of a claim for restitution, under which the company is entitled to be paid, or to retain, the interest.

(12) In subsections (9) to (11)—

(a) the reference to a determination made by a court becoming "final" is to be interpreted in accordance with section 357YC of CTA 2010;

(b) the references to "interest" are to be interpreted in accordance with section 357YC of CTA 2010."—*(Mr Gauke.)*

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

Amendment proposed: 93, page 58, clause 42, leave out from beginning of line 1 to end of line 37 on page 60 and insert—

"Graduated rates of duty payable on first vehicle licence

For the purpose of determining the rate at which vehicle excise duty is to be paid on each of the first three years of vehicle licence for a vehicle to which this Part of this Schedule applies, the annual rate of duty applicable to the vehicle shall be determined in accordance with the following table by reference to the applicable CO2 emissions figure.

Table

Carbon Dioxide emissions		*Rate*		
(1) Exceeding g/km	(2) Not exceeding g/km	(3) First full year (£)	(4) Second full year (£)	(5) Third full year
0	0	0	0	0
0	50	10	10	10
50	75	25	25	25
75	90	100	100	100
90	100	120	120	120
100	110	140	140	140
110	130	160	160	160
130	150	200	200	200
150	170	500	500	500
170	190	800	800	800
190	225	1,200	1,200	1,200
225	255	1,700	1,700	1,700
255	-	2,000	2,000	2,000

Rates of duty payable on any other vehicle licence

1GD For the purpose of determining the rate at which vehicle excise duty is to be paid on any other vehicle licence for a vehicle to which this Part of this Schedule applies, the annual rate of vehicle excise applicable to the vehicle shall be determined in accordance with the following table by reference to the applicable CO2 emissions figure.

Table

Carbon Dioxide emissions		*Rate*
(1) Exceeding g/km	(2) Not exceeding g/km	(3) Standard rate (£)
0	0	20
0	50	40
50	75	60
75	90	80
90	100	100
100	110	120
110	130	140
130	150	160
150	170	180
170	190	200
190	225	220
225	255	240
255	-	260"

—*(Rebecca Long Bailey.)*

Question put, That the amendment be made.

The House divided: Ayes 255, Noes 308.

Division No. 89] [5.48 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Burnham, rh Andy
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Chapman, Douglas
Chapman, Jenny
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Corbyn, Jeremy
Cowan, Ronnie
Coyle, Neil
Crausby, Mr David
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty, Martin John
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Peter
Dromey, Jack
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Fellows, Marion
Field, rh Frank

Flello, Robert
Fletcher, Colleen
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Green, Kate
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harpham, Harry
Harris, Carolyn
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Huq, Dr Rupa
Hussain, Imran
Irranca-Davies, Huw
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McLaughlin, Anne
Mearns, Ian
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry
Sherriff, Paula
Shuker, Mr Gavin
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Nick
Smith, Owen
Smyth, Karin
Starmer, Keir
Stephens, Chris
Stevens, Jo
Streeting, Wes
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watson, Mr Tom
West, Catherine
Whitehead, Dr Alan
Whitford, Dr Philippa
Wilson, Corri
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Wright, Mr Iain

Tellers for the Ayes:
Jeff Smith and
Holly Lynch

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Cameron, rh Mr David
Campbell, Mr Gregory
Carmichael, Neil
Carswell, Mr Douglas
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat

Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kennedy, Seema
Kinahan, Danny
Kirby, Simon
Knight, rh Sir Greg
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Paisley, Ian
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Solloway, Amanda
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sunak, Rishi
Swayne, rh Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Margot James and George Hollingbery

Question accordingly negatived.

New Clause 9

INHERITANCE TAX REVIEW

'(1) The Chancellor of the Exchequer must, within one year of a current budget surplus being achieved, undertake a comprehensive review of the inheritance tax regime, including, but not limited to, rates, thresholds and trusts.

(2) The Chancellor of the Exchequer must as soon as is practicable lay a report of the review before both Houses of Parliament.'—*(Rob Marris.)*

Brought up, and read the First time.

Rob Marris (Wolverhampton South West) (Lab): I beg to move, That the clause be read a Second time.

Madam Deputy Speaker (Mrs Eleanor Laing): With this it will be convenient to discuss the following:

Amendment 89, page 4, line 20, leave out clause 9.

New clause 1—*VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service—*

'(1) The Treasury shall, within six months of the passing of this Act, publish and lay before the House of Commons a report on the VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service.

(2) The report must include (but need not be limited to) an analysis of the impact on the financial position of Police Scotland and by the Scottish Fire and Rescue Service arising from their VAT treatment and an estimate of the change to their financial position were they eligible for a refund of VAT under section 33 of the VAT Act 1994.'

New clause 2—*VAT on sanitary protection products—*

'(1) The Treasury must, within 12 months of the passing of this Act, lay before the House of Commons a report setting out the impact of exempting women's sanitary protection products from value added tax.

(2) The report must include (but need not be limited to)—

(a) an estimate of the impact on VAT revenue of exempting women's sanitary protection products; and

(b) an assessment of the impact on the purchase of women's sanitary protection products of exempting them from VAT, with particular reference to purchasing by women aged under 25.'

New clause 7—*VAT on sanitary protection products (No. 2)*—

'(1) Within three months of the passing of this Act, the Chancellor of the Exchequer shall lay before both Houses of Parliament a statement on his strategy to negotiate with the European Union institutions an exemption from value added tax for women's sanitary protection products.

(2) A Minister of the Crown must lay before Parliament a report on progress at achieving an exemption from value added tax for women's sanitary protection products within European Union law by 1 April 2016.'

New clause 10—*Enforcement by deduction from accounts: review*—

'(1) The Chancellor of the Exchequer must, within two years of the passing of this Act, undertake a review of the impact of Section 47 of, and Schedule 8 to, this Act.

(2) The review must address, but need not be confined to:

(a) the number of cases in which the Direct Recovery of Debts has been used;

(b) the effectiveness of the safeguards; and

(c) the total amount recovered.

(3) The review must include a benefit-cost analysis, including speed of recovery.

(4) The Chancellor of the Exchequer must as soon as practicable lay a report of the review before both Houses of Parliament.'

New clause 11—*Impact of removal of CCL exemption for electricity from renewable sources*—

'(1) The Chancellor of the Exchequer shall within six months of the passing of this Act undertake a review of the impact of the removal of the CCL exemption for electricity from renewable sources and lay the report of the review before both Houses of Parliament.

(2) The review must address, but need not be confined to:

(a) the impact on consumers and on fuel poverty;

(b) the impact on energy-intensive industries and on employment in those industries;

(c) the level of carbon leakage in the energy-intensive industry;

(d) the effect on investment in new renewable power generation and on investment in new nuclear power generation;

(e) any effective subsidy provided to, or additional profits accruing to, operators of existing and new nuclear power stations;

(f) what additional measures will be enacted to mitigate the impact on energy-intensive industries of the removal of the section; and

(g) the impact on business investment.'

Amendment 90, page 62, line 2, leave out clause 45.

Rob Marris: It is pleasure, almost 15 years after I was first elected to this place, finally to make it to the Dispatch Box—albeit, for the moment, the Opposition Dispatch Box, but never fear, comrades, we are working on it!

New clause 9 and amendment 89 deal with inheritance tax. They are twins, and I shall address my remarks to those two provisions before going on to address the many somewhat disparate amendments and new clauses in this large group.

New clause 9 is designed to make the Chancellor of the Exchequer undertake, within one year of achieving a Budget surplus, a comprehensive review of the inheritance tax regime. I have to say that it is a somewhat optimistic new clause, given that five years ago, the same Chancellor of the Exchequer was forecasting a surplus any day now. We have now arrived at any day now, and he is forecasting a surplus for the financial year 2019-20. We will see whether that happens. If the Government accept the spirit of the new clause, as I hope they will, they could have a review of the inheritance tax regime now, rather than wait at least five years until the Chancellor achieves a surplus—if he ever does.

Amendment 89 would remove the inheritance tax provisions in the Bill. Inheritance tax is a somewhat unusual tax. It is the least painful tax any of us will ever face, "because you only pay it when you're dead." We need to bear that in mind when we talk about this tax. Most estates on which inheritance tax is levied cross the threshold, whatever it might be, either because people have inherited wealth themselves or because they have had a windfall gain from the increase in the price of the house in which they live. There are, of course, those who start out in disadvantaged backgrounds and make a lot of money in their lifetimes; inheritance tax would then be payable on their estates. But one can say with confidence that that does not apply to a great number. At the moment, very few estates pay inheritance tax.

Mrs Anne Main (St Albans) (Con): I am sure the hon. Gentleman will want to qualify what he said by region. In some areas, such as my St Albans constituency, a large number of people pay inheritance tax. In fact, London is particularly disproportionately affected. He needs to qualify his remarks in that respect.

Rob Marris: The hon. Lady is right, of course, that it varies around the country and that there is a much greater tendency to pay it in London and the south-east—the area she represents—but I stand by my remarks that for many of those people, the liability of their estate to inheritance tax is occasioned by a windfall increase in the value of the home in which they live. Some people improve the houses in which they live, but in the last 20 or 30 years, the great driver for estates falling into inheritance tax liability has been a secular rise in house prices. That is not as a result of people doing up their houses, although of course that happens. And good luck to them. Many hon. Members, including myself—and my wife—own the house in which they live. I, along with others, will have a windfall—and it is a windfall—from the secular increase in house prices.

Alex Cunningham (Stockton North) (Lab): I congratulate my hon. Friend on his promotion to the Front Bench. Does he agree that these Tory proposals amount to a north-south divide policy? While hundreds of thousands of people in the south benefit from the increase in property values, carry this great wealth and want to leave it to their families, families in the north do not have the same advantage—or very few of them do. Is it not another north-south divide policy?

Rob Marris: I certainly agree with my hon. Friend. We already have enough geographic and regional divisions in this country, and I do not want their number to increase. Of course, when we legislate we must be aware

[Rob Marris]

of the different impacts that the measures that we introduce may have in the country of the United Kingdom, both its regions and its nations. However, there are many places in the United Kingdom where few people will pay inheritance tax, and in the country as a whole, without the changes that would be brought about by the Bill—if the House were to pass them, which I hope it will not—it is forecast that 63,000 estates would have a tax liability by 2020-21. According to the House of Commons, the proposed changes would reduce that to about 37,000, the same level as now.

In absolute terms, 37,000 represents quite a lot of estates, but in proportionate terms it is a very small amount—well below 10%—and in the case of many of those estates, the tax is payable because of a windfall. For many people—again, not all of them—that windfall was brought about when they bought their houses with mortgage interest relief at source: MIRAS. Those people acquired an asset which upon their death, after a secular rise in house prices, led to inheritance tax being a liability, and they acquired that asset with the help of the state; in other words, the help of the taxpayer. Now some of them cavil at inheritance tax, which I think is very unfortunate.

The effects of the proposed inheritance tax changes could be wider than the Government may have thought. When we stop and think about it, we must conclude that it is not surprising that many of those who would benefit because their parents have an estate worth more than £650,000 are themselves well-to-do. There is nothing wrong with being well-to-do; all Members of Parliament are well-to-do, and I have been in the fortunate position of being well-to-do for most of my life. However, when a Government propose a tax regime in which they will favour those who are already favoured, we really have to question their priorities.

The Government's proposals will make inheritance tax more complicated, and it is already fairly complicated. Successive Governments—the Labour Government under whom I was a Back-Bench MP, the Conservative party which was then in opposition, the coalition Government whom we have just seen and, I venture, the current Government, and certainly the current Opposition—have wanted a simpler tax regime, but that is extremely difficult. We have a Finance Bill, the second of this year, which is about a centimetre thick and runs to more than 200 pages. I am not a tax expert or an accountant, but as far as I can tell, it is owing to the cunning of professional accountants who, quite legitimately, provide tax avoidance advice that we have to keep introducing loophole-closing measures that complicate the tax system. The Government are making the inheritance tax regime more complex in a way that is unfair because it favours those who are already well-to-do. The combination of forgone tax revenue and additional complexities does not amount to a desirable policy.

6.15 pm

Moreover, the policy could push house prices even higher, both in the home counties—including the constituency of the hon. Member for St Albans (Mrs Main)—and elsewhere, but particularly in London and elsewhere in the south-east. Those who have the necessary liquidity may decide to invest in real estate, so that when they die, their linear descendants will have the advantage of the home exemption. We could see a development that many Labour Members would consider to be a strange social phenomenon. At a time when there is a housing crisis—and I think that Members in all parts of the House recognise that there is a housing crisis in many parts of the United Kingdom—the Government are proposing an inheritance tax policy that could encourage those in the later years of their lives not to downsize but to trade up, because if they sink enough money into their houses, more of their estates will be tax-free when they die.

A change is already taking place in relation to agricultural land, which is making it harder for UK farming to be self-sufficient, and this change will have the same effect, to a greater or lesser extent. I can produce no figures to demonstrate how it will work out, but it is very likely that it will increase house prices rather than decreasing them. Similarly, the measure allowing pensioners to spend their money on a Lamborghini, as a former Minister famously put it—or on whatever they like—is also likely to lead to an increase in house prices, because some pensioners who gain access to their pension pots and wish to secure an income stream will buy a house or houses for buy-to-let purposes.

I think that the Government have got the balance wrong between the freedom that we want to extend to people and the recognition that we have—particularly, but not solely, in London and the south-east—of a housing crisis that is predicated on a shortage of housing: a shortage that has, I hasten to add, built up over the last 30 or 40 years. It is not just a phenomenon of the coalition Government of 2010 to 2015, or of the six months of the current Conservative Government. We have not been building enough houses, which is creating huge pressure. I shall return to that subject later, although not in the context of inheritance tax.

Alex Cunningham: Does my hon. Friend agree that the policy will further escalate the inequality between the people in our communities and throughout the nation? There are people who may work very hard but must depend on the likes of tax credits in order to exist, and have no opportunity to build any wealth whatsoever; and there are people who can inherit a property that may be worth £2 million, and then simply exploit that wealth in order to become even wealthier, to the detriment of everyone else in the country.

Rob Marris: My hon. Friend is right. In the constituency that I have the honour to represent, and in which I have lived for almost all my life, I could find no house worth more than £2 million when I looked in April this year. Indeed, none of them was near that value. There is barely a house that is worth over £1 million in the whole constituency, and of the three Wolverhampton constituencies, the one that I represent is undoubtedly the most affluent. The same will apply across swathes of constituencies: there will no houses worth that amount. The idea that an affordable house, as has now been defined by the Prime Minister, is £450,000 in London or £250,000 outside London is frankly a joke in constituencies like mine. For £250,000 it is possible to get a fantastic house in Wolverhampton. We welcome people in Wolverhampton—come to Wolverhampton: decent schools, good cheap housing, no traffic jams to speak of; fantastic, so come—but £450,000 will buy almost any house in Wolverhampton South West.

Christian Matheson (City of Chester) (Lab): Does my hon. Friend share my concern that the Government have been unable to drive forward the economy on any basis of productivity and are therefore relying on property price speculation, and that this wills be a way to drive up property prices to cover up their failings in other parts of the economy?

Rob Marris: I agree with my hon. Friend, and if I can catch the Speaker's eye on Third Reading I will be making points along those lines. The true state of our economy, driven by a housing bubble and household debt, is actually quite frightening. In terms of inheritance tax, new clause 9 simply asks the Government, after the Budget is in surplus, to look at the inheritance tax regime. Of course the Government could do it now, and I would welcome a commitment from the Minister, if he is able to make one, that the Government will do so, because the tax breaks in this Finance Bill will be about £940 million a year by 2020-21. That does not seem a wise use of revenue when it is coming in from some of the most well-to-do families—a small number of estates, as I said. It is not a good idea to be in one sense spending money in that way. I appreciate that it is not actually spending money because, technically, it is a case of simply not collecting it in taxes, but in everyday terms it is spending money, because so much of what we do in this House is to do with priorities, and so much of the prioritisation we decide on is predicated on how much money there is with which to do those things.

Christian Matheson: Does my hon. Friend agree that we cannot afford this measure in this Parliament, not least because it will cost, as the Budget Red Book tells us, about £2.5 billion in this Parliament?

Rob Marris: It is difficult to tell what we can afford as the Conservative party, in government since 2010, has consistently failed to meet financial targets for dealing with the deficit. The Opposition agree with the Government that the deficit needs to be tackled, but we disagree on the way in which it should be done. Forgoing £2.5 billion —if that is the exact figure, and I think my hon. Friend is probably right that it is of that order of magnitude—in a very regressive way is something that Labour Members would not countenance, but we need to look at the whole regime, hence the wording of new clause 9.

There will also be complications with the wording of the inheritance tax provisions. There is a feeling of unfairness among some as to the definitions—which I will not go through tonight—of a linear descendent. Many, if not all, Members will know from our own lives, advice surgeries and places we live that the definition of a family and those who are regarded by someone as being a member of their family are somewhat fluid in our society, and have become much more fluid in the last 50 years in terms of social recognition. For example, the Labour Government introduced civil partnership legislation, which I welcome—it is possible this Parliament will extend that to opposite-sex couples—and, commendably, in the last Parliament gay marriage was put on to the statute book. Those are concrete examples, dealt with by this House, of the fluidity and changing nature of family structures, but the provisions in this Bill rather lock in whether somebody is, or is not, regarded as a member of a family. Inheritance tax in this Bill is a bit of a problem, therefore, and I urge the Government to accept new clause 9 and amendment 89, which in a sense is a stand part motion.

I will now turn to value added tax, enforcement by deduction from accounts and the climate change levy—unless any Member wishes a quick run-around again on inheritance tax, but I suspect not.

Alex Cunningham: On the question of equality in our nation, we have seen the Government deliver huge tax cuts for their friends in the City and the hedge fund managers. We would rather that money went to the needy in our society, so that they do not have to rely on loans from the loan sharks that our friends on the Government Benches make some money from as well. Does my hon. Friend agree that the Government's proposals will do us out of the chance of recovering some of this wealth when these people die?

Rob Marris: I agree that it sometimes seems that the policies of this Government are not only to shrink the state, but to give to those who already have and take away from those who have not, for example in terms of tax credits. I will not be drawn by my hon. Friend on the subject of tax credits, but it does seem a rum state of affairs. It is the sort of thing that drew people like me to join the Labour party, to fight for that kind of equality and to fight against regressive taxation.

Jonathan Edwards: The hon. Gentleman has been inviting interventions on this issue. On new clause 9, why has he tied in the holy grail of a Budget surplus with asking for a review? As he has said, the Government proposals in the Finance Bill will make it more difficult to reach a Budget surplus.

Rob Marris: That is in the interests of having some clarity as to when this should kick-in. The Government could do it now if they chose. They do not need primary legislation to do it, but the proposal for a review of inheritance tax is in the context of the Government now being five years behind the original projections made by the current Chancellor as to when we will be in surplus. We are giving the Chancellor a lot of latitude now. We hoped that there would not be draconian cuts, which are now being planned by the Government, to public spending and that we could, through adopting a growth strategy, get to a Budget surplus with no deficit earlier than 2019-20, but I fear we will not do so. So a review now is fine, but Labour Members are reasonable people and we are giving the Government lots of latitude. They ought to think again on this regressive tax, as on others.

Mark Durkan (Foyle) (SDLP): On the issue of inheritance tax, does my hon. Friend recognise that it is odd that the Government in this Budget and in the language of the legislation have moved to do away with any concept of child poverty? They are moving on work and family tax credits with very little discussion on their part about the impact on children. When they talk about inheritance tax changes, they use the word "children" a lot, but of course the children they are talking about there are people who are well-off.

Rob Marris: My hon. Friend is quite right. If I may be so bold, in this context, the word "child" means people of around my age and that of my hon. Friend

[Rob Marris]

rather than minors. I wish the Government had paid a little more attention to minors and to child poverty. One of the achievements of the Labour Government was that child poverty fell significantly while we were in office. I regret, however, that that Labour Government, under Gordon Brown, cut inheritance tax by introducing the doubler—the Minister referred to this in Committee—whereby the £325,000 personal allowance could be utilised by the surviving spouse if the first spouse to die had not used that allowance. I expressed my regret about that at the time. At that point, when the threshold was around £300,000, only 6% of estates in England paid inheritance tax. Then the threshold was raised to £325,000, and then the doubling up came in. That was regressive and regrettable, but so be it: that is the regime that the coalition Government inherited.

6.30 pm

Sammy Wilson: I accept the point that the hon. Gentleman is making, but will he explain why he believes that we are more likely to have a successful review of inheritance tax when we move into a surplus, when the pressure on public finance is less, than when we are in deficit? Does he not think that the best time for a review of inheritance tax—that is, the giving up of tax revenue—is when we have a deficit problem?

Rob Marris: No; I disagree with the hon. Gentleman. We want to achieve economic stability—something that has been sadly lacking over the past seven years and that will probably continue to elude us for the rest of this Parliament—at which point we can pause for breath. This is part of the Labour Opposition's overall approach: we believe that our Government finances need something called zero-based budgeting. This will be a major undertaking, in which we start by looking at what society needs rather than looking at what it has been spending its money on and simply topping that up, salami-slicing it away or whatever. We need to step back from that, but we can do so only at a time when we have a budget surplus and are not running a current—I stress the word "current"—deficit. That is the right time to look at this question.

I want briefly to talk about new clause 1, which has been tabled by Scottish National party Members, and to which I imagine they will speak later. It seems slightly odd that they wish to evade the consequences of devolution. As I understand it, a decision was taken in Scotland to amalgamate eight police forces and, I think, a similar number of fire and rescue services to create a single police force and a single fire and rescue service. My understanding is that, because they were new organisations, they became liable to VAT, which their predecessor organisations had not been. I quite understand the sentiment behind new clause 1, but it seems a little strange that, having used the powers of devolution which were quite properly passed by this House, the people of Scotland—refracted through their Parliament—should wish to change the rules on VAT. That said, we are heading towards a position of full fiscal devolution—[Hon. Members: "Are we?"] Well, I am not saying that we have got there yet, but we are heading towards it. That is the trajectory, and we would therefore not oppose new clause 1.

George Kerevan: I congratulate the hon. Gentleman on reaching the Front Bench after far too long a wait. I can tell him that we would be more than happy to take over the setting of VAT in Scotland. That could remove the anomaly.

Rob Marris: I thank the hon. Gentleman for that. We shall shortly be having a discussion about the mechanics of setting VAT in the United Kingdom.

New clause 7 has been tabled by my hon. Friend the Member for Dewsbury (Paula Sherriff). New clause 2, tabled by the Scottish National party, is similar but not as good. It was also tabled in Committee. The greater virtue of my hon. Friend's new clause—in contradistinction to new clause 2—is that she has carefully listened to what the Government said in Committee about the road map, as we say these days, to achieving this worthy goal. She has worded her new clause in the light of the remarks made by the Minister in Committee, and I commend her for that. Her proposal has gained considerable momentum on both sides of the House, for obvious reasons. Of course, those of us on the Labour Front Bench will support it and I urge hon. Members on both sides of the House to do the same. I will not say a great deal more about the new clause—

Sir William Cash (Stone) (Con): Some of us do have a certain amount to say about it. These are weasel words. The Opposition know perfectly well that they are not going for a full relief, or any relief, and are instead going for a pathetic little report, because of sections 2 and 3 of the European Communities Act 1972. The hon. Gentleman knows it, and we know it. These are weasel words, and the proposal would make no real change.

Rob Marris: I wish no disrespect to the hon. Gentleman, but I am not going to get into a big debate about this subject. It is not a great idea for a man to stand at the Dispatch Box and get into such a debate. On the broader issue of the European Union, it might surprise him to learn that more than half the population of the EU is female. It might also surprise him to contemplate the fact that this measure could be on the shopping list that our Prime Minister takes to Brussels, and that it could gain considerable support—from the Chancellor of Germany, Mrs Merkel, for example.

Wes Streeting (Ilford North) (Lab): If the new clause were passed this evening, as it should be, it would be interesting if it became the only demand that we were aware of in the negotiations. Would not that be a welcome development? The Prime Minister and the Chancellor have not said anything about their negotiating position yet.

Rob Marris: It would be a welcome development. As I have indicated—

Sir William Cash: Will the hon. Gentleman give way?

Rob Marris: No, I will not give way—

Sir William Cash: Why not?

Rob Marris: I will not give way for two reasons. First, the hon. Gentleman can seek to catch the Deputy Speaker's eye later. Secondly, as I have said, I do not

propose to get drawn into a debate on this issue. I support my sisters in the Labour party and around the House, and they are more capable than I am of putting forward the reasons behind the measure being proposed by my hon. Friend the Member for Dewsbury. They are more than capable. They do not need me to do it, and I shall say no more than I have already done.

New clause 10 seeks to place a statutory requirement on the Government to produce a report, within two years of the passing of the legislation, on the effects of clause 47 and schedule 8. In lay terms, clause 47 and schedule 8 will—with safeguards—allow HMRC to nick money out of our bank accounts without a court order.

Of course, under these provisions HMRC would not, in any legal sense, be stealing money from a bank account. Were it to do so, that would be covered by section 1 of the Theft Act 1968—I am not a criminal lawyer, but that is my recollection of it. What HMRC would be doing is something that other people cannot do: it would, with safeguards, be removing money from a debtor's bank account without a court order and without the agreement of that debtor. That is a very big step forward for our society to agree to, refracted through clause 47. In Committee, the Labour Members tried to persuade the Government not to press ahead with the clause, as did other organisations, but we failed on that. We are not trying that again tonight directly, but we are saying that we take cognisance of the safeguards the Government have introduced and beefed up as a result of representations, and that a report should be produced within two years to see how they are working.

Before I deal with the safeguards, I wish to remind the House of why clause 47, allowing HMRC to go into people's bank accounts without a court order, has been introduced. One major driver is HMRC's fears about revenue loss through non-compliance. In an earlier Budget speech, the Chancellor said:

"I am increasing the budget of Her Majesty's Revenue and Customs to tackle non-compliance."—[*Official Report*, 19 March 2014; Vol. 577, c. 785.]

That was welcome: there is too much non-compliance going on, some of it blatant, some of it immoral avoidance but not illegal evasion, such as large corporations squirreling away money in tax havens and in places such as Luxembourg; and there are people who owe money to HMRC but fail to pay, and so HMRC has to take steps to recover that money.

Another major reason given by HMRC, which might trouble the hon. Member for Stone (Sir William Cash), was as follows:

"The current processes for recovering debts…can be costly".

That was said on page 2 of the consultation document, which contains an introduction by the Financial Secretary to the Treasury—the words I read out were not his but they were contained in a document whose preface he wrote. Paragraph 2.31 on page 9 goes on to say that

"a county court judgment…can be a slow and expensive process."

In clause 47, the Government are therefore saying, "We find the court system a bit slow and a bit costly, so we are going to have our own system to take money out of people's bank accounts, with safeguards." That is echoed in clause 48.

Where someone wins at court, there is a calculation to be made as to how much they are owed on a debt. I believe the basis for calculating what is known as the judgment debt rate goes back to about 1837, but the Government are not having that either in clause 48. Under the interest rate provision in clause 48, and in clause 47 on HMRC taking money out of bank accounts without a court order, we have one rule for them and one rule for the rest of us. We have to ask ourselves: are they right about the court system? Is it a slow and expensive process? I have not practised law for almost 15 years, but I try to keep up with it and I think the process is getting slower and more "costly". That is because it has been starved of money by this Government and their predecessor Conservative-led Government.

6.45 pm

Many observers will feel uneasy about this system. The approach being taken is, "The rules aren't quite working for everybody, because the court system is not quite working for loads of people." But instead of dealing with the cause and sorting out the court system, which may require an injection of money, which is worth it, as long as it is done wisely, for justice and access to justice in our country, what the Government do in clause 47 is say, "The system is not working, we are going to deal with the symptom by having our own new system, which you cannot have." If the Minister owes me money—of course he never would—I cannot say, "Here are a load of safeguards, I'll have some money out of your bank account." I have to go through a court process if he is denying that he owes me money. I have to prove it before a judge and then I have to use the enforcement processes of the court—not those of a couple of men with baseball bats. It is a bit slow and a bit costly, but rather than have one rule for them and one rule for the rest of us, the Government ought to sort out the court system—then they would not need clause 47 and schedule 8.

As ever, Labour Members are reasonable people. We are saying, "Let us have new clause 10 and let us look at the safeguards." I shall set them out, and I am sure the Minister will correct me if I miss some out. They are quite good: the debt has to be more than £1,000; the alleged debtor has to be seen face to face by an HMRC official; an assessment has to be made by HMRC as to whether that debtor is vulnerable—the Government have acceded to requests that such an assessment should be not only made, but recorded in writing, which is good; HMRC has to be satisfied, as it should be before it embarks on this action, that there is sufficient money in the bank account and the debtor is knowingly refusing to settle their debt to HMRC; the debtor has to get a warning notice, with 30 days before it is, "pay up or we might take it out of your bank account"; HMRC must ensure that, having taken the debt, at least £5,000 remains in the bank account; and the debtor, or alleged debtor will be able—presumably this would often happen during the 30-day warning period—to appeal to a county court.

On the Government's figures, the average amount owing will be £9,000—I believe the estimate was that the measure will bring in about £100 million a year from about 11,000 cases. I understand that the estimates will be in round terms.

Alex Cunningham: I hope my hon. Friend will indulge me further on the question of equality. Not everybody can go into court or argue with HMRC, as they do not have the skills and understanding always to take on all

[Alex Cunningham]

these intricacies of debts, claims and this, that and the other. Where people do get to court, they find protection there for them, because they can argue their case in front of a judge and make various points, and the judge can actually aid them. These people cannot afford to have legal representation, because there is no legal aid any more, and so they are in a better position because the judge can actually help them a little.

Rob Marris: I agree with my hon. Friend on that. It is no coincidence that my hon. Friend the Member for Walthamstow (Stella Creasy) is in her place tonight, as she has done sterling work on trying to stand up for the financially disadvantaged. I thank her for her work on so-called "payday lenders", because when I tried as a Back Bencher under the last Labour Government to amend a Finance Bill to give the Government the power—just the power—to cap payday loan rates, I could not get a Labour Government to go even that far. She has done magnificent work because, as my hon. Friend the Member for Stockton North (Alex Cunningham) said, this is to do with protecting the financially vulnerable. That is why it is a big step forward. I congratulate the Government on introducing the safeguard that an assessment must be made of the vulnerability or otherwise of the alleged debtor and that that assessment must be recorded in writing.

Mr Steve Baker (Wycombe) (Con): I can scarcely believe my ears. I think that the hon. Gentleman is congratulating the hon. Member for Walthamstow (Stella Creasy) on helping a Conservative-led Government do more to protect the poorest in our society than a Labour Government would do. Have I heard him correctly?

Rob Marris: In that particular respect, the hon. Gentleman has heard me correctly. However, if he had heard my earlier remarks, he would also be aware of my great unease at many other policies put forward by the current Government as well as by the previous Conservative-led Government. But in the narrow respect to which he refers, he did understand me correctly.

Stella Creasy (Walthamstow) (Lab/Co-op): Does my hon. Friend agree that a Government who voted three times against a cap on the cost of credit should not be lecturing the Opposition on how to protect the vulnerable? Perhaps if they had listened earlier to the concerns expressed from the Labour Benches about people who are vulnerable and who have personal debt in this current economic climate, this country would have made much more progress.

Rob Marris: I agree that progress can be pitifully slow under Conservative-led Governments, and that sometimes those Governments are very slow learners. With regard to the work that my hon. Friend has done, which has an echo in the safeguards under clause 47, she has persuaded the Government to be less hard-nosed and to be more "listening" about financial vulnerability than they had previously been and much credit for that success must go to her for her work with charities and others.

New clause 10 seeks in a very reasonable and moderate way to have a review of the effects of clause 47. The review would cover the total amount recovered, and whether it was as expected. It would cover the number of cases dealt with: would it be 11,000, because at one point the Government thought that it might be 19,000? It might also provide some measure of the effectiveness of the new procedure. I say to the Minister that we on the Labour Benches do not like the procedure, because it smacks of hypocrisy—of the Government, not of him personally. It is a case of, "It's one rule for them and another for us. The court system is not working, so we will do a workaround on that."

I now wish to turn to new clause 11 on the climate change levy, and to amendment 90, which would delete clause 45 on the CCL. In a sense, the proposal is a double negative. If clause 45 were deleted, the exemption would be restored. Again, I urge the Government to look at both these measures, which retain, certainly for the moment, the exemption on the climate change levy and, as stated in new clause 11, look at the effect of the abolition of that exemption. As I understand it, there was no consultation to speak of before the measure was announced. In contradistinction, when a fundamental change to the tax regime of combined heat and power units was introduced, that industry got two years' notice of exemptions. In this case, this year, there was 28 days' notice, which is next to no notice at all, because these things have long lead times.

I accept the Government's figure that a third of this exemption is claimed by overseas producers—if only that were not the case. When many, if not all, western countries address the issue of greenhouse gas emissions, which is the nub of what we are talking about, they tend to offshore the problem. Carbon dioxide intensive manufacturing, using lots of non-renewable fossil fuels, gets relocated by capitalists to places such as China and India, making it look as if the CO_2 emissions per capita in the United Kingdom are falling quite dramatically, but if the CO_2 emissions in the United Kingdom were to include those for which UK residents and consumers are responsible, we would see a rather different picture. Of course these Benches are not happy about a third of this exemption money going overseas, but in one sense that is all part of offshoring. As far as one can see, successive Governments have been turning a blind eye to the offshoring of greenhouse gas emissions to China and India and so on, but when we are talking about measures to lessen that, no offshoring is to be allowed under this Government. They should think again.

I am not an intimate of the industry—this is after all a finance debate and not an energy debate—but I accept that the cost of the CCL exemption in the five years of this Parliament could be in the order of £4 billion. We are talking about a lot of money. It is symptomatic of this Government being penny wise and pound foolish—if one can be penny wise with £4 billion—because they are cutting the exemption too soon, before the industry reaches self-sufficiency. If the industry were treated like the nuclear industry, we would have 100 years of subsidy before deciding whether the technology worked and it was self-sufficient. I am not suggesting that, but what we have is an industry in which the UK has been pretty successful. Indeed, it is a desirable industry. It is a renewables industry which, on all the evidence of which I am aware, is likely to grow in future years around the world, not shrink. We had some technological lead and a skilled UK workforce, but then the Government take us a step back with what they do at 28 days' notice to

the CCL exemption. I understand that prospective onshore wind projects are, almost as we speak, being abandoned, which is regrettable. That is not to say that every one of those projects should proceed, but it is regrettable if the whole industry is shrinking.

As I understand it, the impact assessment for the changes to the CCL exemption and the feed-in tariff is that there will be 1 million more tonnes of CO_2 produced in the UK each year, which seems to be going in the wrong direction. What other financial incentives are there to encourage UK non-domestic users—I am talking about business and the public sector, not households—to use renewables? Secondly, in what ways are the renewables obligation and contracts for difference more efficient and more effective?

Alex Cunningham: This whole issue cannot be divorced from carbon capture and storage and the need for the Government to confirm their support for the two projects in the competition—I think we are due a decision on that in the new year. After that, we need to encourage industry with industrial CCS, especially on Teesside where my constituency sits and where, nearby, we have just lost a large section of the British steel industry.

Rob Marris: It is a tragedy what is happening to steel production around the country, and energy prices are part of the mixture behind it. They are as high as they are partly because we have not got to grips with technology like carbon capture and storage, and that is shackling companies in our country.

7 pm

Sammy Wilson: Does the hon. Gentleman not see the contradiction in saying that the Government should be looking for ways to encourage high-intensity energy users to use more renewables, which are three times more expensive than producing electricity from gas, while lamenting the decline in energy-intensive industries in the UK?

Rob Marris: I disagree with the hon. Gentleman. The difficulty is that we have high energy prices because we have not invested in new technology to bring them down. For example, if we had cracked the holy grail of carbon capture and storage on a commercial basis—it is already cracked on a scientific basis—this country would be quids in, because of all the coal we have.

Sir William Cash: The short response to what the hon. Gentleman is saying is that massive subsidies deployed in other countries are being authorised by the European Commission, but we do not get them. As the hon. Member for East Antrim (Sammy Wilson) said just now, there is an increasing failure in renewable energy because it is too expensive and the subsidies are a complete disaster zone.

Rob Marris: The hon. Gentleman is right that the European energy market and the production of energy within the European Union are a bit of a mess. The United Kingdom is part of that mess because we are in the European Union, but it is a mess here anyway because we have not tackled energy security. Again, the problem started under the previous Labour Government and I berated them for it at the time. I was berating a Labour Government on energy security before I lost my seat in 2010, and on returning to this House five years later, so far as I can tell almost nothing has been done on that front apart from the poisonous deal—in many senses of the word—backed by China and EDF for new nuclear power stations in this country.

One can see a bit of a pattern with what is happening with the removal at 28 days' notice of the climate change levy exemption for electricity from renewable sources used by non-domestics—non-doms, as it were. The Liberal Democrat policy was for the percentage of taxation to come from environmental taxes to keep rising year on year, and when the Liberal Democrats first came up with that crazy idea in about 2007 I pointed out that it was a bit self-defeating. That has been formally abandoned by this Government, which is not necessarily a mistake, but in the context the issue is what has or has not replaced that policy. Support for large onshore wind is being cut, and support for photovoltaics is being ended one year early. The Government's policy is to lessen air passenger duty, and they aim to abolish it and to expand airports. That is not good news for the environment. The policy on zero-carbon homes for 2016 is being scrapped, not just diluted. There is a massive nuclear subsidy, which we heard about last week with the visit from China. What will our nuclear industry be built on? State support from China and from France.

Alex Cunningham: I should have declared that I was chair of the all-party group on carbon capture and storage, and I am also chair of the all-party group on energy intensive industries. My grandfather was a miner, so I am pleased to hear the word "coal" mentioned in the Chamber. We have huge resources, particularly under the North sea close to Teesside. Does my hon. Friend agree that we need to see investment now in coal gasification if we are going to provide the natural gas needed by companies such as GrowHow, the UK's only remaining fertiliser producer?

Rob Marris: I did not know that my hon. Friend had gathered so many accolades, but I thank him for the work he has done on these energy matters, which is particularly important for his constituency interests and for our country. As I said, if we could get the holy grail of carbon capture and storage, our country would be quids in because of the amount of coal we have. I am sadly old enough to remember what was called town gas; I do not know whether my hon. Friend remembers it. Town gas was made from coal, produced and piped, before we discovered abundant natural gas in commercial quantities under the North sea. Yes, we could go back to that, but we need the technology.

Instead, we have a massive subsidy for nuclear energy. Leaving aside the safety issues for the moment, that subsidy is just twice the price per kilowatt hour guaranteed with indexation. Who is proposing it? A combination of France and China—China with, as I understand it, a reactor that has not yet been built anywhere in the world, and France, through EDF, with the wonderful record we see at Flamanville in Normandy, where the reactor is now three times behind schedule at twice the predicted cost and still has not opened. There is a similar story with a similar reactor, also being helped by France, in Finland.

[Rob Marris]

The Government are contemplating huge subsidies in a panic over energy security, which of course will not guarantee energy security as it will take so long to build a new fleet, as they are pleased to call it, of nuclear power stations. Meanwhile, as my hon. Friend the Member for Stockton North points out, we have the craziness of all this abundant coal yet quite insufficient Government-funded CCS research and development through which we could proceed to the gasification of coal as North sea gas is running out.

Alex Cunningham: My hon. Friend may be surprised to learn that I spent 17 years of my career in the gas industry, so I know very well what town gas is. I was pleased to play a part in seeing natural gas come to large parts of the country. It does not matter whether subsidies are for wind, for panels on people's roofs or whatever else; this is also about the creation of jobs. If we get carbon capture and storage right, a place like Teesside could start to replace the highly skilled jobs we have seen going down the pan over the past few weeks.

Rob Marris: I quite agree with my hon. Friend. We want those highly skilled jobs and we want the cheaper energy that one hopes we can get from that technology. We need the Government to kick-start research and development investment to develop that technology. However, I must caution my hon. Friend. There is only so far I can go in agreeing with him. Yes, we want those jobs, and quite a lot of them will be highly skilled, but it is a dead end for us as a country always to have subsidised jobs. That is the obvious thing to say, but it is a dead end. We need a plan to get from where we are, without energy security and without technological development, to the sunlit uplands where we have that technology and development, and where they are self-sufficient and commercially viable. That will need some support from Government, and the removal under clause 45 of the CCL exemption for electricity from renewable resources used by non-doms is a step in the wrong direction.

The Department of Energy and Climate Change Minister Lord Bourne of Aberystwyth wrote to me on 26 August saying that the Government had committed to delivering on the national infrastructure plan published in December 2014, which contained a number of priority investments. He went on to list some of them. One is rail electrification, and we know what has happened to that—it is on pause. Another is low-carbon energy such as nuclear; we know the cost of that, which is enormous. A third is low-carbon energy such as renewables, but clause 45 is going in the wrong direction on that. Lord Bourne also cites energy efficiency measures such as smart meters, but the evidence on them is mixed, to say the least. Before Conservative Members jump up, I know that it was a Labour Government who started down that route and it struck me as a very odd thing to do at the time.

The final point that Lord Bourne mentions, which will please my hon. Friend the Member for Stockton North, is carbon capture and storage. We need to go down that route, but as I say, we need a bit more help from Government, and the measure in clause 45 goes in the wrong direction—at least, we are uncertain what direction it is going in as there has not been a whole bunch of consultation on it as far as I can tell and I am not aware of an impact assessment.

On 8 July—Budget day, I believe—HMRC put out a consultation document on the subject, which said that one of the factors being examined was the "operational impact" in pounds. It stated:

> "Changes in HMRC costs are estimated to be negligible and would fall as part of the existing operational cost of administering CCL. The government will consult Ofgem and NIAUR"—

that is, the utility regulator—

> "over summer/autumn 2015 to establish the costs and other impacts on the regulators of removing the exemption."

That is a consultation, as I understand it, only on the impacts on the regulators, but that might shed some light on the impact on the industry and on employment. I hope that when he responds to the debate, the Minister can address that point.

Sir William Cash: I do not think new clause 7 is strong enough. It just asks for progress. We are not doing enough. Let me explain why.

The hon. Member for Wolverhampton South West (Rob Marris), who presumably helped to draft this proposal, knows perfectly well that he is trying to find a way of satisfying those who would like to see a serious attempt made to reduce the VAT on these products. They are clearly necessary and the tax on them should be reduced in the way that has been proposed. Unfortunately, however, he also knows that because of sections 2 and 3 of the European Communities Act, it is impossible to do that without getting the agreement of all the other member states. There is a variation as between other member states and ourselves to the advantage of those states, the net result of which is that supporters of new clause 7 are not going to get that agreement and they know it.

I am completely on the side of those who want to see a total elimination of VAT on these products.

Stella Creasy: I note with pleasure the hon. Gentleman's support for the idea that tampons, as they are called, and sanitary towels are an essential. I am an avid follower of many of his debates in Parliament, and I know that he has raised concerns before about the European Union. Having discovered his support for this proposal, I wonder whether he can update us on when he last raised in this House the issue of VAT on tampons.

Sir William Cash: I am not going to say that I did, but I put through an Act of Parliament, the International Development (Gender Equality) Act 2014, both to protect women and to promote their interests, with massive support from all parts of the House, so I want no suggestion that I am backward in coming forward on these issues.

New clause 7 contains weasel words. It does not solve anything. It is not in the interests of the United Kingdom not to deal with the problem properly.

Kate Hoey (Vauxhall) (Lab): I have raised the issue over a number of years, and I am pleased that we are debating it tonight. Does the hon. Gentleman agree that this is one of the ridiculous things that the European

Union does, and that we need to get back in our own country control of how we levy VAT, which is why we should vote to leave the European Union?

Sir William Cash: I entirely agree with the hon. Lady's last remark, for the reasons that she has given. We need to get back control over our own power to make laws, levy taxation and deal with all the matters which we do not need to go into today. The supremacy of this House affects tax, spending, and the way in which we run our own country. We have a right and a duty to return to the people of this country the right to govern themselves. This happens to be an extremely good example of the kind of thing that would help women in a way that I would much like to see.

7.15 pm

Stella Creasy: I am pleased to hear the hon. Gentleman talk about his concern for global gender inequality, and his support for the idea that tampons are an essential and therefore should not be zero-rated. There is another way to read the amendment, is there not? Were we to pass it and to propose these matters at the European Union and secure zero-rating on tampons across the whole EU, he would be showing solidarity with his sisters in France, Belgium, Germany, Italy—indeed, he could be helping many more women by supporting zero-rating across the European Union.

Sir William Cash: If there were a cat in hell's chance that we would get this through the European Union, I would entirely endorse the hon. Lady's sentiments. I would like to see the changes. The problem is that everybody on the Opposition Benches and the Government know quite well that they are not going to be able to achieve that with the kind of progress report that is mentioned in the new clause. It would be a great opportunity now to propose a provision that would override European law to make sure that we could achieve the objectives that she and I clearly share.

Stella Creasy: I thank the hon. Gentleman for giving way again. I do not want to pursue this, not least because I am avidly waiting for the speech from my hon. Friend the Member for Dewsbury (Paula Sherriff), which I think will be compelling, but may I give him a spark of hope? It is not just on these shores that there are women—and men—fighting for zero-rating on tampons; there are others doing so in France. The proposal was put forward just this summer. Should he choose to vote with us and support the new clause, he will be joining many people across the European Union. I want him to have hope that we can win this at the European level, rather than the despair that he currently feels.

Sir William Cash: My final remarks on the issue are these: that is wishful thinking. What is needed is not a report, but action—action to return to this Parliament the right to determine its own levels of taxation. I regard the proposals in the new clause as aspirations without substance, yet I agree with the underlying principle, which can be implemented only by an effective legislative change to the Finance Bill, whereby we take back control over our own affairs and govern not only the men but the women of this country in the way in which they would like.

Paula Sherriff (Dewsbury) (Lab): New clause 7 is tabled in my name and supported both by my hon. Friends and by a number of Members on the Government Benches.

It is time to end the tampon tax once and for all, and we have the chance to take a step towards achieving that today. It is absurd that in Britain tampons and sanitary towels are taxed as luxuries, not essentials, and not treated as a public service activity or medical provision by EU law. Almost 250,000 people from across the country have signed up to a call for that to change, and it is about time they were heard in Westminster and Brussels. Quite simply, a tax system that lets someone dine on crocodile steak on their private jet without paying a penny, when we cannot survive a period without the Treasury taxing us for it, cannot be a fair one.

That is why the Minister's predecessor, Dawn Primarolo, urged on by many of my predecessors on these Benches, reduced the rate to 5% under a previous Labour Government, and it is why Laura Coryton and other feminist campaigners are running a campaign to finish the job with a zero rate now. Hon. Members can still sign up at change.org/EndTamponTax.

Periods are a fact of life and it is not as though women have a choice. Many were shocked to see Kiran Ghandi run the London marathon without a tampon to highlight the fact that too many women around the world do not have access to sanitary products. But that is the point—this is a basic matter of biology and it is time to end the taboo.

We can buy tampons in this country, but we are taxed for doing so. This is an issue for all women, but, as with so many things, it hits the poorest the hardest. Imagine being homeless when that time of the month comes. Think about what it is like to face a period without even having a bathroom.

Liz McInnes (Heywood and Middleton) (Lab): My hon. Friend refers to the plight of the homeless. As I am sure she is aware, homeless shelters can request free condoms from the NHS, but not free sanitary products. Does she agree that it really is time we dealt with that indignity, because homeless women face enough challenges already?

Paula Sherriff: I completely agree that homeless women face enough challenges without the added burden of periods without sanitary products.

Some great work is being done by food banks, and student unions, such as those at Leeds University and Sheffield University, have started selling sanitary products at cost price in order to avoid VAT, but this is an issue where the Government need to lead from the front. The Minister told us in Committee that he was sympathetic to this, but we do not need to be patronised with tea, sympathy and platitudes; we demand action. He told us that his hands were tied and that change would require difficult negotiations and EU reform, but the Prime Minister has just promised us that he will undertake just such negotiations, and that he will be able to deliver just such EU reforms. This issue, which affects the majority of people across Europe, could hardly be more difficult to achieve than the rest of his demands.

[Paula Sherriff]

Frankly, VAT on tampons is the vagina added tax. It is a tax on women, pure and simple. Therefore, instead of going to Brussels to water down our protections at work, the Prime Minister has an opportunity to deliver a victory for women across the continent. This issue transcends party politics, and I am pleased that the amendment has received cross-party support, from other parties on the Opposition Benches and from some Members on the Government Benches. I sincerely hope that Members on both sides of the House will support taking steps to axe the tampon tax tonight.

Sir William Cash: The hon. Lady refers to people across Europe, no doubt meaning the European Union. The only problem is that if we cannot get unanimity among all member states, we will not get any change at all. From that point of view, the most important thing is to fight and fight again to ensure that we get what we want, but also to guarantee that we bring back the powers to this House.

Paula Sherriff: I am not sure whether the hon. Gentleman is suggesting that we should do absolutely nothing about this huge inequality that affects more than half the population. We have an opportunity to take a significant step forward for women and families this evening. We turned our clocks back on Sunday. Let us not turn them back even further tonight, period.

Mrs Main: I am pleased to have an opportunity to discuss this matter, because we need to examine why we cannot do something about it—if we really cannot. I know that I would not be in your good books, Mr Deputy Speaker, if I brought in some props to illustrate my argument, so I will have to ask you to use your imagination, which I am sure is prodigious. Imagine that I have laid out on the Bench beside me a selection of products, including pantyliners, maternity pads, mild bladder weakness pads and incontinence pads. They would all look fairly similar and would be made from similar materials, but some would have a designed difference. In other words, they would be taxed.

I call that tax a femi-tax. I know that there has been a lot of alliteration, with references to a "tampon tax", but it is somewhat perverse that in a selection of products that look pretty similar, and that are perhaps interchangeable, some should incur tax simply because they are associated with a woman's bodily function. To me that seems unreasonable and totally illogical.

When I looked into the matter, I found that incontinence aids do not attract tax because they come under a different tax regime. It is assumed that they are intended for use by people who have illnesses, who are elderly or who are disabled. However, those of us who watch too much television—I am probably in that category—will have seen plenty of adverts for products for those "Oops" moments, as they have been described, and they do not show geriatric, disabled or elderly people; they show sassy young ladies and women of a certain age who are still attractive to members of the opposite sex. Therefore, let us assume that this is some sort of contrivance. Those products, should a woman choose to use them to ensure that she does not have an embarrassing "Oops" moment, do not attract VAT. I cannot see why the products a woman might choose to use, even if they might also be used by the elderly, the infirm and the disabled, are not regarded for tax purposes as the same as any other product she might choose to use. That is the illogicality we must tackle today.

I understand the alliteration of the "tampon tax", but I think that phrase is misleading. If those products were laid out, most people would struggle to identify which ones incur VAT. This contrivance, because this only affects a woman's bodily function, whether she has had a baby or her normal monthly period, means that it is that function that is taxed. I think that it is unreasonable that we cannot at least appear to deal with the matter.

I want this to be discussed tonight because I want to understand why we cannot deal with the matter. I would like to say that we could go to Europe and make all sorts of bluster and noise, but I would like the Minister to tell us tonight whether he agrees about that illogicality and whether he agrees that this is indeed a femi-tax—a tax on women's bodily functions, but not on other bodily functions. If he has sympathy with that view, I would like him to explain to the public why we cannot look at these products and say, "They all look pretty similar and they all have similar functions in absorbing fluids, so why has someone somewhere decided that we cannot choose to make them all exempt.?" It seems ridiculous that a woman could buy an "Oops" moment product—I do not want to advertise any particular brand—and use it for sanitary protection and that that would be cheaper. It might not be quite as effective, but it would be cheaper. I think that it is absolutely ridiculous that a similar-looking product intended for personal hygiene, such as a pantyliner, would be taxed differently. I do not understand it.

I would like the Minister to explain why we as a country would want to persist with that illogicality in taxation. If he has a reason—I suspect that my hon. Friend the Member for Stone (Sir William Cash) has hinted at this, but I want to hear it from the Minister—that is associated with us being bossed around and told what to do by a conglomeration of countries that I have never voted for, then we need to start raising these issues. If Europe insists on taxing women through a femi-tax, I would like them to explain why.

Wes Streeting: Perhaps this will help the Minister. Does the hon. Lady agree with the point the Chancellor made to the Treasury Committee last week that there needs to be a debate within Europe about the tax regimes affecting eurozone countries and those affecting non-eurozone countries? Will she therefore support the Chancellor in those discussions, and will she support negotiations that are about a sensible conversation with our European partners and allies, rather than bluster?

Mrs Main: I agree, and I am pleased that there are hon. Gentlemen who are not too cowed to take part in this debate. I am old enough to have read Ms Greer's "The Female Eunuch" in the '70s, when this was a hot topic. It was about how women can face up to the fact that this is just part of being a woman, not something shameful to be hidden away. Therefore, we need to have a discussion, without bluster or embarrassment, about why we cannot take back control and have fairness in our society in this country.

George Kerevan: I remind the hon. Lady that under the sixth directive, which sets out the tax rules in the EU, the anomalies that she mentions between different kinds of medical products, including tampons, are precisely the evidence we need to take to the VAT Committee in order to get a derogation that would allow us to move to the zero rate for all these products. In advancing her line of argument, would she like to ask the Minister why the Government have never asked for that derogation, which is perfectly possible given the evidence she has raised?

7.30 pm

Mrs Main: The Minister may well explain that to the hon. Gentleman, but I personally do not want to have to go cap in hand asking for derogations. I would like this country to decide that it is a ridiculous illogicality to have different tax rates on similar-looking pads that could be used for interchangeable purposes. I would not wish to have to go and ask, "Please, European Union, can you allow us to do what we would like to do, which is to free up our women from this taxation that only affects them: a femi-tax?" I would like us to have the ability to do it.

I hope that the Minister will explain to all hon. Members here and to all the women out there in the country why, if they go and buy a mild incontinence, bladder weakness or "Oops moment" pad—call it what you like—and use it as a sanitary towel, they will not be taxed, because they do not understand it, and nor do I. It is time that we stood up to the European Union. If it does not like us doing that and having to ask, "Please can we have permission for a derogation?" then perhaps we need to consider this matter when we are deciding whether we wish to stay in the European Union.

Alison Thewliss (Glasgow Central) (SNP): Members may have seen the images circulating on the internet of groups of world leaders with the men photoshopped out, where Angela Merkel and Hillary Clinton cut lonely figures. A version has even been done of the House of Commons. I imagine that some of these Benches would look pretty bare this evening if we took away the men.

That is a stark reminder that despite much progress, we still have a long way to go before gender equality is realised. That is desirable not just for its own sake but because without women the issues that disproportionately affect women do not get resolved. VAT on essential women's sanitary products is one such issue: it affects only women. I dare say that if it did affect men, it would have been resolved long before now. Every month when I purchase a box of tampons or towels, the Chancellor benefits. Women, on average, begin menstruating at age 12 and continue until age 52. That represents a significant sum of money spent by every woman in the country over their lifetime. This seems particularly unfair for younger women who may not even be old enough to work. That is why our new clause mentions women under 25, who will most likely be in lower-paid jobs or not yet working at all.

I do not know of any woman who exclaims on a monthly basis, "I have my period—what a luxury!" For women, these items are not treats, and they are certainly not optional. Any number of female colleagues here today may have their period and nobody knows, and that is quite right. But people would certainly know all about it if, like the brave London marathon runner, Kiran Gandi, we came into this House deliberately forgoing sanitary protection. That is no doubt an uncomfortable prospect for male Members of this House, but I would say, "Good. I did not come here today, or any day, to make you feel comfortable but to challenge any status quo that I feel is unjust, and I am not done yet."

I want to highlight the particular case of maternity pads. As the hon. Member for St Albans (Mrs Main) said, it is illogical that incontinence pads are zero rated but maternity pads are not. Such pads are essential for women who have just had a baby; they are absolutely essential for post-birth lochia for up to 10 days after birth. I do not understand why these items are not treated as medical items and similarly zero rated.

Sir William Cash: Can the hon. Lady explain—I am genuinely curious—whether these matters have been raised in the Scottish Parliament and what is the attitude of the Scottish Government?

Alison Thewliss: As I suspect the hon. Gentleman well knows, the Scottish Parliament does not have jurisdiction over this matter, but the SNP feels sufficiently strongly about it that we put it in our party manifesto for this place, and the First Minister has been vocal in speaking out in support of zero rating for sanitary products. We would very much like this to happen, and we will give any support that we can in the Scottish Parliament as well as from our Benches here.

This issue has been very protracted over many years, and this House cannot resolve it alone, but we can make a start. VAT has already been reduced by a previous Labour Government, and we have a good deal of cross-party support here tonight. I think that we can do much better than the Prime Minister, who, during the election campaign, described this as a "difficult" issue and said that he "can't remember the answer". The answer, of course, is that we can take a lead on this. In June 2015, the European Commission, which is yet to have a female President—perhaps that would make a difference on such issues—gave an answer that was not entirely positive. It set out the background to its reasons why this cannot be done, but it also said:

> "As part of its upcoming work on a definitive VAT regime based on the destination principle, the Commission will assess the functioning and possible improvements to the system of reduced rates."

So we have an opportunity to get involved in this debate to say that this is an important issue for us as a nation and for women across Europe.

We have an opportunity and an obligation to try again to resolve this issue. Members may not know this, but the Republic of Ireland entered the European Union at the time of a 0% rating on sanitary products that it was able to retain in much the same way as we have derogations in different areas, so there is already a precedent within the EU of a zero rating in a European member state. I urge the Government to take a lead on this for women across these islands and across the EU. Let us end this bloody unfairness.

Mr Bernard Jenkin (Harwich and North Essex) (Con): This debate is like history coming back to me, because not only does the hon. Member for Glasgow Central

[Mr Bernard Jenkin]

(Alison Thewliss) now represent the constituency that I stood for in 1987, but I was first made aware of this issue by the hon. Member for Walthamstow (Stella Creasy), who, when she was an A-level student in my constituency, berated me for the inequality of this tax. Ever since, I have been convinced that it is an unjust tax. Indeed, on that occasion I raised the matter in the shadow Cabinet, which was then under the leadership of William Hague. I got a very frosty and uncomfortable reception for raising such a matter in a semi-public meeting, including from some of our right hon. and hon. Friends who are female and hold extremely senior positions in Government to this day.

That demonstrates an important point about how attitudes change. Whatever we might have agreed to in our original agreements with the European Union that lock this tax in place, albeit reduced by the previous Labour Government to the minimum of 5%—I celebrate that—we are now, within the European Union, operating in a system based on a different principle—the principle that taxes should be harmonised as part of the single market. I refer the House to article 113 of the treaty on the European Union, which says:

> "The Council shall, acting unanimously…adopt provisions for the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition."

So taxation has crept into the idea of being part of the single market. At the point at which this country signed up to the Common Market, or even at the stage of the Single European Act or of the Maastricht treaty, this principle crept into the acquis communautaire of the European Union rather than being something that was expressly agreed by this House.

I very much hope that the Government will negotiate something fundamental on this particular tax, and I am looking forward to what the Minister has to say about it. However, I make no apology for raising the far more general principle that different taxation regimes in different countries represent different social settlements and the development of our societies in different ways at different paces. That is why we are separate nations and separate peoples with separate democracies.

The attempt to use the pretext of the single market to harmonise taxes is one of the most democratically regressive manoeuvres the European Union could adopt. France puts VAT on food and children's clothes, but this country would not put VAT on such items. Ever since we adopted the cheap food policy following the abolition of the corn laws in the 1840s, that has been part of the fabric of our social settlement. It is the right of an individual nation state to continue to evolve its social settlement, and the conduct of Government and the imposition of taxes are inseparable from that democratic social settlement.

The treaties as currently formulated are a denial of national democracy. This House should not have to go and beg 27 other member states in order to change a rate of tax on an issue that we think is socially important. This is a matter of national democracy, and that is why the treaties are unfit for purpose.

Mrs Main: My hon. Friend is making a powerful speech. If we were to negotiate and were met with an immovable force, we would be forced to enshrine this unfairness because the European Union dictates that we should do so. We are not allowed to remedy it.

Mr Jenkin: That is absolutely correct. Having observed the history of 40 years of membership of the European Union, as it is now called, we know that it is not going to stay like this. The European Union will continue to develop. The trend of taking more taxation powers away from the member states, in the name of the single market, is enshrined in article 113, so it will continue to do so. Yes, we have a veto, but the European Court of Justice tends to accelerate the pace of tax harmonisation just when we do not expect it to do so. It is the ECJ that extended VAT to certain items and categories of goods when we did not expect it to do so.

The group of amendments also addresses the renewables obligation incentives and seeks to adjust the feed-in tariff regime. Why are we able to reduce taxation on renewable energy products to only 5%? It is because of the European Union. Why could the previous Labour Government not abolish VAT on fuel, which they said they wanted to do after it had been applied by the Major Administration? It is because of the European Union.

Tim Loughton (East Worthing and Shoreham) (Con): I agree with everything my hon. Friend is saying, although I am slightly alarmed by his statement that the shadow Cabinet is a semi-public meeting.

Surely the harmonisation of tax fails on two fronts. First, different countries treat these products at the higher rate, the lower rate or at no rate. Secondly, on equality of treatment, is my hon. Friend able to think of any other product that is taxed so discriminately that it affects only one half of the population of the European Union, who just happen to be women? Is that not the most discriminatory and iniquitous measure that the EU has come up with?

Mr Jenkin: My hon. Friend makes an interesting point and raises the spectre of a case to bring before the courts—perhaps even the European Court of Justice—on the basis of discrimination. Perhaps that would be one way of resolving this particular problem.

I am shamelessly using this example as an opportunity to make a far broader and more important constitutional point.

Hannah Bardell (Livingston) (SNP): I am glad the hon. Gentleman has admitted to his own shame, because it seems somewhat shameful to fudge the issue. We may not have all the powers to change the situation, but this House has an opportunity to send a clear message to Europe on something that is very wrong and about which so many people feel strongly. I cannot believe that the hon. Gentleman is using that as an excuse to not support us on an issue for which there is clear cross-party support.

Mr Jenkin: I point out to the hon. Lady that my name is on new clause 7. I support it, but I will wait to hear what the Minister has to say before deciding whether to vote against my own Administration. I am sure she

will understand that. There have not been many rebellions among the SNP yet. The point about being a political party in this House is that we are all individuals and we are all allowed to do what we choose. In fact, that is our responsibility.

7.45 pm

Sir William Cash: Surely what this really boils down to is that the European institutions intend to—and actually do—tax women on these products in order to get the money to run the very system that is discriminatory.

Mr Jenkin: Our problem with the EU's VAT directives is that they are a one-way street. Once the EU has adopted powers to regulate a particular tax, that power cannot be taken back by the member states. We are then left begging the EU as to whether we can set the tax rates for which the British people vote, as opposed to setting them ourselves. It strikes me as ironic that the Scottish National party wants independence from the United Kingdom in order to do its own thing, but it is happy to go on giving up more and more power to the European Union, so it will have even less freedom and less voice than it has in the UK.

The problem is that once VAT rates on any product are set above 5%, the European Union does not allow any member state to reduce them to below 5% again. We therefore have an anomaly whereby there is a zero VAT rate on sanitary products in the Republic of Ireland because it has never charged VAT on them. Had we started from the principle of charging no VAT on sanitary products, we would be in the same position as Ireland, but because we already charged it we cannot take it away. What a mess.

Jess Phillips (Birmingham, Yardley) (Lab): I wonder whether the hon. Gentleman recognises all of the good things the European Union has done for women. As somebody who has had to suffer periods and pay this unfair tax, I was also afforded maternity rights that I would never have had if it had not been for some of the pressures exerted by the European Union.

Mr Jenkin: I certainly acknowledge that what has happened in other member states has influenced what has happened in this country, but the hon. Lady enjoys no rights in this country that we could not have afforded ourselves through our own political processes. The question of the possibility of leaving the European Union is about taking back control over those policies, not deciding them in a different way from that which she would like. Long may we continue to agree on the importance of equal rights for women in as many areas as possible—in fact, in every area that we can possibly legislate on.

Pauline Latham (Mid Derbyshire) (Con): Does my hon. Friend agree that this tax is very unfair because it is not about the equality of sexes? The tax is not equal because men do not need any of these products. If we had thought at the very beginning that this would impact on women only, I am sure people would have thought much harder about putting tax on sanitary products, which every woman, mainly, needs for a long period in their life. It is not fair.

Mr Jenkin: I entirely agree with my hon. Friend. It is a deeply discriminatory and unfair tax.

Wes Streeting (Ilford North) (Lab) *rose—*

Mr Jenkin: I am not going to give way again.

I congratulate the hon. Member for Dewsbury (Paula Sherriff) on tabling new clause 7. She may be a little surprised at how many Members support it, but, sadly, we have to have this debate not because it is the British Government's policy to levy the tax, but because it is the EU's policy to do so. That is a fundamental freedom and control that we should bring back to this House in the future.

Jess Phillips: I feel the need to make all sorts of declarations of interest in this debate, having used sanitary products pretty much all my life.

I wish to pay credit to a number of women who have brought this subject to the House over the years. Without women in this place, I am certain that this issue would never have been raised, although I am delighted that so many men interested in Europe are in the Chamber to talk about it. Dawn Primarolo, a working-class woman brave enough to dare to speak up in Parliament about the taboo subject of women's periods back in the year 2000, should be commended.

Today, when such topics are far easier for us to discuss, I have already received a number of sideways glances from colleagues around the estate on speaking about the subject and there is a certain desire among Conservative Members to say the word "products" instead of tampons. I know from speaking to my right hon. and learned Friend the Member for Camberwell and Peckham (Ms Harman) today that, at the time, it was considered vulgar and even shameful that Ms Primarolo brought forward the subject. She was brave. Today, our brave woman prize goes to my hon. Friend the Member for Dewsbury (Paula Sherriff). Regardless of what has been said on the other side of the House, doing nothing achieves nothing.

It is completely ridiculous that women are taxed, even at a 5% rate, for a product which, in my experience, is more than essential. The fact that we still have the tax is probably down in no small part to the fact that most of the people in the House and in our sister Parliaments all across the EU do not have wombs. The reason why we must force the Government to have a conversation with our European partners is that, without force, I fear that they will be too squeamish to talk about women's periods. But they should not be: every person in the House exists only because their mother had a period. Today, with half term, Parliament has been teeming with children—my own have been on the slides in Portcullis House—who all exist only because their mothers had periods. It is nothing to be scared of, and nor should any man or woman ever feel that we should not talk about periods.

Such a revision in taxation may seem a marginal change, but it would make a huge difference to the women in this country. Having worked in a women's refuge, I know that the things we had to stock up on the most—because they presented a challenge to the budgets of the women in our care—were nappies, tampons and sanitary towels.

Cat Smith (Lancaster and Fleetwood) (Lab): Does my hon. Friend agree that VAT is a very unequal tax and that it hits the poorest women in our communities hardest?

Jess Phillips: I totally agree. When you have no money left, having fed your kids and paid your bills, the cost of a product such as Tampax is a real issue for people.

Let me be clear: tampons and sanitary towels are essential, and everyone in the House knows it. I will not tell how I know it. I am sure there are plenty of mishaps that the women in the House could all talk about, including no doubt those that have happened even on these Benches. This tax is a tax on women and girls. I started my period when I was 10 years old, so I have paid the tax for 23 years. If the House will excuse the pun, it is a bleeding scandal.

Mr Baker: This problem of taxation on tampons and other sanitary products is one that, quite rightly, excites a great degree of anger and controversy, but the solution to the problem is uncontroversial. It is perfectly obvious that we are all agreed in the House that we should get rid of the tax on tampons and other sanitary products. The reason why this is a subject of interest to so many is that the House is of course prohibited from doing so by EU law.

Stella Creasy: Will the hon. Gentleman clarify why he thinks that purchase tax, which was also applied to tampons before our entry into the European Community, was not similarly egregious to women?

Mr Baker: Of course that tax was similarly egregious to women. I am happy to say that I was born in 1971, so I hope the hon. Lady will forgive me for not taking responsibility for decisions made at that time.

Mrs Main: I am just trying to help my hon. Friend. He was not old enough to have voted at that time. Actually, I was not either—just. If we still had that tax in place and we were not in the EU, we could alter it. That is the problem.

Mr Baker: Indeed. That is precisely the point. It is not because we are spinning-eyed nutcases that we wish to get excited about Europe; it is because we find, again and again, that the European Union obstructs us from solving real problems in people's lives.

On this occasion, it so happens that the hon. Member for Dewsbury (Paula Sherriff) deserves all our congratulations on forcing the issue. I am very glad that my name appears on new clause 7. I must say that those who are attacking us for signing the new clause are probably going some way to diminishing the support they will receive. We are all in the House because we wish not to send messages but to take action that serves our constituents. I would like to break the news to some Members of the House that approximately half the electors of Wycombe are in fact women, and I am very happy to do the best I can to represent them in this place.

It seems to me that there are five courses of action available to the Government. The first is to do nothing. That is clearly untenable. We are in the House today because doing nothing is untenable. Some course of action must be taken to resolve the problem.

Sir Edward Leigh (Gainsborough) (Con): On a point of order, Mr Deputy Speaker. In the other place not two minutes ago, their Lordships voted for a Labour amendment to in effect kill off—*[Interruption.]* Not for 100 years has the House of Lords defied this elected House. This is a serious matter, and I ask you or Mr Speaker to make a statement to protect the rights of the elected representatives—not just for us, but for the people of this country.

Mr Deputy Speaker (Mr Lindsay Hoyle): Sir Edward, as you well know, it takes both Houses to agree. The subject has come before this House and I am sure that this is not the end of the matter, but you have certainly enabled us to be informed.

Wes Streeting: Further to that point of order, Mr Deputy Speaker. The very fact that the hon. Member for Gainsborough (Sir Edward Leigh) raised that point of order in the manner he did underpins the importance of Members of this House—I believe the majority of them are also opposed to the changes—trooping through the right voting Lobby to ensure that there is in fact an alignment of opinion between the two Houses, even though the Government Whips colluded last week to ensure—

Mr Deputy Speaker: Order. I am not getting into a debate on the merits or not of the subject. I have given my answer and I am sure that all hon. Members have taken it on board. I want to get back to the debate. We still have a lot of speakers to come.

Mr Baker: In ascending order of difficulty, there are another four things the Government could do. The first is to do what new clause 7 would impose on them, which is to negotiate within the existing EU framework to deliver a zero-rating on tampons and sanitary products. The second would be to renegotiate the power to set such taxes. I commend that to the Minister, and I hope he will comment on the Government's willingness to repatriate all tax powers, particularly VAT, back to this country. The third is to legislate, notwithstanding the European Communities Act. It seems to me that that would be a bold move, but I would certainly support it to end the problem swiftly, and I hope that Members on both sides of the House would support that. The final thing that could be done would be for us to leave the European Union and, as my hon. Friend the Member for St Albans (Mrs Main) said, decide for ourselves in this House matters of taxation that apply to all our constituents.

This evening, I want to listen extremely carefully to what my hon. Friend the Minister says. It is quite clear that we can no longer go on saying that this issue of the taxation of tampons and sanitary products is too difficult to push through all the member states and the European Commission. Clearly, action must be taken that is robust and dynamic. I must say to those who criticise us for being Eurosceptics that we know we are taking a risk. Unlikely as it seems, the Commission and the member states may well rise to the occasion and solve the problem. Well, good on them if they do. I should be very glad indeed to see no tax on these products right across the European Union.

Louise Haigh (Sheffield, Heeley) (Lab): I imagined that the hon. Gentleman and some of his colleagues would welcome the Government's being able to report to the House in February or March next year whether

it was the Commission, other member states or poor negotiating powers that had failed to achieve this measure. Would he not welcome such transparency?

Mr Baker: I remind the hon. Lady that I have added my name to the new clause. My point is that this situation cannot continue any longer, and I hope the Minister will say that the Government accept the principle that tampons and sanitary products should be zero-rated. I hope they will explain why they are not able to bring such a measure before the House, and that the Minister will commit robustly to advancing this cause in the interests of women in the UK and across Europe this year and in future. We should get the whole thing cleared up as soon as possible.

8 pm

Stella Creasy: It is genuinely a pleasure to follow the hon. Member for Wycombe (Mr Baker). However he got to support the new clause tabled by my hon. Friend the Member for Dewsbury (Paula Sherriff), I am grateful, because tonight we have an opportunity to make progress on this issue.

I am also pleased to see the hon. Member for Harwich and North Essex (Mr Jenkin) and hear his story of our meeting back in 1993—more than 20 years ago. That offers a parable for tonight's debate, and an opportunity for the hon. Member for Stone (Sir William Cash) to have hope when it comes to difficult issues. The hon. Member for Harwich and North Essex is right to recall that, as a newly elected MP, he came to my school to speak to the girls on a wet afternoon, and got a grilling from one member of the sixth form. I am sad that the debates we had about child poverty and access to further education did not make such an impression on him, but I am delighted and genuinely humbled to hear that he took the issue that we raised back to the then shadow Cabinet for debate. As he knows, at the same time my head teacher threatened to exclude me should I ask the MP any more difficult questions.

The parable that I think that offers for negotiations in Europe is simple: we may need courage to raise difficult issues with a respected authority figure, but—I say this to the hon. Member for Stone—look at what happens when such issues are raised. People who we think might disagree with us, in fact turn out 20 years later to be champions for social and progressive change.

Sir William Cash: In 1993 we were conducting the entire Maastricht referendum in order to get the results that the hon. Lady wants on this particular matter. At that time, we realised that if we did not sort out the European Union properly, we would never get the kind of equality that she is now demanding.

Stella Creasy: The idea that if we do not ask a question we shall never find out the answer is an issue that is on point tonight, and one reason why this eminently reasonable and sensible new clause should garner support from across the House. This debate has not happened at the European level, and, given what happened 20 years ago, my point is that when we ask such questions and challenge people, we can be amazed at the results we secure.

This debate is not about VAT or even the European Union. I recognise that the hon. Member for Wycombe was too young to take part in the vote to join the European Community, but my point in mentioning the purchase tax is that it is a bit of a red herring to think that this is about the European Union. Tampons and sanitary towels have always been considered a luxury. That is not by accident; that is by design in an unequal society in which the concerns of women are not treated as equal to those of men. Even if we were not in the European Union, there is every possibility that a purchase tax would be applied to sanitary towels and tampons but not to other products.

Sir William Cash: Will the hon. Lady give way?

Stella Creasy: Go on then.

Sir William Cash: The International Development (Gender Equality) Act 2014 was nothing to do with the European Union. Some of us believe passionately in the same sorts of arguments that the hon. Lady is putting forward, and that is by no means exclusive to issues of the European Union.

Stella Creasy: I will come on to issues of gender and equality on an international level, but I give the hon. Gentleman warning that I will not take any more interventions from him unless he uses the terms "sanitary towels" and "tampons". It is important to use appropriate wording in the House.

The inequality that women have faced in having to pay this tax has existed for generations. The question for us all is what we can do to change that, which is why I add my name to those who have congratulated the former Member for Bristol South, Dame Dawn Primarolo. She is a hero to many of us for her persistence in fighting to reduce the rate of VAT on sanitary towels and tampons in the European Union in 2000. I have talked to her at first hand about those negotiations—she had to use the appropriate terms and explain that if we did not resolve this issue, men and women could be sitting next to each other, with women experiencing their periods and the difficulties that can come from that, but without that same protection because of the cost of these products. Her work was visionary.

Talking to Dame Dawn Primarolo, it became clear that this is not about VAT rates but about VAT descriptions. I am looking forward to hearing what the Minister has to say about this, because there is common agreement that we wish to resolve this issue and a recognition that in 2015, a tax on women—a femitax, a vagina tax, or whatever we want to call it—is unfair. The issue can be resolved not necessarily by considering VAT rates, but by considering the way that VAT is described and ascribed to certain products. That is where the inequality has come from—the concept of what is a necessity.

Mr Jenkin *rose—*

Stella Creasy: I will of course give way to the hon. Gentleman. It is like 20 years ago.

Mr Jenkin: I do not remember the hon. Lady giving way 20 years ago. She was at the very fine Colchester county high school for girls, which is a grammar school. In parenthesis, I am delighted that, through the reforms we are pursuing, this Government are doing more for educational opportunities for the least advantaged than any Government in living memory.

[Mr Jenkin]

Why does the hon. Lady think that Dame Dawn Primarolo was unable to remove the 5% VAT on tampons and sanitary towels when she succeeded in reducing the things that we had discretion over? Why did she not take this initiative to the European Union? It was because she found that the Government of the day felt that they had other, more important fish to fry in their negotiations with the European Union. We should get away from such an unsatisfactory give and take to national interests by leaving the European Union.

Stella Creasy: I thank the hon. Gentleman for mentioning the school that I attended. I was incredibly lucky to get there, having failed the 11-plus the first time I took it. I shall always be against selection because I recognise the benefits that I received from being able to take that exam a second time and get that education. That school taught me to do my homework, which is why I know that one of the rules and challenges of this issue is that zero-rated VAT is different from reduced rate VAT. At the time, Dawn Primarolo found that the issue was not about unwillingness but about the way that the rules on what a zero-rating—as opposed to a reduced rating—could be applied to had been changed. That is why she was able to secure a reduction in VAT to 5% from 17.5%—I am sure that the hon. Gentleman will agree that that was progress—but this issue is about the way that products are described.

I am sure that the Minister knows his history of value added tax, how a product is described and what is described as a "necessity". It is important to have a concept of what is currently described as a "necessity" and is therefore zero-rated. I wonder whether Conservative Members will agree that when we change these definitions, progress can be made.

For example, Jaffa Cakes are zero-rated. I am not a fan of Jaffa Cakes—let it be known that if I am offered a Jaffa Cake, I will refuse. I do not consider them to be essential to my life; I can give or take them. I recognise that razors are zero-rated, and judging by many Conservative Members the opportunity to shave every day is a human right. They are cleanly shaven, and I am sure they would be concerned to be charged a higher rate of VAT. Pitta bread is zero-rated—we can probably all agree that that is a necessity. What is the kebab without a good pitta bread around it? It is a necessity. When we start looking at what is described as a "necessity" and what is a "luxury", we see the inequalities in this debate. As I said earlier, those inequalities existed long before we joined the European Union and long before we started to work on value added tax.

The question for all of us is not how to have similar rates of taxation, but how to recognise the similar descriptions. That is the way that this issue can be resolved in the European Union. It is also why working with our colleagues in other countries matters to us. I come back to the concern expressed by the hon. Member for Stone about gender inequality, because he is absolutely right: our sisters in France are paying 20% on their tampons and sanitary towels because they do not have the reduced rate. This is therefore not about sanitary towels and the rate of taxation across the European Union; it is about the way in which different countries have interpreted the concept of necessity and essentials.

Sir William Cash *rose—*

Stella Creasy: I have been very clear with the hon. Gentleman. Unless he is prepared to talk about the actual products that we are discussing, I will not take any more interventions from him, but if he is indicating that he can say the word, I will happily give way.

Sir William Cash: With respect to the question of sanitary towels and tampons, may I simply make this point? I recognise that the hon. Lady really knows what she is talking about, so I would like to know whether, in her experience, there is a similar problem internationally, outside the European Union, that perhaps comes from international organisations? Could she please explain whether there is anything in that?

Stella Creasy: And people say that progress cannot be made in this Chamber or that there cannot be cross-party agreement! The hon. Gentleman is absolutely right. In fact, 10% of girls in Africa do not go to school when they have their periods because they do not have appropriate sanitary protection, so he is right to be concerned about this. What I am saying—let us see whether we can tempt him to make further progress—is that feminism should be without borders; in which case we should be concerned about inequality in the tax rates and VAT that our sisters pay in a range of countries, including those in the European Union.

Tonight we have an opportunity, here in the British Parliament, to show solidarity across the continent and make sure that this issue is part of the negotiating process. Because let us be honest, it was never part of the negotiating process in this House prior to joining the European Community. It was only part of the negotiating process because of Dame Dawn Primarolo. It is a red herring to think that this is about the European Union; rather, it is a recognition that the time has come to end these inequalities. Our sisters in France tried to bring forward legislation just this summer and were defeated. What a strong message of social progress we could send from the British Parliament today by passing this proposal and sending our Prime Minister to have that difficult conversation and to say, "How do we clarify the way in which essential items are categorised across the European Union? How do we make this work for 51% of our population?"

I am sensing from the hon. Member for Stone that he does care about these issues deeply and does recognise the inequality. If he has frustration tonight, it is simply that he is not seeing progress happening quickly enough. Let me reassure him that, whether it takes 20 years or two hours of debate, it is possible to make progress. I urge him to support our new clause, so that we can send our Prime Minister to the European Union with something worth fighting for. We can all hear back from him in February whether he has made progress and been able to say to our French, German and Italians counterparts that tampons and sanitary towels should be treated as necessities in 2015. I am sure that when we hear that message from the Minister tonight, he will give us great succour—that he will use the appropriate terms and bring us all into the 21st century by supporting the new clause as well.

Craig Mackinlay (South Thanet) (Con): May I give my respects to the hon. Member for Dewsbury (Paula Sherriff) for bringing this debate to the House? I have

heard some very interesting figures this evening—in particular, that 250,000 people have signed previous amendments and discussion points about this issue over the years, and I know that there have been all sorts of discussions about this very issue for as long as I have been in Parliament.

I am not surprised that new clause 7 has attracted cross-party support, with many Members, both female and male, from the Government, SNP and, obviously, Labour Benches supporting it, and so they absolutely should, because this has always been, and will always be, a wholly illogical tax. We heard some interesting detail from my hon. Friend the Member for St Albans (Mrs Main). I would not know the difference between various products if they were laid out, yet some would be zero-rated and some would be taxed at the lower rate, although this is not just a female issue. I think she described some of these items as "Oops-a-daisy" products, and if there is a male "Oops-a-daisy" product, it would be zero-rated, so we can immediately see these anomalies in the tax system. Nappies have always been zero-rated because they relate to children. Indeed, one of the anomalies that we have enjoyed compared with much of the European Union—how long that will last, who knows—is that children's products and food continue to be zero-rated, no matter how luxurious the food might appear to some.

8.15 pm

The reason we have the anomaly with tampons and female sanitary products is historical. Prior to 1 January 1973, when we joined the European Union, we had a sales tax on these products—whereas the Republic of Ireland had decided, for whatever historical reason, not to have a sales tax on tampons and similar items, as was well highlighted by my hon. Friend the Member for Harwich and North Essex (Mr Jenkin)—so we were stuck with it from the day we joined. At that time, most of the Members of this House would doubtless have been of my gender, so it probably did not rank that highly among their concerns.

Despite those anomalies, we are in a customs union with the European Union and, to a certain extent, VAT rates can be different. For instance, a couple of weeks ago I was in Luxembourg on parliamentary business, and there the standard rate of VAT on products is 17%, whereas in Hungary it is 27%, and some countries have a tourist rate or a restaurant rate, which might mean a deduction of 10%. Even in this country we have had some flexibility on VAT rates over the years. At one time it was 8%, before moving to 15%, then to 17.5%, and then back to 15% for a bit; and now here we are, with VAT back up to 20%.

It is quite remarkable how this evening's debate has managed to get Members so active. We have discussed feminism at some length and we even managed to touch on grammar schools—which I thought was quite a clever move—as well as the fan club of Dawn Primarolo. We salute Dawn Primarolo for what she did in 2000, when she reduced the VAT rate applying to tampons and the like from the standard rate, which I assume was 15% at the time, down to 5%. We must ask ourselves: why did she not go that extra 5%? Quite curiously, it was not until 2006, some six years after the reduction in the rate on tampons, that the rate applying to condoms was reduced from the full standard rate—which at that time would probably have been 17.5%—to 5%. It took six years to get there.

If memory serves me well, Gordon Brown at that time was doing something to the economy, and perhaps it was appropriate at that time to reduce tax while he was doing it. Again, though, why was the rate on the condom—a product that is the most valuable barrier against sexually transmitted diseases and higher pregnancy rates in this country—not reduced to 0%? The difference is that they are freely available in many clinics, but we were incapable, despite the benefits of such a product, of getting the tax rate down to 0%.

Therein lie the arguments that many of us have made this evening. I support the proposal of the hon. Member for Dewsbury because it is the right thing to do. These products are not a luxury; they are essentials and they should not be taxed, in the same way that post-natal pads, which the hon. Member for Glasgow Central (Alison Thewliss) mentioned, are not taxed. They are an essential part of a woman's life, so tampons should be similarly taxed, yet we are incapable of doing so because of that old historical anomaly, dating back to before 1 January 1973; and herein is the rub with the European aspect of this. I have no doubt that Ministers over the years would have listened carefully to what you have said and what many people across this House and this country—

Madam Deputy Speaker (Natascha Engel): Order. The hon. Gentleman must remember that he is speaking through the Chair. I have made no proposals today.

Craig Mackinlay: My sincere apologies, Madam Deputy. *[Interruption.]* You have taken me way off track now.

In conclusion, the hon. Member for Glasgow Central made an appeal earlier for a message or plea to come from this place to the European Union. I think we have heard that from many Labour Members, too. I am afraid this goes back to the very old times of taxation without representation. Messages are all very well, but surely this sovereign place should be able to choose to set the rate of sales tax or VAT on products such as tampons and sanitary towels. I am afraid that it rather reduces the status of this House to one of being a colony of old, pleading with an empire power.

Alison Thewliss: The Prime Minister has been traipsing around Europe of late begging and pleading with European leaders all around the place. Would it not perhaps have been useful for him to have raised this issue then and saved himself another visit?

Craig Mackinlay: I certainly hope his visits around various European capitals have an awful lot on their agenda. Following today's debate, I hope this issue will be one such item. The issue is one of exclusivity in setting VAT rates on products important to us in this place, not elsewhere.

Mr Jenkin: In response to the hon. Lady's intervention, is not the point that there are so many issues we want our Prime Minister to raise in the European Union? There is an increasing number of myriad issues, such as how much contribution we make, the free movement of people and how we control our borders. It is these little

[Mr Jenkin]

things—I say "little" mistakenly, because of course it looms large as an equality item in our minds—that get set aside in favour of other things. This is a rotten way of running a continent.

Craig Mackinlay: I agree with my hon. Friend. I hope progress can be made on very many areas, not least on this one.

We should not be like a colony pleading with an empire power. This is clearly a rate that should be set here. I thank again the hon. Member for Dewsbury for raising this issue, which, important in itself, has opened a Pandora's box on who governs this country.

Roger Mullin: I rise to speak to new clause 1, which also relates to VAT. I pay tribute to everyone who participated in the previous debate, particularly my hon. Friend the Member for Glasgow Central (Alison Thewliss) who, in Committee, was the first to raise this issue and moved new clause 2. At that time, we were favoured with support from the Labour Benches. They can look forward to us reciprocating that support this evening.

On Second Reading, I focused on the fire and rescue service and its punishment by the UK Government in relation to VAT. I should now like to focus in some detail on Police Scotland, which came into being in 2013. I should say that I have a prejudice in supporting the police, as I am a former academic adviser to the Scottish Police College, and have contributed in the past to training programmes for chief officers, police superintendents and, most recently, crime analysts.

A key reason for the creation of Police Scotland was, according to the Scottish Government:

"Establishing a single service aims to ensure more equal access to national and specialist services and expertise such as major investigation teams whenever and wherever they are needed."

Allow me to give a few examples of the effect of creating a single force. Assistant Chief Constable Malcolm Graham, speaking as recently as 29 September 2015, stated:

"Since the advent of Police Scotland, every murder committed has been detected."

He is overly modest. Such has been the improvement in homicide detection that they have opened old, unsolved cases from when there were eight smaller forces and have already solved five of them. Police Scotland has improved the investigation of rape and sexual crimes across the entire country and is now able to treat rape as seriously as murder. The National Child Abuse Investigation Unit has been established as a specialist unit to support the investigation of complex child abuse and neglect across Scotland. Police Scotland has also been able to tackle intellectual property crime much more effectively, recovering about £20 million in criminal assets and making about 70 arrests. The result has been improvements on areas such as cross border co-operation and terrorism, as I discussed in Committee.

The Government, however, say we must abandon the improvements resulting from Police Scotland to satisfy some old rules established in the Value Added Tax Act 1994. Reflecting on the debate we have just had, this is one area on which the UK Government have it entirely within their power to act reasonably on a matter related to VAT. They have chosen to provide VAT exemptions to other public bodies elsewhere in the United Kingdom, while at the same time completely denying the right of the Scottish police and fire and rescue service to achieve an exemption.

Speaking to the Justice Committee of the Scottish Parliament last November, Chief Constable Sir Stephen House said:

"I do find it bewildering that we seem to be the only police service in the United Kingdom that is charged VAT. None of the 43 forces in England and Wales pay it. And the answer seems to come back from the Treasury, 'oh, that's because you're a central government organisation'. Well, you've got the Police Service of Northern Ireland, they don't pay VAT. And you've got the National Crime Agency and they don't pay VAT—but we pay VAT. I just don't understand the logic of it and I frankly don't think the Scottish public would understand it either."

Consider what the Government have been willing to do on VAT. At the stroke of a pen, the Government made central Government-funded academy schools in England exempt from VAT. For goodness sake, even the BBC does not have to pay VAT. When it suits the Government, and previous British Governments, they have little difficulty in allowing exemptions.

In Committee, the Minister said:

"If the Scottish Government are now reconsidering their position and wish to discuss how the service can be eligible once again for VAT refunds, the Treasury will happily engage with them to advise."—*[Official Report, Finance Public Bill Committee,* 17 September 2015; c. 24.]

It is not the Scottish Government who need to reconsider their position, but the UK Government. Although we are talking significant sums for Police Scotland and the Scottish fire and rescue service—in total, in excess of £30 million per annum—it is a mere pittance compared to the overall UK budget. There is no economic rationale for continuing to deny VAT exemption. The Government seem simply to lack the decency to care about policing and fire and rescue services in Scotland. So much for the party of law and order. So much for the respect agenda. Its attitude has about it the stench of duplicity and blind prejudice.

8.30 pm

Barbara Keeley (Worsley and Eccles South) (Lab): I was not going to speak in this debate, but I have decided to join in because it is a vital matter. I worked with other Opposition Members in this debate during the first day of Committee, when I was the sole representative of the shadow Treasury team. It was an important debate then, but I think we have really moved it on today. The hon. Member for Glasgow Central (Alison Thewliss) and my hon. Friend the Member for Halifax (Holly Lynch) spoke well on this subject in Committee, and I want now to touch on some of what they said.

New clause 7, introduced by my hon. Friend the Member for Dewsbury (Paula Sherriff), is an important new clause that has enabled a hard-hitting and sensible debate on the VAT rate for tampons and sanitary products. As others have said, they are not luxury products, but, as we noted in Committee, some bizarre products are VAT exempt. As my hon. Friend the Member for Halifax found out, alcoholic jellies, edible sugar flowers, exotic meats, such as crocodile and kangaroo, and the amazingly named millionaires' shortbread are apparently all VAT

exempt. I am sure everyone agrees that alcoholic jellies are a luxury product, while tampons and sanitary products, which are vital products for women, are not.

As I said, we had a good debate in Committee. My hon. Friend the Member for Dewsbury, the hon. Member for Glasgow Central and my hon. Friend the Member for Halifax all spoke well, and I support what they said, but what did the Minister say? I hope we can change how he feels about this matter. At the end of the debate, he said:

"We are supportive and we would like the rate to be as low as possible",

which was very good and supportive, but he also said that

"without wider EU reform and greater flexibility…it will be a challenge."

Importantly, however, he also said that

"were we able to progress further, I would be sympathetic".—*[Official Report, Finance Bill Public Bill Committee,* 17 September 2015; c. 26.]

I think the Minister should be supportive, given that a number of his hon. Friends want him to be.

I wish to add my name to the list of those who have praised Dame Dawn Primarolo's early campaign to reduce the VAT rate by 5% in 2000. Fifteen years ago, that was a brave thing to do in the House. Plenty of Members tonight have been willing to talk straightforwardly about this, but 15 years ago there were not as many women in the House and it would have been difficult to talk about. I am in her fan club and glad to thank her for the campaign she ran.

This VAT rate, which we have had since 2000, is unfair to women and families. It might be a challenge for the Minister to negotiate with the EU on this matter, but I hope that he and the Prime Minister are equal to it and can take it on. There have been many things they have been happy to challenge in their EU negotiations, and many of his hon. Friends have indicated that they also want him to take on this challenge. I am sure he is up to it, as he is well steeped in these matters, and it is clear from this debate that he has support from both sides. I urge hon. Members to support the new clause and give him a reason to take on this challenge.

Wes Streeting: This debate is in great contrast to that taking place in the House of Lords. Here we are debating a cut to inheritance tax, while the unelected House is championing the interests of working people by doing something that many more Government Members should have done: put their consciences in their feet and march through the correct Lobby.

We know from evidence already debated that the changes to inheritance tax will effectively cost the Exchequer £940 million by 2020-21. As the great Nye Bevan once said,

"the language of priorities is the religion of socialism".

To Government Members who ask where our priorities lie, I say: they will always be in championing the interests of hard-working people and trying to improve the lot of the low-paid. For this reason, new clause 9 would delete the Government's proposed changes to inheritance tax. That says exactly where our priorities are and where they should be. It is humiliating for the Chancellor and Prime Minister, having claimed at the recent Conservative party conference to be these great centrist modernisers, that it is in fact the House of Lords that has had to do what the elected House of Commons should have done last week, and still has the opportunity to do in debates taking place tomorrow and on Thursday.

The "Conservative modernisation project mark 2" is now dead in the water, but let us remind Tory Members of "modernisation project mark 1". We remember the Prime Minister promising "the greenest Government ever" when he was running with the huskies and hugging hoodies, yet here we see clause 45 of the Finance Bill, which will remove the exemption from the climate change levy for electricity produced by renewable sources from 1 August this year—it will be backdated. Conservative Members need to decide whether they are going to be the "true blue" Conservatives that we have seen represented in the unlikely forum of a debate on tampons and sanitary products, or whether they are the party of the centre ground and the working man and woman.

Cat Smith: My hon. Friend mentions his environmental credentials, which I share, and also mentions sanitary products such as tampons and sanitary towels. Does he recognise that menstrual cups and moon cups are more environmentally friendly sanitary products and should also be included in this debate?

Wes Streeting: In this as in other respects, I have always favoured a woman's right to choose. It is, of course, for women to decide which is the appropriate form of sanitary product. My hon. Friend is quite right that the moon cup does indeed have the environmental benefits that she mentions. I was glad to add my name in support of new clause 7 proposed by my hon. Friend the Member for Dewsbury (Paula Sherriff), which would tackle this issue. I am glad to see so much cross-party support, but I am disappointed to hear some of the language used this evening about our partners in Europe.

Apparently, according to the hon. Member for Harwich and North Essex (Mr Jenkin), this is the most iniquitous measure that the European Union has put in place. No wonder there is such representation in the Chamber. I hope that the Out campaign is not going to be predicated on VAT on sanitary products, as proponents are likely to find it a struggle to get wider traction. I find it objectionable that so many Conservative Members talk about negotiating with our European partners as "begging". It is no different from our constituents coming to lobby us and having a reasonable conversation with us. If this is how the renegotiation strategy is going to work, we really are in trouble as a country.

Mr Jenkin: I do not know about the hon. Gentleman, but I am here because I had to stand in an election and my constituents have the right to vote me out. How can people vote out the European Union except by voting to leave in a referendum?

Wes Streeting: Well, we have the European Parliament and the Council of Ministers, which are accountable to their respective Governments and, of course, the Commission itself is in many ways accountable. I would like to see reforms to some of the accountability mechanisms, but as the old saying goes, "you've got to be in it to win it". On Europe, as on climate change, inheritance tax and the debate taking place in the other place on tax credits, we have seen in virtually every

[Wes Streeting]

clause debated this evening that this is not the new modernised Conservative party; it is the same old right-wing Tories. They have hung their Chancellor and Prime Minister out to dry, and I hope that the Opposition's reasonable, centre-ground amendments will be supported by Members from all parts of the House.

Kate Hoey: I welcome new clause 7 and hope that everyone can unite in supporting it. I do not think it goes far enough, but it is a great step forward, and I would like to congratulate my hon. Friend the Member for Dewsbury (Paula Sherriff) on introducing it. Many people watching the debate tonight—and I hope many millions of women will be watching it—will have started to ask why we still cannot proceed on the basis of what I think everyone in the Chamber believes, which is that sanitary towels and tampons are not a luxury and we should have the right to decide the level of tax on any product in this country. The people who have listened tonight will know that whatever we say about negotiations and working with our EU partners—let us not forget it is the EU, not Europe—we will not be able to win the argument because the reality is that the European Union wants to maintain control of how we run our affairs in this country. This is the beginning of a hugely important debate on the referendum, and important issues of this kind would never be recognised by the European Union. I hope that the Prime Minister will go and at least negotiate, although I do not think he will get anywhere.

If the Minister really believes in democracy in this country, and given that our Parliament wants this tax reduction, why do we not just do it? What would the EU do if we did? I hope that every Member will support new clause 7 tonight.

Mr Gauke: It is a pleasure to respond to the debate. Let me begin by congratulating the hon. Member for Wolverhampton South West (Rob Marris) on his debut at the Opposition Dispatch Box—and what a debut it was, consisting of a speech lasting more than an hour. In the time that is available to me, I shall attempt to respond to his speech and, indeed, the many other speeches that we have heard this evening, but let me first deal with the measures that we are discussing.

New clause 9 would require the Chancellor of the Exchequer to undertake a comprehensive review of the inheritance tax regime within one year of a current budget surplus. Amendment 89 would remove clause 9 from the Bill, as a result of which the additional transferable nil-rate band for all individuals who leave their home to direct descendants would not be introduced. Clause 9 represents a commitment that was made in the Conservative party manifesto—a promise made to the British people—and recognises that more hard-working families face an inheritance tax bill than has been the case at any time since the introduction of the system nearly 30 years ago.

Last year, 35,000 estates had an inheritance tax liability. It has been forecast that that figure will nearly double, rising to 63,000, in 2020-21. Thousands more worry about leaving their families with inheritance tax bills when they die. The additional transferable nil-rate band will simply return the number of estates with an inheritance tax liability to 37,000 in 2020-21, broadly the same level as in 2014-15. I remind the Opposition that that level is still higher than the level in any year between 1997 and 2010. Furthermore, we have ensured that the wealthiest will make a fair contribution to the public finances through inheritance tax. It will not be possible for the largest estates to benefit from the new allowance. It will be gradually withdrawn by £1 for every £2 that the estate is worth over £2 million.

Those who support amendment 89 demonstrate that they do not understand those who wish to save, pay their taxes, work hard to own their own homes, and pass them om to their children and grandchildren without facing a hefty tax bill. We believe that it is right for people to be able to pass on their homes to their descendants rather than the taxman.

The hon. Member for Wolverhampton South West expressed what sounded like concern about the fact that no properties in his constituency—or very few—would be affected. He also said that he opposed measures taken by the last Labour Government to introduce the transferable nil-rate band. I remind him that in the year in which those measures were introduced, 4.3% of estates paid inheritance tax. If we do not act, some 11% will pay it by 2019-20.

Given the comments that we have heard from the Opposition Front Bench, suggesting that they wish to raise more revenue from inheritance tax, I rather suspect that their desire for a review is connected with their perception of it as a potential cash cow. If I have misunderstood, I am happy to withdraw what I have said, but that seems to me to be the direction in which Opposition Members want to go.

Rob Marris: It is not a question of inheritance tax being a "cash cow"; it is a question of whether we maintain the regime that we have now, and the revenue that it brings in, or move to the much more generous regime that the Government wish to introduce.

Mr Gauke: The regime as it stands will affect more properties than it did under any of the Labour years. The reality is that if we do not take action, inheritance tax will hit more and more estates. It will be a tax that will be much more widespread than was previously the case. If that is the position the Labour party holds, that is the position, but I think we should be aware of what it is.

8.45 pm

In the time available I will briefly touch on some of the points raised by the hon. Gentleman in this area. He raised concerns that this policy would have a big effect on the housing market. Let me reassure him that the OBR has looked at this matter and it believes it will only have a small effect on the housing market. The allowance here only applies to a single home; it does not encourage people to buy multiple homes to maximise the allowance. It is capped at £175,000 per individual, or £350,000 for a married couple, and there is no disincentive to downsize because families will not lose the allowance in these circumstances.

The hon. Gentleman raised a concern about upsizing. Upsizing would only be attractive if a house is only a small part of an estate, but as the hon. Gentleman said, this is a very rare occurrence, and I repeat the point that the OBR believes this will have a small effect on the housing market.

The hon. Gentleman also raised a concern about lineal descendants and particularly made the point that the family structure tends now to be somewhat wider than the traditional nuclear family. Let me reassure him that this allowance will apply for houses that are left to adopted children or foster children or stepchildren. I hope that point of clarification is helpful to him.

Let me also address the other matters we debated. New clause 1 refers to Police Scotland and the VAT treatment. This is familiar territory which we have debated extensively in Committee. In 2012 Scotland's eight locally governed police and fire authorities consolidated to become two national bodies. As a result, they no longer became reliant on local taxation as a means for funding. This is one of the two criteria for eligibility to the section 33 VAT refund scheme, so following this restructuring these new national bodies no longer were eligible for VAT refunds. It is important to remember that the Scottish Government were forewarned of this consequence well in advance of the decision they took. The Treasury was keen to ensure the Scottish Government considered the consequences as part and parcel of their decision to restructure these services. Because the expected cost savings from restructuring the Scottish Government outweighed the loss of any VAT refunds, I perfectly understand why the Scottish Government went ahead with their restructuring programme. As I have explained, since the Scottish Government restructured these services they are no longer eligible for VAT refunds. This was plain and clear with eligibility set out in legislation and I do not believe there is a need for a report to further make this clear

The issue that has dominated the debate is new clause 7 and VAT on tampons and sanitary towels. New clause 2 would require the Treasury to write a report on a VAT exemption of women's sanitary protection products including a financial assessment of the impact on the purchasing of these products, especially for those aged under 25.

Mrs Anne-Marie Trevelyan (Berwick-upon-Tweed) (Con): I put my name to this amendment because I have long thought that this is a bizarre and discriminatory tax on sanitary products and it needs sorting out. Perhaps in the 1970s, when I am sure the Minister like myself was at school, the luxury goods description still made sense as many women were not using a product which has now transformed our ability to be freed up from the monthly restrictions of periods. Many girls at school with me were off games every month because they did not have access to what is now considered a completely normal part of our sanitary products and frees young women to be sportswomen. I ask the Minister to be brave, to think about this and to stand up for all young women.

Mr Gauke: I am grateful to my hon. Friend for her remarks, and I will address that point in a moment.

New clause 7 would require the Chancellor of the Exchequer to

"lay before both Houses of Parliament a statement on his strategy to negotiate with the European Union institutions an exemption from value added tax for women's sanitary protection products"

within three months of the passing of the Act. It would also require a Minister of the Crown to

"lay before Parliament a report on progress at achieving an exemption from value added tax for women's sanitary protection products within European Union law by 1 April 2016."

This debate has highlighted the ongoing campaign to zero-rate or exempt from VAT tampons and other sanitary protection products. As we have heard tonight, that campaign has cross-party support. In the case of the hon. Member for Walthamstow (Stella Creasy), that support goes back many years to when she was at school. My hon. Friend the Member for Bristol North West (Charlotte Leslie) has also campaigned on the issue for many years, and my hon. Friend the Member for Berwick-upon-Tweed (Mrs Trevelyan) has raised it tonight and on other occasions, as have many other hon. Members.

As the hon. Member for Worsley and Eccles South (Barbara Keeley) pointed out, this Government sympathise with the aim of the new clause. As we have also heard, however, the UK does not have the ability to extend zero rating to new products unilaterally. We have more extensive zero rating than most, if not all, other member states, but any change to EU VAT law would require a proposal from the European Commission and the support of all 28 member states. Without that agreement, we are not permitted to lower rates below 5%. None the less, as this debate illustrates, there is considerable cross-party support for the UK to abolish VAT on sanitary products. To that end, I undertake to raise the issue with the European Commission and with other member states, and to set out the view, which has been reflected in this debate, that it should be possible for a member state to apply a zero rate to sanitary products. In that context, I thank the hon. Member for Dewsbury (Paula Sherriff) for raising the matter tonight. We have seen on both sides of the House a demonstration of the belief that that flexibility should exist.

Sir William Cash: My hon. Friend used the word "permitted". We do not have the capacity to effect a change such as this, because of the European Communities Act 1972. He knows that, the Opposition know it, and Members on the Conservative Benches know it. Will he now commit not only to talking about this but to doing something about it? It is a hugely important cross-party issue. Will he please take on board the fact that we insist on legislating on our own terms in this House? We want to govern ourselves.

Mr Gauke: I do not want to conceal from the House the fact that we do not have flexibility in these circumstances. Nor do I want to conceal the challenge that we would face in reaching agreement on this. Other member states take a different approach. As the hon. Member for Walthamstow has pointed out, it was striking that the vote in the French Assembly just a couple of weeks ago on an attempt to move the rate down from 20% to 5.5% was defeated. I do not wish to pretend that this would be a mere formality; other member states do take a different approach to this issue.

Paula Sherriff: If the Minister is pledging to start negotiations, will he also give us a clear commitment to come back and update the House, and if so, will he tell us exactly when he will do so?

Mr Gauke: I would certainly be happy to update the House on any developments at any stage, as and when they might occur. I am happy to give the hon. Lady that reassurance.

Stella Creasy: It is incredibly welcome to hear that the Minister is going to raise this matter, but may I press him to be a bit clearer about which environment he will raise it in, and about when we will hear back? Will he also confirm that the European Commission can produce a zero rating if it is declared to be in the public interest to do so? Will he commit to raising that point as part of his negotiations with the European Commission? We all recognise the points that have been made about the technicalities of VAT, but there is a public interest exemption that he could use in his negotiations, is there not?

Mr Gauke: It does require a proposal from the Commission and the support of all 28 member states. Just to be clear, this is not a formality.

Mr Jenkin *rose—*

Mr Gauke: I will take one more intervention, but I am conscious that I should allow the hon. Member for Wolverhampton South West (Rob Marris) to respond.

Mr Jenkin: Why is it the policy of the Government to argue that it is necessary to have any tax harmonisation in the EU in order for us to have trade with the EU?

Mr Gauke: Doing full justice to that question in the five minutes available for me and for the hon. Member for Wolverhampton South West would be a challenge. This has been part of the VAT regime since 1973, but on this specific area, as we have heard, time has moved on and it is right that we look again at it.

Kate Hoey: Will the Minister just respond to my question: if this is so dreadful and we all want a change, why do we not just do it? What would the EU do if we did?

Mr Gauke: It is not just a matter of the EU law; the UK courts would ensure that we have to comply with the law, one way or the other. I suspect that my hon. Friend the Member for Stone (Sir William Cash) would be happy to explain the position to the hon. Lady, but it would not be lawful for us to reduce that rate.

Mr Baker: I have listened extremely carefully to my hon. Friend and he knows how seriously I take this issue. Will he reassure me directly that he will specifically press the European Commission to bring forward measures to zero-rate tampons and sanitary products right across the EU?

Mr Gauke: Yes, I will make those representations to the European Commission to allow member states to have the flexibility to do that, which I think is the key issue here.

On the climate change levy, let me briefly explain the policy rationale, as we have debated this on a number of occasions. The climate change levy renewables exemption was misaligned with today's energy policy, providing indirect support to renewable generators when the Government are now investing in more effective policies that target them directly. Together, policies such as the renewables obligation and feed-in tariff will provide more than £5 billion-worth of support to renewable electricity generation in 2015-16 alone. I do not believe the report on this clause is necessary. The Chancellor has already written to the Chairman of the Treasury Committee in August setting out the environmental analysis of the summer Budget in 2015.

On enforcement by deduction from accounts, we believe that we are introducing a necessary measure and that we have struck the balance correctly. I am grateful for the remarks made by the hon. Member for Wolverhampton South West in pointing out that the safeguards are strong. I know he still has concerns about the measure, but the safeguards are strong and we believe we are striking the right balance.

To conclude, I urge the House to reject new clauses 1, 2, 7—if it is pressed to a vote, and I hope it will not be—10 and 11, and amendment 90.

Rob Marris: On inheritance tax, the Government have not gone far enough. It is not a problem to us that 11% of estates might face it, as that is still a tiny minority, and if the Government were worried about preserving assets, they would have done a lot more about social care for the elderly and what that takes out of their houses. On new clause 1 and VAT on the Scottish police, that was indeed a decision of the Parliament in Scotland, but simply saying, "They were warned" is not good enough. I understand and support the SNP on new clause 1. On new clause 7, I salute the Minister for coming a very long way, but he has not come far enough. The same applies on new clause 11.

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

The House divided: Ayes 278, Noes 318.

Division No. 90] [8.59 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Burnham, rh Andy
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Chapman, Jenny
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Corbyn, Jeremy
Cowan, Ronnie
Cox, Jo
Coyle, Neil
Crausby, Mr David
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty, Martin John
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim

Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Fellows, Marion
Field, rh Frank
Flello, Robert
Fletcher, Colleen
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harpham, Harry
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Irranca-Davies, Huw
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
MacNeil, Mr Angus Brendan
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McLaughlin, Anne
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Salmond, rh Alex
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Nick
Smyth, Karin
Starmer, Keir
Stephens, Chris
Stevens, Jo
Streeting, Wes
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Umunna, Mr Chuka
Vaz, rh Keith
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Mr Mark
Wilson, Corri
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Holly Lynch and
Jeff Smith

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Campbell, Mr Gregory
Carmichael, Neil
Carswell, Mr Douglas
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline

Djanogly, Mr Jonathan
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
James, Margot
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Paisley, Ian
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Solloway, Amanda
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
George Hollingbery and Simon Kirby

Question accordingly negatived.

9.13 pm

Proceedings interrupted (Programme Order, 26 October).

The Deputy Speaker put forthwith the Questions necessary for the disposal of the business to be concluded at that time (Standing Order No. 83E).

New Clause 1

VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service

(1) The Treasury shall, within six months of the passing of this Act, publish and lay before the House of Commons a report on the VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service.

(2) The report must include (but need not be limited to) an analysis of the impact on the financial position of Police Scotland and by the Scottish Fire and Rescue Service arising from their VAT treatment and an estimate of the change to their financial position were they eligible for a refund of VAT under section 33 of the VAT Act 1994.—*(Roger Mullin.)*

Brought up.

Question put, That the clause be added to the Bill.

The House divided: Ayes 277, Noes 317.

Division No. 91] [9.13 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Burnham, rh Andy
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Chapman, Jenny
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Corbyn, Jeremy
Cowan, Ronnie
Cox, Jo
Coyle, Neil
Crausby, Mr David
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty, Martin John
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Field, rh Frank
Flello, Robert
Fletcher, Colleen
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harpham, Harry
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Irranca-Davies, Huw
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
Lynch, Holly
MacNeil, Mr Angus Brendan
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McLaughlin, Anne
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Salmond, rh Alex
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Jeff
Smith, Nick
Smith, Owen
Smyth, Karin
Starmer, Keir
Stephens, Chris
Stevens, Jo
Streeting, Wes
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek

Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Mr Mark
Wilson, Corri
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Owen Thompson and Marion Fellows

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Campbell, Mr Gregory
Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Kirby, Simon
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Paisley, Ian
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry

Smith, Julian
Smith, Royston
Solloway, Amanda
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
George Hollingbery and Margot James

Question accordingly negatived.

New Clause 7

VAT ON SANITARY PROTECTION PRODUCTS (NO. 2)

"(1) Within three months of the passing of this Act, the Chancellor of the Exchequer shall lay before both Houses of Parliament a statement on his strategy to negotiate with the European Union institutions an exemption from value added tax for women's sanitary protection products.

(2) A Minister of the Crown must lay before Parliament a report on progress at achieving an exemption from value added tax for women's sanitary protection products within European Union law by 1 April 2016."—*(Paula Sherriff.)*

Brought up.

Question put, That the clause be added to the Bill.

The House divided: Ayes 287, Noes 305.

Division No. 92] [9.26 pm

AYES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Betts, Mr Clive
Black, Mhairi
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Burnham, rh Andy
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Gregory
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Carswell, Mr Douglas
Champion, Sarah
Chapman, Douglas
Chapman, Jenny
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Corbyn, Jeremy
Cowan, Ronnie
Cox, Jo
Coyle, Neil
Crausby, Mr David
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
David, Wayne
Davies, Geraint
Davies, Philip
Day, Martyn
De Piero, Gloria
Docherty, Martin John
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Fellows, Marion
Field, rh Frank
Flello, Robert
Fletcher, Colleen
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harpham, Harry
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hermon, Lady
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate
Hollern, Kate
Hollobone, Mr Philip
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Irranca-Davies, Huw
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
MacNeil, Mr Angus Brendan
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John

McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McLaughlin, Anne
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
Nuttall, Mr David
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paisley, Ian
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Gavin
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Salmond, rh Alex
Saville Roberts, Liz
Shah, Naz
Shannon, Jim
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Nick
Smith, Owen
Smyth, Karin
Starmer, Keir
Stephens, Chris
Stevens, Jo
Streeting, Wes
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Hywel
Williams, Mr Mark
Wilson, Corri
Wilson, Phil
Wilson, Sammy
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Holly Lynch and
Jeff Smith

NOES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Carmichael, Neil
Cartlidge, James
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollinrake, Kevin
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kinahan, Danny
Kirby, Simon
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon

Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Rees-Mogg, Mr Jacob
Robertson, Mr Laurence
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Solloway, Amanda
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Noes:
Margot James and George Hollingbery

Question accordingly negatived.

Clause 3

PERSONAL ALLOWANCE AND NATIONAL MINIMUM WAGE

Amendments made: 9, page 2, line 25, leave out "adult" and insert "relevant".

Amendment 10, page 2, line 30, leave out "adult" and insert "relevant".

Amendment 11, page 2, line 38, leave out "adult" and insert "relevant".

Amendment 12, page 2, line 39, leave out from "is" to the end of line 40 and insert—

"(a) the hourly rate prescribed under section 3(2)(b) of the National Minimum Wage Act 1998 in relation to persons aged 21, or

(b) if no hourly rate is so prescribed in relation to such persons, the single hourly rate prescribed under section 1(3) of that Act."

Amendment 13, page 3, line 1, leave out "adult" and insert "relevant".

Amendment 14, page 3, line 4, leave out "adult" and insert "relevant".—*(Mr Gauke.)*

Clause 4

PERSONAL ALLOWANCE AND NATIONAL MINIMUM WAGE: CHANCELLOR'S DUTIES

Amendments made: 15, page 3, line 18, leave out "adult" and insert "relevant"

Amendment 16, page 3, line 22, leave out subsection (4) and insert—

'(4) In this section—

"person paid the relevant national minimum wage" means a person who works for 30 hours a week for a year at the relevant national minimum wage;

"relevant national minimum wage" means—

(a) the hourly rate prescribed under section 3(2)(b) of the National Minimum Wage Act 1998 in relation to persons aged 21, or

(b) if no hourly rate is so prescribed in relation to such persons, the single hourly rate prescribed under section 1(3) of that Act."—*(Mr Gauke.)*

Clause 18

BANKING COMPANIES: EXPENSES RELATING TO COMPENSATION

Amendments made: 1, page 18, line 40, leave out "or may".

Amendment 2, page 19, line 2, at end insert—

'(1A) A disclosure in a relevant document is to be disregarded for the purposes of paragraph (a) of subsection (1) if the disclosure is concerned with liability to pay compensation to or for the benefit of one (and only one) customer of the company concerned in respect of a single error in the conduct of the company concerned.

(1B) In subsection (1A) "the company concerned" means company A or a company which is associated with company A (see section 133L)."

Amendment 3, page 19, line 6, leave out "or may".

Amendment 4, page 19, line 30, leave out "not later than" and insert "in the period of 5 years ending at"

Amendment 5, page 19, line 36, after "which" insert "begins not more than 5 years before, and".

Amendment 6, page 26, line 7, leave out "section 133A" and insert "sections 133A and 133C".

Amendment 7, page 27, line 20, leave out "section 133A" and insert "sections 133A and 133C". —*(Mr Gauke.)*

Clause 24

RELIEF FOR FINANCE COSTS RELATED TO RESIDENTIAL PROPERTY BUSINESSES

Amendment made: 8, page 41, line 13, at end insert—

'(11) In this section "property business" means a UK property business or an overseas property business."—*(Mr Gauke.)*

Clause 40

CARRIED INTEREST

Amendments made: 71, page 52, leave out lines 39 to 42 and insert—

"(a) a chargeable gain equal to the amount of the carried interest less any permitted deductions (and no other chargeable gain or loss) is to be treated as accruing to A on the disposal, and".

Amendment 72, page 53, line 29, after "(1)(a)", insert

"(but not an amount counting as income of A in respect of co-investments)".

Amendment 73, page 53, line 34, leave out "individual" and insert "person".

Amendment 74, page 54, line 3, after "disposal,", insert "variation,".

Amendment 75, page 54, line 5, after "disposal,", insert "variation,".

Amendment 76, page 54, leave out lines 9 to 47.

Amendment 77, page 55, leave out lines 18 to 22 and insert

"and

(b) Condition A or Condition B is met.

'(1A) Condition A is that—

(a) at any time, tax (whether income tax or another tax) charged on the individual in relation to the carried interest has been paid by the individual (and has not been repaid), and

(b) the amount on which tax is charged as specified in subsection (1)(a) is not a permissible deduction under section 103KA(6)(b) or (c).

(1B) Condition B is that at any time tax (whether income tax or another tax) charged on another person in relation to the carried interest has been paid by that other person (and has not been repaid)."

Amendment 78, page 55, line 33, leave out "(1)(b)" and insert "(1A)(a) or (1B)".

Amendment 79, page 55, line 38, at end insert—

'(6) Where—

(a) an individual makes a claim under this section in respect of a year of assessment, and

(b) apart from this subsection, an amount falls to be deducted under section 2(2)(b) from the total amount of chargeable gains accruing to the individual in that year,

the individual may elect that the amount to be so deducted be reduced by any amount not exceeding the amount on which tax is charged as specified in subsection (1A)(a) or (1B)."

Amendment 80, page 55, line 38, at end insert—

"103KEA Relief for external investors on disposal of partnership asset

(1) If—

(a) a chargeable gain accrues to an external investor in an investment scheme on the disposal of one or more partnership assets, and

(b) the external investor makes a claim for relief under this section,

then subsection (2) applies in relation to the disposal.

(2) The amount of the chargeable gain is to be reduced by an amount equal to—

where—

(a) I is an amount equal to such part of the sum invested in the fund by the external investor which on a just and reasonable basis is referable to the asset or assets disposed of, and

(b) C is the amount deducted under section 38(1)(a) in respect of consideration given wholly and exclusively for the acquisition of the asset or assets."

Amendment 81, page 55, line 38, at end insert—

"103KEB Meaning of "arise" in Chapter 5

(1) For the purposes of this Chapter, carried interest "arises" to an individual ("A") if, and only if, it arises to him or her for the purposes of Chapter 5E of Part 13 of ITA 2007.

(2) But section 809EZDB of ITA 2007 (sums arising to connected company or unconnected person) does not apply in relation to a sum of carried interest arising to—

(a) a company connected with A, or

(b) a person not connected with A,

where the sum is deferred carried interest in relation to A.

(3) In this section, "deferred carried interest", in relation to A—

(a) means a sum of carried interest where the provision of the sum to A or a person connected with A is deferred (whether pending the meeting of any conditions (including conditions which may never be met) or otherwise), and

(b) includes A's share (as determined on a just and reasonable basis) of any carried interest the provision of which to A and one or more other persons, taken together, has been deferred (whether pending the meeting of any conditions (including conditions which may never be met) or otherwise).

In this subsection, in a case where the sum referred to in subsection (2) arises to a company connected with A, the reference to a person connected with A does not include that company.

(4) Where—

(a) section 809EZDB of ITA 2007 has been disapplied in relation to a sum of deferred carried interest by virtue of subsection (2),

(b) the sum ceases to be deferred carried interest in relation to A, and

(c) the sum does not in any event arise to A apart from this subsection,

the sum is to be regarded as arising to A at the time it ceases to be deferred carried interest.

(5) But subsection (4) does not apply if—

(a) none of the enjoyment conditions is met in relation to the sum when it ceases to be deferred carried interest, and

(b) there is no reasonable likelihood that any of those conditions will ever be met in relation to the sum.

(6) The enjoyment conditions are—

(a) the sum, or part of the sum, is in fact so dealt with by any person as to be calculated at some time to enure for the benefit of A or a person connected with A;

(b) the sum's ceasing to be deferred carried interest in relation to A operates to increase the value to A or a person connected with A of any assets which—

(i) A or the connected person holds, or

(ii) are held for the benefit of A or the connected person;

(c) A or a person connected with A receives or is entitled to receive at any time any benefit provided or to be provided out of the sum or part of the sum;

(d) A or a person connected with A may become entitled to the beneficial enjoyment of the sum or part of the sum if one or more powers are exercised or successively exercised (and for these purposes it does not matter who may exercise the powers or whether they are exercisable with or without the consent of another person);

(e) A or a person connected with A is able in any manner to control directly or indirectly the application of the sum or part of the sum.

In this subsection, in a case where the sum referred to in subsection (2) arises to a company connected with A, references to a person connected with A do not include that company.

(7) In determining whether any of the enjoyment conditions is met in relation to a sum or part of a sum—

(a) regard must be had to the substantial result and effect of all the relevant circumstances, and

(b) all benefits which may at any time accrue to a person as a result of the sum ceasing to be deferred carried interest in relation to A must be taken into account, irrespective of—

(i) the nature or form of the benefits, or

(ii) whether the person has legal or equitable rights in respect of the benefits.

(8) The enjoyment condition in subsection (6)(b), (c) or (d) is to be treated as not met if it would be met only by reason of A holding shares or an interest in shares in a company.

(9) The enjoyment condition in subsection (6)(a) or (e) is to be treated as not met if the sum referred to in subsection (2) arises to a company connected with A and—

(a) the company is liable to pay corporation tax in respect of its profits and the sum is included in the computation of those profits, or

(b) paragraph (a) does not apply but—

(i) the company is a CFC and the exemption in Chapter 14 of Part 9A of TIOPA 2010 applies for the accounting period in which the sum arises, or

(ii) the company is not a CFC but, if it were, that exemption would apply for that period.

In this subsection "CFC" has the same meaning as in Part 9A of TIOPA 2010.

(10) But subsections (8) and (9) do not apply if the sum referred to in subsection (2) arises to the company referred to in subsection (2)(a) or the person referred to in subsection (2)(b) as part of arrangements where—

(a) it is reasonable to assume that in the absence of the arrangements the sum or part of the sum would have arisen to A or an individual connected with A, and

(b) it is reasonable to assume that the arrangements have as their main purpose, or one of their main purposes, the avoidance of a liability to pay income tax, capital gains tax, inheritance tax or corporation tax.

(11) The condition in subsection (10)(b) is to be regarded as met in a case where the sum is applied directly or indirectly as an investment in a collective investment scheme.

(12) Subsection (2) does not apply in relation to any sum in relation to which the condition in subsection (8)(b) of section 809EZDB is met by virtue of subsection (9) of that section.

(13) Subsection (2) also does not apply if—

(a) it is reasonable to assume that the deferral referred to in subsection (3)(a) or (b) is not the effect of genuine commercial arrangements, or

(b) that deferral is the effect of such arrangements but it is reasonable to assume that the arrangements have as their main purpose, or one of their main purposes, the avoidance of a liability to pay income tax, capital gains tax, corporation tax or inheritance tax.

(14) In subsection (13), "genuine commercial arrangements" means arrangements involving A (alone or jointly with others performing investment management services) and external investors in the investment scheme.

(15) Section 993 of ITA 2007 (meaning of "connected") applies for the purposes of this section but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control")."

Amendment 82, page 55, leave out lines 40 to 42,

Amendment 83, page 56, line 4, at end insert "and "external investor"".

Amendment 84, page 56, line 10, at end insert—

'(2A) But section 103KB(1) of TCGA 1992 (as inserted by subsection (1)) does not have effect in relation to a variation of a right to carried interest occurring on or after 8 July 2015 and before 22 October 2015.

(2B) And section 103KEB(2) to (15) of TCGA 1992 (as inserted by subsection (1)) has effect in relation to carried interest arising on or after 22 October 2015 under any arrangements, unless the carried interest arises in connection with the disposal of an asset or assets of a partnership or partnerships before that date."

Amendment 85, page 56, line 11, leave out subsection (3).

Amendment 86, page 56, line 14, leave out "subsection (2)" and insert "subsections (2) to (2B)" —*(Mr Gauke.)*

Clause 41

DISGUISED INVESTMENT MANAGEMENT FEES

Amendments made: 87, page 56, line 29, at end insert—

'(1A) In section 809EZG of ITA 2007 (avoidance of double taxation), in subsection (1)(b), after "the individual" insert "or another person".

Amendment 88, page 56, line 30, leave out

"amendment made by this section has"

and insert

"amendments made by this section have".—*(Mr Gauke.)*

Schedule 3

BANKING COMPANIES: SURCHARGE

Amendments made: 17, page 75, line 20, at end insert—

'( ) Section 269DCA defines "relevant transferred-out gain" and "non-banking transferred-in gain" for the purposes of calculating a company's surcharge profits."

Amendment 18, page 75, line 31, after "section 269B" insert

"(read with section 269DN(2) to (7))".

Amendment 19, page 76, line 10, at end insert "+ RTOG - NBTIG - RDEC".

Amendment 20, page 76, line 18, at end insert—

""RTOG" means the sum of any relevant transferred-out gains (see section 269DCA);

"NBTIG" means the sum of any non-banking transferred-in gains (see section 269DCA);

"RDEC" means any amount brought into account by the company under Chapter 6A of Part 3 of CTA 2009 (trade profits: R&D expenditure credits) as a receipt in calculating the profits of a trade for the chargeable accounting period."

Amendment 21, page 80, line 4, after "period" insert

"or as a result of a non-banking loss transfer".

Amendment 22, page 80, line 8, at end insert—

'(13A) A "non-banking loss transfer" is a transfer to the company of the whole or any part of an allowable loss, by an election under section 171A of TCGA 1992 (reallocation within group), from a non-banking company.

(13B) In subsection (13A) "non-banking company" means a company that is not a banking company at the time that the allowable loss, or such part of it as the election transfers, is treated as accruing by virtue of the election (see, in particular, section 171B(3) of TCGA 1992)."

Amendment 23, page 81, line 6, at end insert—

"Transferred gains

269DCA Meaning of "relevant transferred-out gain" and "non-banking transferred-in gain"

'(1) This section has effect for the purposes of section 269DA(2).

(2) A "relevant transferred-out gain" means a chargeable gain, or any part of a chargeable gain, that—

(a) is transferred from the company, by an election under section 171A of TCGA 1992 (reallocation within group), to a non-banking company, and

(b) would have accrued to the company in the chargeable accounting period but for that election.

(3) A "non-banking transferred-in gain" means a chargeable gain, or any part of a chargeable gain, that—

(a) is transferred to the company, by an election under section 171A of TCGA 1992, from a non-banking company, and

(b) accrues to the company in the chargeable accounting period as a result of the election.

(4) In this section "non-banking company" means a company that is not a banking company at the time that the chargeable gain, or such part of it as the election transfers, is treated as accruing by virtue of the election (see, in particular, section 171B(3) of TCGA 1992)."

Amendment 24, page 91, line 5, after ""company"" insert ", subject to subsections (2) to (7),".

Amendment 25, page 91, line 24, at end insert—

'(2) Subsections (3) to (7) apply for the purposes of determining whether a company is a banking company for the purposes of this Chapter.

(3) Condition D in section 269B(5) is not met by reason of the relevant entity accepting deposits in a period if—

(a) the liabilities shown in the relevant entity's balance sheet for that period, so far as they result from it accepting deposits, do not amount to a substantial proportion of the entity's total liabilities and equity shown in that balance sheet, and

(b) if the company is a member of a group at any time in that period, no other company is a member of the group, and a UK deposit-taker, at any time in the period.

(4) In subsection (3)(b) "UK deposit-taker" means—

(a) a UK resident company that accepts deposits, or

(b) a non-UK resident company that accepts deposits in the course of carrying on a trade in the United Kingdom through a permanent establishment in the United Kingdom.

(5) For the purposes of section 269BA(1)(e) (exclusion of entities carrying on only asset management activities), an entity does not carry on a relevant regulated activity other than asset management activities by accepting deposits if—

(a) accepting deposits is ancillary to asset management activities the entity carries on, and

(b) the entity would not accept deposits but for the fact that it carries on asset management activities.

(6) In subsection (5) "asset management activities" has the meaning given by section 269BC(2).

(7) For the purposes of subsections (3) to (5) references to accepting deposits are to carrying on activity which is (or, if it were carried on in the United Kingdom, would be) a regulated activity for the purposes of FISMA 2000 by virtue of article 5 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) (accepting deposits)."

Amendment 26, page 93, line 5, leave out "this section" and insert "subsections (2) to (5)".

Amendment 27, page 93, line 34, at end insert—

'(5A) Subsections (5B) to (5D) apply in relation to an accounting period of a CFC ("the relevant CFC accounting period") where—

(a) a company ("C")—

(i) has an accounting period for corporation tax purposes during which the relevant CFC accounting period ends, and

(ii) is a banking company for that accounting period,

(b) there are arrangements that—

(i) do not result in a relevant transfer, but

(ii) disregarding subsections (5B) to (5D), would result in some or all of the CFC's chargeable profits for the relevant CFC accounting period being apportioned to one or more non-banking companies at step 3 in section 371BC(1) instead of being apportioned to C, and

(c) the main purpose, or one of the main purposes, of the arrangements is to avoid, or reduce, a sum being charged on C at step 5 in section 371BC(1) in consequence of subsection (2) (whether in relation to the relevant CFC accounting period or any other accounting period of the CFC).

(5B) If the arrangements would otherwise result in C not having a relevant interest in the CFC, C is to be treated as having the relevant interest in the CFC.

(5C) The CFC's chargeable profits and creditable tax for the relevant CFC accounting period are to be apportioned in accordance with section 371QC(2) (and not section 371QD if that section would otherwise apply).

(5D) The apportionments must (in particular) be made in a way which, so far as practicable, counteracts the result of the arrangements mentioned in subsection (5A)(b)(ii)."

Amendment 28, page 93, line 42, leave out

"Part 7A of CTA 2010 (see section 269B"

and insert

"Chapter 4 of Part 7A of CTA 2010 (see section 269DN".

Amendment 29, page 94, line 15, after "subsection (3)" insert

"or (as the case may be) (5A)".

Amendment 30, page 94, line 31, after "meaning of" insert "Chapter 4 of".—*(Mr Gauke.)*

Schedule 5

ENTERPRISE INVESTMENT SCHEME

Amendments made: 31, page 111, line 31, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade

carried on by another company that has at any time in that year been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at the end of that year, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 32, page 113, line 16, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the issue date been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at that date, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 33, page 114, line 38, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the relevant time been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at the relevant time, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 34, page 116, line 32, leave out "or B" and insert ", B or C".

Amendment 35, page 117, line 1, after "that" insert "—

(a) ".

Amendment 36, page 117, line 4, at end insert

", and

(b) the money raised by those investments is employed for the purpose of entering a new product or geographical market."

Amendment 37, page 117, line 4, at end insert—

'(4A) Condition C is that—

(a) condition B in subsection (4) or condition B in section 294A(4) (VCT: permitted company age requirement) was previously met in relation to one or more relevant investments made in the issuing company, and

(b) some or all of the money raised by those investments was employed for the purposes of the relevant qualifying business activity."

Amendment 38, page 117, leave out lines 43 to 51 and insert—

'(6) "The average turnover amount" means one fifth of the total relevant turnover amount for the five year period which ends—

(a) immediately before the beginning of the last accounts filing period, or

(b) if later, 12 months before the issue date."

Amendment 39, page 118, line 1, at end insert—

""entering a new product or geographical market" has the same meaning as in Commission Regulation (EU) No 651/2014 (General block exemption Regulation);"

Amendment 40, page 118, leave out lines 19 to 23 and insert—

""the total relevant turnover amount" for a period is—

(a) if the issuing company is a single company at the issue date, the sum of—

(b) if the issuing company is a parent company at the issue date, the sum of—

"transferred trade" means a trade which has been transferred to the company which is carrying on the trade at the time the money raised by the issue of the relevant shares is employed or to a partnership of which that company is a member."

Amendment 41, page 118, line 24, after ""turnover"" insert "—

(a) in relation to a company,".

Amendment 42, page 118, line 29, at end insert—

"(b) in relation to any other person carrying on a trade, also has the meaning given by section 474(1) of that Act (reading references in that provision to a company as references to the person) and is to be determined by reference to the accounts of the person and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a person's turnover for a period);

"(c) in relation to a transferred trade carried on by a company or other person, means such proportion of the turnover of the company or other person as it is just and reasonable to attribute to the transferred trade."

Amendment 43, page 119, line 14, at end insert—

"Information to be provided by issuing company etc

15A In section 241 (information to be provided by the issuing company etc), in subsection (1), before paragraph (a) insert—

"(za) a requirement of any of the following provisions is not met in respect of the shares included in the issue, or would not be met if EIS relief had been obtained in respect of those shares—

(i) section 173A (the maximum amount raised annually through risk finance investments),

(ii) section 173AA (the maximum amount raised through risk finance investments at the issue date),

(iii) section 173AB (the maximum amount raised through finance investments during period B),

(iv) section 175A (the permitted maximum age requirement),"

Acquisition of issuing company

15B In section 247 (continuing of EIS relief where issuing company is acquired by new company), after subsection (3) insert—

"(3A) In section 173AB(2)(a) and in the definition of "the total relevant turnover amount" in section 175A(7), references to a company becoming a 51% subsidiary of the issuing company after the issue date do not include a company becoming such a subsidiary as a result of an exchange of shares as mentioned in subsection (1)."

Amendment 44, page 119, line 34, at end insert—

'( ) Regulations under this section may, so long as they do not increase any person's liability to any tax, be made to have retrospective effect in relation to any time in the tax year in which they are made or the previous tax year."

Amendment 45, page 123, line 43, after "13" insert ", 15A, 15B".—*(Mr Gauke.)*

Schedule 6

VENTURE CAPITAL TRUSTS

Amendments made: 46, page 124, line 30, leave out sub-paragraph (3) and insert—

'(3) In subsection (3)—

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

(b) in paragraph (f), after "by" insert "subsection (3A) and by", and

(c) after that paragraph insert—

"(g) the permitted maximum age condition by subsection (3A) and by section 280C, and

(h) the no business acquisition condition by subsection (3A) and by section 280D.

(4) After that subsection insert—

"(3A) In the second column of the table in subsection (2), in the entries for the investment limits condition, the permitted maximum age condition and the no business acquisition condition, any reference to an investment made by the company ("the investor") in a company does not include any of the following investments—

(a) shares or units in an AIF (within the meaning given by regulation 3 of the Alternative Investment Fund Managers Regulations 2013) which may be repurchased or redeemed on 7 days' notice given by the investor; shares or units in a UCITS (within the meaning given by section 363A(4) of TIOPA 2010) which may be repurchased or redeemed on 7 days' notice given by the investor;

(b) ordinary shares or securities in a company which are acquired by the company on a regulated market."

(5) For subsection (5) substitute—

"(5) The Treasury may by regulations—

(a) amend the first entry in the table in subsection (2) (the listing condition),

(b) add, remove or amend an entry in the list of investments in subsection (3A),

(c) amend this section so as to make provision to restrict the period for which an investment made by the company is excluded by subsection (3A), or

(d) amend subsection (4)."

Amendment 47, page 125, line 11, leave out "applies" and insert "is met".

Amendment 48, page 126, line 44, leave out from "means" to the end of line 3 on page 127 and insert "—

(a) a relevant investment—

(i) which is made in a company at a qualifying time, and

(ii) the money raised by which is employed for the purposes of a trade carried on by another company that is, at a qualifying time, a 51% subsidiary of the relevant company (but, if at the latest possible qualifying time it has ceased to be such a subsidiary, ignoring any money so employed after it last ceased to be such a subsidiary), or

(b) a relevant investment—

(i) which is made in a company at a qualifying time, and

(ii) the money raised by which is employed for the purposes of a trade carried on by that company or another person,

Where, at a qualifying time but after that investment was made, that trade (or a part of it) became a relevant transferred trade (see subsection (3F))."

Amendment 49, page 128, line 23, leave out "neither condition A nor B" and insert

"none of conditions A to C".

Amendment 50, page 128, leave out lines 37 to 42 and insert—

'(5) Condition B is that—

(a) the sum of—

(i) the amount of the current investment, and

(ii) the total amount of any other relevant investments made in the relevant company in a period of 30 consecutive days which includes the investment date,

is at least 50% of the average turnover amount, and

(b) the money raised by the current investment and the investments mentioned in paragraph (a)(ii) is employed for the purpose of entering a new product or geographical market.

(5A) Condition C is that—

(a) condition B in subsection (5) or condition B in section 175A(4) (EIS: permitted company age requirement) was previously met in relation to one or more relevant investments made in the relevant company, and

(b) some or all of the money raised by those investments was employed for the purposes of the same activities as the money raised by the current investment."

Amendment 51, page 129, leave out lines 38 to 47 and insert—

'(7) "The average turnover amount" means one fifth of the total relevant turnover amount for the five year period which ends—

(a) immediately before the beginning of the last accounts filing period, or

(b) if later, 12 months before the investment date."

Amendment 52, page 129, line 48, at end insert—

""entering a new product or geographical market" has the same meaning as in Commission Regulation (EU) No 651/2014 (General block exemption Regulation);".

Amendment 53, page 130, leave out lines 10 to 14 and insert—

""the total relevant turnover amount" for a period is—

(a) if the relevant company is a single company at the investment date, the sum of—

(b) if the relevant company is a parent company at the investment date, the sum of—

"transferred trade" means a trade which has been transferred to the company which is carrying on the trade at the time the money raised by the current investment is employed or to a partnership of which that company is a member;".

Amendment 54, page 130, line 15, after ""turnover"" insert "—

(a) in relation to a company,".

Amendment 55, page 130, line 20, at end insert—

"(b) in relation to any other person carrying on a trade, also has the meaning given by section 474(1) of that Act (reading references in that provision to a company as references to the person) and is to be determined by reference to the accounts of the person and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a person's turnover for a period);

"(c) in relation to a transferred trade carried on by a company or other person, means such proportion of the turnover of the company or other person as it is just and reasonable to attribute to the transferred trade."

Amendment 56, page 130, line 36, leave out "previously".

Amendment 57, page 131, line 40, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time in that year been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the end of that year, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 58, page 133, line 17, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade

carried on by another company that has at any time on or before the investment date been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the investment date, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 59, page 135, line 3, leave out "and" and insert—

"(aa) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the relevant time been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the relevant time, ignoring any money so employed after it last ceased to be such a subsidiary), and".

Amendment 60, page 136, line 40, leave out "or B" and insert ", B or C".

Amendment 61, page 137, line 9, after "that" insert "—

(a) ".

Amendment 62, page 137, line 12, at end insert ", and

(b) the money raised by those investments is employed for the purpose of entering a new product or geographical market."

Amendment 63, page 137, line 12, at end insert—

'(4A) Condition C is that—

(a) condition B in subsection (4) or condition B in section 175A(4) (EIS: permitted company age requirement) was previously met in relation to one or more relevant investments made in the relevant company, and

(b) some or all of the money raised by those investment was employed for the purposes of the relevant qualifying activity."

Amendment 64, page 138, leave out lines 3 to 12 and insert—

'(6) "The average turnover amount" means one fifth of the total relevant turnover amount for the five year period which ends—

(a) immediately before the beginning of the last accounts filing period, or

(b) if later, 12 months before the investment date."

Amendment 65, page 138, line 13, at end insert—

""entering a new product or geographical market" has the same meaning as in Commission Regulation (EU) No 651/2014 (General block exemption Regulation);".

Amendment 66, page 138, leave out lines 31 to 35 and insert—

""the total relevant turnover amount" for a period is—

(a) if the relevant company is a single company at the investment date, the sum of—

(b) if the relevant company is a parent company at the investment date, the sum of—

"transferred trade" means a trade which has been transferred to the company which is carrying on the trade at the time the money raised by the issue of the relevant holding is employed or to a partnership of which that company is a member;".

Amendment 67, page 138, line 36, after ""turnover"" insert "—

(a) in relation to a company,".

Amendment 68, page 138, line 41, at end insert—

"(b) in relation to any other person carrying on a trade, also has the meaning given by section 474(1) of that Act (reading references in that provision to a company as references to the person) and is to be determined by reference to the accounts of the person and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a person's turnover for a period);

"(c) in relation to a transferred trade carried on by a company or other person, means such proportion of the turnover of the company or other person as it is just and reasonable to attribute to the transferred trade;".

Amendment 69, page 139, line 42, at end insert—

"Acquisitions for restructuring purposes

15A (1) Section 326 (restructuring to which section 327 applies) is amended as follows.

(2) In subsection (1), for "Section 327 applies" substitute "Sections 326A and 327 apply".

(3) In subsection (4) for the words from the beginning to "as being met" substitute "Nothing in section 326A treats any of the requirements of Chapter 3 as being met, and nothing in section 327 treats any of the requirement of Chapter 4 as being met".

(4) In subsection (5), before "327" insert "326A does not treat any requirement of Chapter 3 as being met and section".

15B After section 326 insert—

"326A Certain requirements of Chapter 3 to be treated as met

(1) If this section applies, subsections (2) to (6) have effect to determine the extent to which, and the time for which, the following conditions in Chapter 3 are met in relation to the old shares and the new shares—

(none) the investment limits condition (see section 280B);

(none) the permitted maximum age condition (see section 280C);

(none) the no business acquisition condition (see section 280D).

(2) If—

(a) there is an exchange under the arrangements of any new shares for any old shares, and

(b) those old shares are an investment in relation to which the investment limits condition, the permitted maximum age condition or the no business acquisition condition is (or is treated as being) met to any extent,

those conditions are to be treated as met to the same extent in relation to the matching new shares.

See subsections (3) to (6) for further provision about when those conditions are treated as met in relation to the old shares.

(3) If—

(a) the exchange occurs during the period of 5 years beginning with the day after the day on which the old shares were issued, and

(b) those old shares are shares in relation to which section 280B(2)(c) applies,

section 280B(2)(c) is to be treated as applying in relation to the matching new shares.

(4) In determining whether section 280B(2)(c) applies in relation to the old shares—

(a) condition A is treated as met if it would be met if the reference in section 280B(3B)(a)(i) to a company which becomes a 51% subsidiary of the relevant company during the 5-year post-investment period included a reference to a company which becomes a 51% subsidiary of the new company during that period otherwise than as a result of the exchange, and

(b) in relation to investments made or trades transferred at or after the time of the exchange, references to the relevant company in section 280B(3C)(b) and (3F)(a) are to be read as references to the new company.

(5) The permitted maximum age condition is met in relation to the old shares if (and only if) it would be met if—

(a) in section 280C(5)(a)(ii) and (5A)(a) the references to relevant investments made in the relevant company included a reference to the relevant investments made in the new company,

(b) in section 280C(6)(d) and (f) the references to the relevant company included a reference to the new company,

(c) in paragraphs (a)(ii) and (b)(iii) of the definition of "the total relevant turnover amount" in section 280C(8) the reference to a company which becomes a 51% subsidiary of the relevant company after the investment date included a reference to a company which becomes a 51% subsidiary of the new company after that date otherwise than as a result of the exchange.

(6) The no business acquisition condition is met in relation to the old shares if (and only if) it would be met if, in section 280D(2), references to the relevant company were read as including a reference to the new company."

15C (1) Section 327 (certain requirements of Chapter 4 to be treated as met) is amended as follows.

(2) In subsection (1)—

(a) after the entry for section 291 insert—

"section 292A (the maximum amount raised annually through risk finance investments requirement),

section 292AA (the maximum amount raised through risk finance investments when relevant holding is issued requirement),

section 292AB (the maximum risk finance investments during the 5-year post-investment period requirement),",

(b) after the entry for section 294 insert—

"section 294A (the permitted company age requirement),", and

(c) omit the "and" at the end of the entry for section 297, and after the entry for section 297A insert ", and

section 297B (the proportion of skilled employees requirement)."

(3) In subsection (4)—

(a) after "sections" insert "292A, 292AA, 292AB"

(b) after "294" insert ", 294A", and

(c) for "and 297A" substitute ", 297A and 297B".

(4) After subsection (4) insert—

"(4A) If—

(a) there is an exchange under the arrangements of any new shares for any old shares,

(b) that exchange occurs during the period of 5 years beginning with the day after the day on which the old shares were issued, and

(c) those old shares are shares in relation to which the requirement of section 292AB (maximum risk finance investments during 5-year post-investment period) applies and is met,

that requirement is to be treated as applying and met in relation to the matching new shares.

(4B) But, where that requirement applies in relation to the old shares, it is met in relation to those shares if (and only if) it would be met were—

(a) the first reference to the relevant company in section 292AB(4), and

(b) the references to the relevant company in section 292AB(5) and (7)(a)(i),

read, in relation to times in that 5 year period which fall at or after the time of the exchange, as references to the new company.

(4C) For the purposes of subsections (4A) and (4B), the requirement in section 292AB is treated as applying in relation to the old shares if condition A or B in that section would be met if references in section 292AB(5) and (7)(a)(i) to the relevant company were read as references to the new company.

(4D) The requirement in section 293 (the use of money raised) is met in relation to the old shares if (and only if) it would be met if references to the relevant company in section 293(5ZA) were read as including a reference to the new company.

(4E) The requirement of section 294A (permitted company age) is met in relation to the old shares if (and only if) it would be met if—

(a) in section 294A(4) the reference to relevant investments made in the relevant company included a reference to relevant investments made in the new company,

(b) in section 294A(5)(d) and (f) the references to the relevant company included a reference to the new company,

(c) in paragraphs (a)(ii) and (b)(iii) of the definition of "the total turnover amount" in section 294A(7) the reference to a company which becomes a 51% subsidiary of the relevant company after the investment date included a reference to a company which becomes a 51% subsidiary of the new company after that date otherwise than as a result of the exchange.

(4F) If—

(a) there is an exchange under the arrangements of any new shares for any old shares,

(b) that exchange occurs during the period of 3 years beginning with the issue of the old shares, and

(c) those old shares are shares in relation to which the requirement of section 297B (proportion of skilled employees requirement) is met,

that requirement is to be treated as met in relation to the matching new shares.

(4G) The requirement of section 297B is met in relation to the old shares if (and only if) it would be met in relation to those shares were references to the relevant company, in subsections (1) and (3) of that section (and, in the definitions of the terms mentioned in subsection (4) as they apply for the purposes of those subsections), read as references to the new company in relation to times in that 3 year period which fall at or after the exchange."

Amendment 70, page 140, line 13, at end insert—

'( ) Regulations under this section may, so long as they do not increase any person's liability to any tax, be made to have retrospective effect in relation to any time in the tax year in which they are made or the previous tax year."—*(Mr Gauke.)*

John McDonnell (Hayes and Harlington) (Lab): On a point of order, Mr Speaker. In the light of the votes in the other place this evening, the Chancellor has, I believe, informed the media that he will bring forward measures to respond to the Government's defeats. It is the responsibility of Ministers, as you know and as you have ruled to make this sort of announcement to this House first. While there are indeed Treasury questions tomorrow, given the level of interest from Members in all parts of the House and the significance of this matter, I am asking that the Chancellor make an oral statement to this House tomorrow, promptly.

Mr Speaker: I am grateful to the shadow Chancellor for his point of order. Those on the Treasury Bench will have heard what he has said. It is open to a Minister to do that tomorrow. Given that a Treasury Minister is present on the Treasury Bench, he is welcome to rise to his feet if he wishes.

Mr Gauke *indicated dissent.*

Mr Speaker: So be it; the House will understand. It is not a matter for the Chair; I am simply playing fair. It is a matter for the Government, and the Minister could

speak now if he wished, but he is not under any obligation to do so. The point of order has been heard. The hon. Member for Hayes and Harlington (John McDonnell) will be in his place tomorrow—and so will the Chancellor be—and we will await the development of events.

Kirsty Blackman (Aberdeen North) (SNP): Further to that point of order, Mr Speaker. Given the result of the vote in the other place tonight, I would appreciate it if, in addition to Treasury questions tomorrow, the Prime Minister could assure the House that he will not flood the other place with more cronies and donors.

Mr Speaker: Perhaps I can just say to the hon. Lady and the House that, while I hear what she has to say, the late Lord Whitelaw was the author of a vintage phrase in British politics. As he put it, "I tend to prefer to cross bridges only when I come to them." It seemed to be a very sagacious utterance by Lord Whitelaw. All I will say to the House now—as much for the benefit of those outside this place as of Members—is this. Two sentences: first, the parent Act specifies that the Government cannot make the regulations unless a draft has been approved by both Houses. I think we can all agree upon that. Secondly, it is up to the Government to decide how to proceed. We will leave it there for now.

Third Reading

9.43 pm

Mr Gauke: I beg to move, That the Bill be now read the Third time.

I would like once again to briefly outline the provisions of this Finance Bill. These measures demonstrate the Government's commitment to support working people, support business and protect the public finances by tackling tax avoidance and evasion. They mark the next steps on our path to economic security, building on the economic foundations laid in the last Parliament and continuing our long-term plan for the economic stability and prosperity of this country.

Let me turn first to the support that the Bill provides for working people. This Government are committed to the principle that hard-working people should keep more of the money they earn. That is why, following the measures introduced in the last Parliament, 27.5 million individuals saw their typical income tax bill reduced by £825, but we want to go further. This Bill increases the tax-free personal allowance to £11,000 in 2016-17 and to £11,200 in 2017-18. We will also increase the higher rate threshold, from £42,385 in 2015-16 to £43,000 in 2016-17. The Government also believe that individuals working 30 hours a week on the national minimum wage should not pay income tax. That is why we are enshrining it in law that once the personal allowance has reached £12,500, it will always be at least the equivalent of 30 hours a week on the national minimum wage.

It is a basic human aspiration to pass something on to one's children, an aspiration the Government are committed to supporting. The Bill will help people to provide for their families after they have gone by phasing in a new £175,000 per person transferable allowance, when a person's home is passed on at death to their direct descendants. By the end of the Parliament, the effective inheritance tax threshold for married couples and civil partners will therefore be £1 million.

Mrs Main: Does my hon. Friend agree that all the very welcome movements in the tax bands for lower earners have helped to readjust the inequality created by Labour when it managed to remove the 10p tax band?

Mr Gauke: My hon. Friend is right. Whereas the previous Labour Government doubled the 10p rate of income tax, this Government and the coalition Government increased the personal allowance very substantially from below £6,500 to the levels I have set out this evening.

I turn now to the support that the Bill will provide to business. We want to provide certainty to businesses, increase investment and improve our infrastructure, because that will drive growth and job creation in the coming years. First, it is clear that we need a business tax regime that is stable, competitive and fair. This is essential to make the UK more competitive and to support growth. In the previous Parliament, the main rate of corporation tax was cut from 28% to 20%, which led to more businesses coming to the UK to carry out their activity. Given the global competition that the UK faces, we must go further. This Bill cuts the corporation tax rate to 19% in 2017 and to 18% in 2020, saving businesses more than £6 billion in 2021 and giving the UK the lowest rate of corporation tax in the G20. The Bill also sets the annual investment allowance at the permanent higher level of £200,000. This will provide long-term certainty to businesses and encourage them to invest in plant and machinery.

Finally, I would like to turn to the measures in the Bill that tackle tax avoidance and evasion, tax planning, compliance and imbalances in our tax system. Hon. Members will recall that the summer Budget announced a raft of measures to tackle those who do not pay their fair share of tax. The measures will collectively raise £5 billion a year by 2019-20. I am proud to say that the Bill will implement a number of those measures and will make an important contribution to the further £37 billion in fiscal consolidation that is required over the course of this Parliament to run a budget surplus by the end of this Parliament.

George Kerevan: Will the Minister give way?

Mr Gauke: Let me make a little progress.

First, the Bill ensures that investment fund managers cannot exploit tax loopholes to avoid paying capital gains tax. We will also address a tax planning risk in which corporate groups could exploit tax rules for asset transfers between connected parties. This ensures that profits are brought to tax.

Finally, the Bill modernises HMRC collection powers by allowing HMRC to recover tax and tax credit debts directly from a debtor's accounts. This measure will tackle those who seek to play the system and who are avoiding paying their fair share of tax, which they can afford to pay. This measure will also, of course, be subject to robust safeguards and the most vulnerable will be protected. Taken together, these measures will protect our public finances and send a clear message that everyone in Britain must pay their fair share of tax.

George Kerevan: In terms of helping business, would the Minister care to comment on press reports this morning that the Government are planning to abolish research grants to industry and replace them with loans, on which interest would be paid?

Mr Gauke: That is not a measure contained in the Bill. Let us be clear: as a consequence of the Bill, the UK's competitive position has been strengthened, not least in a reduction of the rate of corporation tax from 20% to 18%, a measure I am delighted to say that the Labour party supported in Committee.

Before I conclude, I want to thank hon. Members on both sides of the House for their scrutiny of the Bill. In particular, I want to thank members of the Committee, who provided diligent but efficient scrutiny, concluding our proceedings in just nine hours. This smooth and efficient running was due in part to the support of the Whips, my hon. Friend the Member for Central Devon (Mel Stride), the hon. Member for St Helens North (Conor McGinn) and, before him, the hon. Member for Scunthorpe (Nic Dakin).

I also want to thank the Opposition. We did not always agree in full, especially on the need for a fair number of reviews, but I was grateful for their insightful and reasonable scrutiny and their gracious support where we did agree. Finally, I want to thank the Economic Secretary to the Treasury, my hon. Friend the Member for West Worcestershire (Harriett Baldwin), and the Exchequer Secretary to the Treasury, my hon. Friend the Member for East Hampshire (Damian Hinds), for their support in setting out the Government's case, and my hon. Friends on the Back Benches for their valuable contributions.

In conclusion, the Bill supports working people and business and protects our public finances, and it marks the next step forward in securing the country's economic security. I therefore commend it to the House.

9.50 pm

Rob Marris: This is a mixed Finance Bill. It contains some measures with which the Opposition agree: the changes to personal allowances; the welcome increase in the annual investment allowance; the surcharge on banks; the provisions to encourage more to be spent on research and development; the provisions on carried interest—though they do not go far enough; and the anti-avoidance provisions for enterprise investment schemes, venture capital trusts and controlled foreign companies.

But the Bill also discloses some wrong priorities, which I shall list in no particular order. The changes to inheritance tax—it will not surprise Members to hear me mention this, in the light of our debate earlier—are a giveaway to the most well off in our society. The cut to corporation tax is a beggar-my-neighbour, downward, low-tax regime competition measure aimed at covering up the failures on productivity. We disagree with lowering the bank levy rate. The provisions on vehicle excise duty take us backwards by favouring gas guzzlers and penalising drivers of less dirty vehicles. Some 16 or 17 years ago, journalists would have called the marked increase to insurance premium tax a stealth tax.

The changes to the climate change levy are a step backwards that indicates the Government have lessened their commitment to the environment and can no longer make the laughable claim to be the greenest Government ever—it is one of a host of changes indicating that they are not serious about our environment. We disagree with the provisions on the direct recovery of debt that allow HMRC to take money out of someone's bank account without a court order. They are doing this because they find, as so many people do, that the court system is costly and slow, but rather than change the court system, for which they are responsible, they are simply introducing a different rule for themselves. They have done the same in clause 48 with interest on judgment debts. It is one rule for them and another rule for the rest of us.

I warn the Government: they are straining our constitution. Late last week, they tabled about 75 amendments for Report stretching to 40 pages and dealing with highly technical matters, which suggests that they are not entirely sure what they are doing. Last week, we also saw the longest Standing Order in living memory detailing the changes to English votes. This is not a great way to treat our constitution.

Then we see the potential constitutional tussle with the House of Lords over tax credits, brought about by this Government's decision to proceed with a fundamental change to tax credits, which will cost working families thousands of pounds, by using a statutory instrument rather than putting the provisions in this Finance Bill. Clearly, this Finance Bill, like all Finance Bills, would never have gone near the House of Lords. This Government tried to box clever by putting the tax credit changes in a statutory instrument and they have been caught swimming without trunks when the tide went out. It is a constitutional tussle that we did not need and it would not have happened if they had put those provisions in the Finance Bill.

We need to see this Finance Bill in the context of the economy. It is great news that employment is up, albeit that too many of the jobs are low paid and insecure. It is great that, at last, we have some economic growth that extends outside London and the south-east. Before Conservative Members start cheering too much, there are ill winds blowing domestically. The deficit on the balance of payments, at 6.5% of gross domestic product, is the highest in peacetime. Inflation targets have been missed, and productivity stalled, which the Government try to mask with a change in the corporation tax rate. GDP per capita, after six years of the Conservatives leading a Government in this country, is still in recovery. Living standards are, at last, starting to rise, which is welcome, but this is happening in the private sector, not in the public sector, where the Government continue their wage freezes. Living standards have stalled for five years because of the—

Philip Davies (Shipley) (Con): On a point of order, Mr Speaker. The hon. Member for Wolverhampton South West (Rob Marris) is droning on about all sorts of stuff. My understanding is that Third Readings are supposed to be about what is in the Bill, not just a general drone about the economy. Will you rule on that, Mr Speaker? *[Interruption.]*

Mr Speaker: Order. I was listening closely, and allowing the hon. Member for Wolverhampton South West (Rob Marris) some latitude, but the thrust of the point of order is correct. I should emphasise that this is not a portmanteau debate for the airing of a miscellany of grievances. This is a relatively narrow Third Reading about what is in the Bill, upon which I know the hon. Gentleman will now dilate for the remaining two and a half minutes.

Rob Marris: I thank you for that guidance, Mr Speaker. I prefaced my remarks by saying that I was putting the Finance Bill in the context of the economy in which it

takes place. That is what I said, as *Hansard* will show. I think that the context of the Finance Bill is important, Mr Speaker, because otherwise one cannot judge whether the provisions are adequate for the country in which we live.

Mr Speaker: I entirely understand the point, but there are two minutes left, so the context has to be very pithily stated before the hon. Gentleman gets on to the substance.

Rob Marris: It will be, Mr Speaker. I was on to my peroration before the hon. Member for Shipley (Philip Davies) raised his point of order.

The national debt is up by 60% at the end of the tax year, so what is all this about protecting the next generation? The Government have missed their targets for five years, and they have been privatising debt for the next generation when it comes to student loans and costs for home buyers. We have a household debt bubble growing. This Government have slashed public investment and are substituting it with the private finance initiative. The measures in this Bill will not be sufficient to address the problems our nation is facing. What we need is public investment—and we need it in housing, in energy and in skills. This Government have mishandled the economy, and trouble will be brewing unless they change course. They should invest in infrastructure and skills.

9.59 pm

Roger Mullin: In a style becoming familiar to this House, let me say that Barbara from Kirkcaldy says:

"This Finance Bill is a disgrace to hard-working people",

and I always agree with my wife! It is a deliberate slight on the people of Scotland, and it deserves and will get no support from SNP Members. The Government have once again denied the rightful exemption of VAT for our emergency services. Once again, they are harming the environment, and once again they are favouring the rich. We oppose this Bill.

Mr Speaker: Thank you, Mr Mullin. There are 12 seconds remaining, but no hon. Member is getting to his or her feet. Time is running out, the moment is arriving—and I do believe that we are going to have the vote.

10 pm

Debate interrupted (Programme Order, this day).

The Speaker put forthwith the Question already proposed from the Chair (Standing Order No. 83E), That the Bill be now read the Third time.

The House divided: Ayes 316, Noes 278.

Division No. 93] [10 pm

AYES

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Amess, Sir David
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Campbell, Mr Gregory
Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Dinenage, Caroline
Djanogly, Mr Jonathan
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David
Ghani, Nusrat
Gibb, Mr Nick
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Gray, Mr James
Grayling, rh Chris
Green, Chris
Green, rh Damian
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, rh Mr Philip
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harrington, Richard
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heappey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hermon, Lady
Hinds, Damian
Hoare, Simon
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyns, Andrea
Jenrick, Robert
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel

Kennedy, Seema
Kinahan, Danny
Kirby, Simon
Knight, rh Sir Greg
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte
Letwin, rh Mr Oliver
Lewis, Brandon
Lewis, rh Dr Julian
Liddell-Grainger, Mr Ian
Lidington, rh Mr David
Lopresti, Jack
Lord, Jonathan
Loughton, Tim
Lumley, Karen
Mackinlay, Craig
Mackintosh, David
Main, Mrs Anne
Mak, Mr Alan
Malthouse, Kit
Mann, Scott
Mathias, Dr Tania
May, rh Mrs Theresa
Maynard, Paul
McCartney, Jason
McCartney, Karl
McPartland, Stephen
Menzies, Mark
Mercer, Johnny
Merriman, Huw
Metcalfe, Stephen
Miller, rh Mrs Maria
Milling, Amanda
Mills, Nigel
Milton, rh Anne
Mitchell, rh Mr Andrew
Mordaunt, Penny
Morgan, rh Nicky
Morris, Anne Marie
Morris, David
Morris, James
Morton, Wendy
Mowat, David
Mundell, rh David
Murray, Mrs Sheryll
Murrison, Dr Andrew
Neill, Robert
Newton, Sarah
Nokes, Caroline
Norman, Jesse
Nuttall, Mr David
Offord, Dr Matthew
Opperman, Guy
Osborne, rh Mr George
Paisley, Ian
Parish, Neil
Patel, rh Priti
Paterson, rh Mr Owen
Pawsey, Mark
Penning, rh Mike
Penrose, John
Percy, Andrew
Perry, Claire
Phillips, Stephen
Philp, Chris
Pickles, rh Sir Eric
Pincher, Christopher
Poulter, Dr Daniel
Pow, Rebecca
Prentis, Victoria
Prisk, Mr Mark
Pritchard, Mark
Pursglove, Tom
Quin, Jeremy
Quince, Will
Raab, Mr Dominic
Redwood, rh John
Robertson, Mr Laurence
Robinson, Gavin
Robinson, Mary
Rosindell, Andrew
Rudd, rh Amber
Rutley, David
Sandbach, Antoinette
Scully, Paul
Selous, Andrew
Shannon, Jim
Sharma, Alok
Shelbrooke, Alec
Simpson, rh Mr Keith
Skidmore, Chris
Smith, Chloe
Smith, Henry
Smith, Julian
Smith, Royston
Solloway, Amanda
Soubry, rh Anna
Spelman, rh Mrs Caroline
Spencer, Mark
Stephenson, Andrew
Stevenson, John
Stewart, Bob
Stewart, Iain
Streeter, Mr Gary
Stride, Mel
Stuart, Graham
Sturdy, Julian
Sunak, Rishi
Swayne, rh Mr Desmond
Swire, rh Mr Hugo
Syms, Mr Robert
Thomas, Derek
Throup, Maggie
Timpson, Edward
Tolhurst, Kelly
Tomlinson, Justin
Tomlinson, Michael
Tracey, Craig
Tredinnick, David
Trevelyan, Mrs Anne-Marie
Truss, rh Elizabeth
Tugendhat, Tom
Turner, Mr Andrew
Tyrie, rh Mr Andrew
Vaizey, Mr Edward
Vara, Mr Shailesh
Vickers, Martin
Walker, Mr Charles
Walker, Mr Robin
Wallace, Mr Ben
Warburton, David
Warman, Matt
Watkinson, Dame Angela
Wharton, James
Whately, Helen
Wheeler, Heather
White, Chris
Whittaker, Craig
Wiggin, Bill
Williams, Craig
Williamson, rh Gavin
Wilson, Mr Rob
Wilson, Sammy
Wollaston, Dr Sarah
Wood, Mike
Wragg, William
Wright, rh Jeremy
Zahawi, Nadhim

Tellers for the Ayes:
George Hollingbery and Margot James

NOES

Abbott, Ms Diane
Abrahams, Debbie
Ahmed-Sheikh, Ms Tasmina
Alexander, Heidi
Ali, Rushanara
Allen, Mr Graham
Anderson, Mr David
Arkless, Richard
Ashworth, Jonathan
Austin, Ian
Bailey, Mr Adrian
Bardell, Hannah
Barron, rh Kevin
Beckett, rh Margaret
Betts, Mr Clive
Black, Mhairi
Blackford, Ian
Blackman, Kirsty
Blackman-Woods, Dr Roberta
Blenkinsop, Tom
Blomfield, Paul
Boswell, Philip
Bradshaw, rh Mr Ben
Brake, rh Tom
Brennan, Kevin
Brock, Deidre
Brown, Alan
Brown, Lyn
Brown, rh Mr Nicholas
Bryant, Chris
Buck, Ms Karen
Burden, Richard
Burgon, Richard
Burnham, rh Andy
Butler, Dawn
Byrne, rh Liam
Cadbury, Ruth
Cameron, Dr Lisa
Campbell, rh Mr Alan
Campbell, Mr Ronnie
Carmichael, rh Mr Alistair
Champion, Sarah
Chapman, Douglas
Chapman, Jenny
Clwyd, rh Ann
Coaker, Vernon
Coffey, Ann
Cooper, Julie
Corbyn, Jeremy
Cowan, Ronnie
Cox, Jo
Coyle, Neil
Crausby, Mr David
Crawley, Angela
Creagh, Mary
Creasy, Stella
Cruddas, Jon
Cryer, John
Cummins, Judith
Cunningham, Alex
Cunningham, Mr Jim
Dakin, Nic
David, Wayne
Davies, Geraint
Day, Martyn
De Piero, Gloria
Docherty, Martin John
Donaldson, Stuart Blair
Doughty, Stephen
Dowd, Jim
Dowd, Peter
Dromey, Jack
Dugher, Michael
Durkan, Mark
Eagle, Ms Angela
Eagle, Maria
Edwards, Jonathan
Efford, Clive
Elliott, Julie
Elliott, Tom
Ellman, Mrs Louise
Esterson, Bill
Evans, Chris
Farrelly, Paul
Fellows, Marion
Field, rh Frank
Flello, Robert
Fletcher, Colleen
Flint, rh Caroline
Flynn, Paul
Fovargue, Yvonne
Foxcroft, Vicky
Gapes, Mike
Gardiner, Barry
Gethins, Stephen
Gibson, Patricia
Glass, Pat
Glindon, Mary
Godsiff, Mr Roger
Goodman, Helen
Grady, Patrick
Grant, Peter
Gray, Neil
Green, Kate
Greenwood, Lilian
Greenwood, Margaret
Griffith, Nia
Gwynne, Andrew
Haigh, Louise
Hamilton, Fabian
Hanson, rh Mr David
Harman, rh Ms Harriet
Harpham, Harry
Harris, Carolyn
Hayes, Helen
Hayman, Sue
Healey, rh John
Hendrick, Mr Mark
Hendry, Drew
Hepburn, Mr Stephen
Hillier, Meg
Hodge, rh Dame Margaret
Hodgson, Mrs Sharon
Hoey, Kate

Hollern, Kate
Hopkins, Kelvin
Hosie, Stewart
Hunt, Tristram
Huq, Dr Rupa
Hussain, Imran
Irranca-Davies, Huw
Jarvis, Dan
Johnson, rh Alan
Johnson, Diana
Jones, Gerald
Jones, Graham
Jones, Helen
Jones, Mr Kevan
Jones, Susan Elan
Kane, Mike
Kaufman, rh Sir Gerald
Keeley, Barbara
Kendall, Liz
Kerevan, George
Kerr, Calum
Kinnock, Stephen
Kyle, Peter
Lamb, rh Norman
Lammy, rh Mr David
Lavery, Ian
Law, Chris
Leslie, Chris
Lewell-Buck, Mrs Emma
Lewis, Clive
Lewis, Mr Ivan
Long Bailey, Rebecca
Lucas, Caroline
Lucas, Ian C.
MacNeil, Mr Angus Brendan
Madders, Justin
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
Mc Nally, John
McCabe, Steve
McCaig, Callum
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, John
McFadden, rh Mr Pat
McGarry, Natalie
McGinn, Conor
McGovern, Alison
McInnes, Liz
McKinnell, Catherine
McLaughlin, Anne
Meale, Sir Alan
Mearns, Ian
Miliband, rh Edward
Monaghan, Carol
Monaghan, Dr Paul
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Mullin, Roger
Murray, Ian
Nandy, Lisa
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Paterson, Steven
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Powell, Lucy
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina
Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Ritchie, Ms Margaret
Robertson, rh Angus
Robinson, Mr Geoffrey
Rotheram, Steve
Ryan, rh Joan
Salmond, rh Alex
Saville Roberts, Liz
Shah, Naz
Sharma, Mr Virendra
Sheerman, Mr Barry
Sheppard, Tommy
Sherriff, Paula
Shuker, Mr Gavin
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smeeth, Ruth
Smith, rh Mr Andrew
Smith, Angela
Smith, Cat
Smith, Nick
Smith, Owen
Smyth, Karin
Starmer, Keir
Stephens, Chris
Stevens, Jo
Streeting, Wes
Stringer, Graham
Stuart, rh Ms Gisela
Tami, Mark
Thewliss, Alison
Thomas, Mr Gareth
Thomas-Symonds, Nick
Thompson, Owen
Thomson, Michelle
Thornberry, Emily
Timms, rh Stephen
Trickett, Jon
Turley, Anna
Turner, Karl
Twigg, Derek
Umunna, Mr Chuka
Vaz, Valerie
Watson, Mr Tom
Weir, Mike
West, Catherine
Whiteford, Dr Eilidh
Whitehead, Dr Alan
Whitford, Dr Philippa
Williams, Hywel
Williams, Mr Mark
Wilson, Corri
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Wishart, Pete
Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Noes:
Jeff Smith and
Holly Lynch

Question accordingly agreed to.

Bill read the Third time and passed.

Business without Debate

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

Financial Services and Markets

That the draft Financial Services and Markets Act 2000 (Relevant Authorised Persons) Order 2015, which was laid before this House on 20 July, be approved.—*(Charlie Elphicke.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

That the draft Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.3) Order 2015, which was laid before this House on 21 July, be approved.—*(Charlie Elphicke.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

That the draft Financial Services and Markets Act 2000 (Misconduct and Appropriate Regulator) Order 2015, which was laid before this House on 21 July, be approved.—*(Charlie Elphicke.)*

Question agreed to.

Motion made, and Question put forthwith (Standing Order No. 118(6)),

Senior Courts of England and Wales

That the draft Maximum Number of Judges Order 2015, which was laid before this House on 7 September, be approved.—*(Charlie Elphicke.)*

Question agreed to.

COMMITTEES

Mr Speaker: With the leave of the House, we shall take motions 9 to 24 together.

Ordered,

Armed Forces Bill

That Oliver Colvile, Judith Cummins, Byron Davies, Kate Hollern, Nusrat Ghani, Kevin Hollinrake, Kris Hopkins, John Howell, Mr Kevan Jones, Jack Lopresti, Kit Malthouse, Kirsten Oswald, Mr Gavin Shuker and Ruth Smeeth be members of the Select Committee on the Armed Forces Bill.

Communities and Local Government

That Angela Rayner be discharged from the Communities and Local Government Committee and Liz Kendall be added.

Culture, Media and Sport

That Steve Rotheram be discharged from the Culture, Media and Sport Committee and Julie Elliott be added.

DEFENCE

That Conor McGinn be discharged from the Defence Committee and Phil Wilson be added.

ENERGY AND CLIMATE CHANGE

That Melanie Onn and Ian Lavery be discharged from the Energy and Climate Change Committee and Rushanara Ali and Tom Blenkinsop be added.

ENVIRONMENTAL AUDIT

That Holly Lynch and Jeff Smith be discharged from the Environmental Audit Committee and Mary Creagh and Geraint Davies be added.

ENVIRONMENT, FOOD AND RURAL AFFAIRS

That Sarah Champion be discharged from the Environment, Food and Rural Affairs Committee and Angela Smith be added.

HEALTH

That Rachael Maskell, Liz McInnes and Emily Thornberry be discharged from the Health Committee and Mr Ben Bradshaw, Julie Cooper and Emma Reynolds be added.

HOME AFFAIRS

That Anna Turley and Keir Starmer be discharged from the Home Affairs Committee and Naz Shah and Mr Chuka Umunna be added.

JUSTICE

That Richard Burgon, Sue Hayman, Nick Thomas-Symonds and Christina Rees be discharged from the Justice Committee and Mr David Hanson, Dr Rupa Huq, Andy McDonald and Marie Rimmer be added.

PETITIONS

That Justin Madders be discharged from the Petitions Committee and Jim Dowd be added.

PUBLIC ACCOUNTS

That Clive Lewis, Nick Smith and Teresa Pearce be discharged from the Committee of Public Accounts and Chris Evans, Caroline Flint and Bridget Phillipson be added.

SCIENCE AND TECHNOLOGY

That Liz McInnes and Daniel Zeichner be discharged from the Science and Technology Committee and Stella Creasy and Valerie Vaz be added.

TREASURY

That Bill Esterson be discharged from the Treasury Committee and Rachel Reeves be added.

WOMEN AND EQUALITIES

That Tulip Siddiq and Cat Smith be discharged from the Women and Equalities Committee and Siobhain McDonagh and Mr Gavin Shuker be added.

WORK AND PENSIONS

That Debbie Abrahams be discharged from the Work and Pensions Committee and Steve McCabe be added.—*(Bill Wiggin, on behalf of the Committee of Selection.)*

Nuisance Calls

Motion made, and Question proposed, That this House do now adjourn.—*(Charlie Elphicke.)*

10.13 pm

Patricia Gibson (North Ayrshire and Arran) (SNP): I am delighted to have secured a debate on this important issue following my early-day motion 223 entitled "Calling time on nuisance calls", which was launched at the end of June and attracted support from Members from across the House. I am also pleased that so many Members are staying for this debate so late in the evening. That is an indication, if any were needed, that this issue affects constituents in every part of the United Kingdom.

Very soon after the election, a number of constituents raised this matter with me in exasperation and despair at the fact that they were unable to find peace and quiet in their own homes because of the constant torrent of nuisance calls at all hours of the day and evening. These calls fall into three types: live marketing calls; recorded marketing calls; and abandoned, silent calls. They ask: do you want a conservatory? Would you like to save money on your gas, electricity, broadband, credit card and so on? Have you had an accident in the past X years? Have you claimed payment protection insurance money to which you are entitled? Would you like to take out a convenient loan? The list goes on and on.

We know that such calls are not just a nuisance—they are much more than that. They cause real distress, anxiety and upset, particularly to the elderly and the vulnerable, who simply cannot ignore their ringing phone because it is often the single most important means of friends and family keeping in touch with them.

Jim Shannon (Strangford) (DUP): This subject clearly transcends issues of party or region. In my constituency, there have been a number of these phone calls in the past few months to the vulnerable, the elderly, the young and the educationally disadvantaged—those four categories of people have been taken advantage of. Not only are they receiving nuisance calls, but they are losing money. Does the hon. Lady feel that legislation needs to be put in place to ensure that they are not losing money to these scams, which are occurring across the whole of the United Kingdom of Great Britain and Northern Ireland?

Patricia Gibson: The hon. Gentleman makes an important point. I was going to discuss the fact that we know that the way in which our data are used and passed on leaves the consumer without any real control. Studies have shown that there is evidence to suggest that certain groups in society are deliberately targeted.

Research undertaken by *Which?* tells us that eight out of 10 people said that cold calls were an annoying feature of their daily lives, with a worrying one third admitting that they found such calls intimidating and 56%—more than half—saying that they were discouraged from answering their phones. Make no mistake, the scale of this problem is huge and the effect on the lives of many of our constituents demands our attention.

Henry Smith (Crawley) (Con): I congratulate the hon. Lady on securing this Adjournment debate. Many of these calls, which affect all of our constituents, up

and down the country, originate abroad. Does she have any idea as to how we can bear down on nuisance calls from companies based outside this country, in addition to dealing with the calls from this country?

Patricia Gibson: There is talk and co-operation going on, with Ofcom leading the way, looking at what can be done at European and international level. Beyond that, it is a case of knocking heads together to see how we can better regulate and control the data that leave this country.

Registering with the Telephone Preference Service is the obvious first step for those who feel that their lives are blighted by nuisance calls. Although that is an important tool, it cannot stop all unsolicited calls.

Stephen Gethins (North East Fife) (SNP): Does my hon. Friend agree that this issue particularly affects many older people? My constituency postbag is full of correspondence from older people who are concerned about nuisance calls.

Patricia Gibson: My hon. Friend is absolutely right. Not only do old people suffer more anxiety and distress about these calls, but they seem to be targeted—the research would seem to bear that out.

Ofcom estimates that the TPS can stop only about a third of nuisance calls, and that is because the issue of consent can be very confusing for consumers; it is not always clear that they have given their consent for their data to be passed on to other parties by ticking or not ticking a box on a form. In addition—

Several hon. Members *rose—*

Patricia Gibson: Let me make some progress and then I will give way. In addition, there is often a lack of clarity about the sheer range of other parties that people may have "agreed" to share their data with. As a result, those who register with the TPS may still be subject to a barrage of nuisance calls. Perhaps most worryingly, the evidence from StepChange Debt Charity is truly chilling: one in three of its service users—people who are in severe financial difficulty—has received an unsolicited marketing call offering a payday loan. It is absolutely shocking that unsolicited marketing calls for high-risk credit are encouraging financially vulnerable households to spiral deeper into problem debt. Before seeking advice, 15% of people said that they went on to take out further loans, borrowing an average of £980. That is not all. People who have already taken out a payday loan are significantly more likely to be targeted by nuisance calls or texts for payday loans. According to a report by the Children's Society, 42% of people with a payday loan are contacted at least once a day, compared with only 11% of those who do not have a payday loan.

Chillingly, more than 1 million British adults say that they have been tempted to take out high-interest credit such as a payday loan as a direct result of an unsolicited marketing call or text. I urge the Minister to use his influence to persuade the Financial Conduct Authority to bring forward stronger rules to tackle the unsolicited marketing of high-risk credit products, such as payday loans. More must be done.

Following the Government's action plan and the subsequent *Which?*-led taskforce, which reported in December 2014, a series of recommendations for Government regulators and businesses focused on finding solutions that work within the existing legislative structure. That includes director level responsibility and also requiring businesses to show their numbers when they call. Ofcom wants all communication providers to stop charging for caller line identification display. Only BT and Virgin now do so, but it is hoped that all providers will make such a move following the forthcoming EU framework review.

Businesses need to make public commitments to tackling nuisance calls. It is also important that consumers have much greater control over their personal data. Indeed, it is essential that, if and when consumers give their consent to be contacted by companies, it is clear to the consumers that he or she is doing so and, further, that it is easy for the consumer to revoke that consent should they wish to.

Mr David Nuttall (Bury North) (Con): The hon. Lady is making a compelling speech on this subject. Does she agree that it would be very helpful if every time someone made such a call as this, they were required to say exactly how they had come by that information and on what basis they were relying on the consent of the person whom they were ringing?

Patricia Gibson: The hon. Gentleman makes an excellent point, and the Minister would do well to pay much attention to it.

Consumers are often targeted by nuisance calls, because, at some point, they ticked the box, or more commonly failed to tick the box. I am talking about a teeny, tiny box at the bottom of a page of tiny writing, which the consumer often does not even see. This gives consent to companies to contact them by telephone and pass on their personal details to third parties.

Let us not forget scam calls, the goal of which is to defraud consumers. Indeed, work done by some local authorities suggests that as many as 15% of nuisance calls to vulnerable customers are, in fact, scam calls. It is yet another sign that the consumer has very little control over their personal data. Who knows where the data can land as they pass through hands that are not always scrupulous.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): Does my hon. Friend agree that it is not only older adults who are at risk from these unscrupulous callers, but vulnerable people who have mental health problems or learning difficulties?

Patricia Gibson: Absolutely. A whole range of people in society need the protection of the law and tighter regulation in this area.

Mobile phone users have not escaped this plague. In fact, many mobile phone users are simply unaware that they can register their mobile number with the TPS, and only 3% have done so.

My own local authority, North Ayrshire council, is doing some excellent work to help protect vulnerable consumers. It has invested in 10 call blockers and, out of 32 local authorities in Scotland, it blocks the third highest number of nuisance calls. The call blocking device ensures that only trusted sources can get through and it stops nuisance callers in their tracks before the residents' phones have the chance even to ring.

[Patricia Gibson]

One consumer has had slightly more than 2,000 calls blocked in a four-month period. Although that is to be applauded, it is a disgrace that any one household would be subjected to such a barrage of nuisance calls.

Stuart Blair Donaldson (West Aberdeenshire and Kincardine) (SNP): With automated messages, my hon. Friend will be aware that one can often press 9 to remove oneself from the list. Does she agree that telling a cold caller to remove one's number from the list should be enough for them not to call anymore?

Patricia Gibson: Absolutely. The difficulty, though, is that a person's personal data are out there among a host of organisations that will further continue to pester them.

It is essential that the Government reconsider whether the rules about how our data are collected, used and traded need to be tightened. We must get the balance right between enabling decent businesses to carry out direct marketing activity when consumers have given their consent for their personal data to be used and preventing the abuse of their data by unscrupulous businesses. I also urge the Government to lead a cross-sector business awareness campaign to ensure that companies know their responsibilities as regards marketing calls and texts and to consider how future legislation could tackle nuisance marketing.

Martin John Docherty (West Dunbartonshire) (SNP): Does my hon. Friend recognise the impact of the charitable sector's cold calling on our communities? These discussions should also include the Office of the Scottish Charity Regulator and the Charity Commissions for England and Wales and for Northern Ireland to ensure that charities recognise their duty of care to the vulnerable and the elderly.

Patricia Gibson: My hon. Friend makes an excellent point. This should include all organisations that choose to use cold calling as one of their tools.

Senior executives need to be made more responsible for the actions of their companies. Although the Government have committed funding to an awareness campaign, more action is required and there is, in my view, an important role for the Financial Conduct Authority. It is time that the responsibility was no longer placed so heavily on the victims of nuisance calls and businesses who engage in this practice should be held more accountable for the genuine distress and anxiety they cause to consumers.

10.26 pm

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): I thank the hon. Member for North Ayrshire and Arran (Patricia Gibson) for calling this important debate on nuisance calls. It is interesting that in the previous Parliament, nuisance calls were raised a great deal by Mike Crockart, the then Liberal Democrat Member for Edinburgh West, who is sadly no longer in this House. Without wishing any disrespect to Mike Crockart, whom I miss on many levels, the hon. Lady's comprehensive and well balanced speech showed that the issue of nuisance calls has a worthy new champion from Scotland. Although she quite rightly called for further action, she acknowledged that there has been some action in the recent past.

Tackling nuisance calls is a priority for us. It is an issue that I have worked on for several years now and it is a very difficult problem to tackle. I echo what the hon. Lady said in her speech about the pernicious nature of nuisance calls to elderly or vulnerable people, who are much more likely to suffer from this plague as they are at home when the phone rings.

Carol Monaghan (Glasgow North West) (SNP) *rose—*

Mr Vaizey: I have barely started and already we are going to have additional contributions to this important debate.

Carol Monaghan: Does the Minister recognise that I get post from constituents, particularly elderly constituents, who talk about the vital link that is their phone being a source of anxiety and even about getting rid of the phone line from their home?

Mr Vaizey: That is exactly the point. For many elderly and vulnerable people, their phone is their lifeline. Not only are they at home and plagued by nuisance calls but, in many cases, they want to answer the phone as they do not know whether or not the call is important. They also obviously want to be able to use their phone as freely as possible to contact loved ones and additional support services.

That is why about two years ago I started to co-ordinate the action that was being taken in respect of nuisance calls, calling together the two regulators, the Information Commissioner and Ofcom, as well as numerous stakeholders, including the telephone companies and the internet service providers, and many charities and campaigning groups. Again, I echo what the hon. Member for North Ayrshire and Arran said in her excellent speech: we must strike a balance, and we should remember that underneath the plague of nuisance calls lies the legitimate activity of decent businesses, as she called them, wanting to make perfectly appropriate marketing calls and in many cases having the proper consent to do that.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): Does the Minister agree that more needs to be done to make sure that the default position on any marketing form, especially those online, should be that consent is not given unless it is actively selected by the person filling in the form?

Mr Vaizey: Consent is a difficult issue, which I will deal with later in my remarks. We keep the topic of proper consent under consideration. The issue of whether appropriate consent has been given, even though a person is registered with the Telephone Preference Service, is a classic example of why we need to keep the topic of consent under review.

We have considered many different aspects of the problem and how we can tackle it. We have looked at legislative and non-legislative issues which can make a difference. Early in the previous Parliament we increased the monetary penalties available to the regulators. The fine that could be levied by Ofcom increased in 2010 from £50,000 to £2 million, and in 2011 we allowed the Information Commissioner's Office for the first time to impose monetary penalties of up to £500,000.

We have improved the signposting for consumers, so much better information and cross-referencing is available on the Information Commissioner's website and the Ofcom website, and *Which?*, which has campaigned a great deal on the problem, provides a simple process. *[Interruption.]* The Opposition spokesman, the hon. Member for Newcastle upon Tyne Central (Chi Onwurah), is making comments from a sedentary position. If she wants to intervene at any point, I will happily give way to her.

Mr Speaker: The Minister should not encourage the hon. Lady in a parliamentary error, for it would be a parliamentary error for an Opposition spokesperson to intervene from the Front Bench in an end-of-day Adjournment debate—a fact of which I should have thought a constitutionalist such as the hon. Gentleman would be keenly aware.

Mr Vaizey: Having got good marks from you earlier today for a short answer to an urgent question, I now find myself back in your bad books, Mr Speaker. When you were shaking your head earlier, I thought it might refer to the quality of the hon. Lady's intervention. I am delighted to be corrected and informed that it was merely a constitutional shake of the head, rather than a verdict.

We moved quickly to ensure that Ofcom and the Information Commissioner's Office could share information with each other. Those rules came into effect in July 2014. This has enabled Ofcom and the ICO to collaborate much more effectively in the identification and co-ordination of efforts to tackle those who make unsolicited marketing calls.

Chris Philp (Croydon South) (Con): Last year my wife and I were involved in a minor road traffic collision, and for a year afterwards we were bombarded by calls essentially soliciting us to commit fraud by claiming to have suffered an injury which, in fact, we had not suffered. Will the Minister consider banning such outbound calls which solicit members of the public to make fraudulent claims?

Mr Vaizey: I certainly would not condone anyone encouraging anyone to make a fraudulent claim. That would probably be a crime, although I would not want to comment on the individual case that my hon. Friend raises. He points to another important aspect. One of the struggles that we have in dealing with nuisance calls are the numerous regulators that get involved. For example, the claims management regulator is responsible for payment protection insurance calls, which were generated when the PPI scandal broke, and as the hon. Member for North Ayrshire and Arran (Patricia Gibson) pointed out in her speech, the Financial Conduct Authority also has a strong role to play, so it is important that we co-ordinate with the various regulators involved in the issue.

In talking about co-ordination and the ability of Ofcom and the Information Commissioner to share information, I should stress that I am delighted that last month we made a machinery of government change—known as a MOG—to bring the Information Commissioner's Office into the Department for Culture, Media and Sport, so we now have both regulators within one Department. I am also delighted to say—this might raise even more of a cheer—that we have had a ministerial change. Baroness Neville-Rolfe, another Minister in the Department, is now formally responsible for the policy on nuisance calls, although obviously I will continue to answer questions on the policy in this House, because I take great interest in the issue.

Alison Thewliss (Glasgow Central) (SNP): The staff in my constituency office are bombarded with nuisance calls—sometimes up to 15 a day—from unscrupulous businesses trying to sell them things they do not want. Has the Minister considered the impact nuisance calls can have on small businesses?

Mr Vaizey: I think that small businesses can be impacted in exactly the same way that individuals can. Although we often focus in these debates on elderly and vulnerable people, and quite rightly, we should also remember that, as my hon. Friend the Member for Croydon South (Chris Philp) indicated, many people from every walk of life can be plagued by nuisance calls. That includes not only individuals, but small businesses, which is why it is so important to continue to tackle this nuisance.

The other key change we made this year was to lower the legal threshold for what constitutes a nuisance call. Previously we had the difficult situation in which a nuisance call had to cause significant harm and distress. It was often the case that even when the Information Commissioner's Office carried out enforcement action and imposed a fine, the company concerned appealed and was able to show with relative ease that their calls had not caused significant harm and distress. We have lowered that threshold, so it should now be much easier to take enforcement action and impose fines. Many hon. Members might say that, looking at the record, not enough has been done, but lowering the threshold should make it easier.

Ofcom has also introduced a new standardised approach to call tracing. That is now in routine use by the ICO and Ofcom, and it will be improved by the end of this year. We are also looking at how to make it more difficult for callers to use voice over internet protocol to facilitate an invalid calling line identification.

Peter Grant (Glenrothes) (SNP): Does the Minister agree that as well as the misuse of personal data, which my hon. Friend the Member for North Ayrshire and Arran (Patricia Gibson) referred to, there is an issue about how data are collected in the first place? I have noticed over the past year or so that it is becoming much more common when accessing services online—online is often the cheapest and most convenient way to access services, or indeed the only way—whether an obligation-free insurance quote or free wi-fi, for providers no longer to give the option to give consent. In other words, if a person does not give consent, they are not allowed to access the service. Have the Government any plans to legislate specifically against that nefarious practice?

Mr Vaizey: We are looking at the data protection regulations, and I am sure that we could look at the example the hon. Gentleman raises, which is not one that I have come across in detail. That is another reason why Baroness Neville-Rolfe now has responsibility for

[Mr Vaizey]

our policy on nuisance calls, because she is also responsible for data protection and work on the digital single market, so it is a coherent policy brief. *[Interruption.]* I am hearing more sedentary remarks from the hon. Member for Newcastle upon Tyne Central, who is nodding her approval at the effective work that the Government are doing in these areas. I am extremely pleased that she recognises how well the work is going.

Rachael Maskell (York Central) (Lab/Co-op): Although a lot of work is being done within the Department, the reality is that victims are still receiving numerous calls every night, which is having an impact on their wellbeing. A constituent wrote to me only last night, having received nuisance calls from half-past 8 in the evening right through to 11 o'clock at night. Should calls not be restricted, as my constituent suggests, to a limited window in the evening so that people are not interrupted for the rest of the evening?

Mr Vaizey: There are plenty of perfectly valid suggestions about how we can tackle nuisance calls. However, to be blunt, we are dealing with unscrupulous companies based both here and abroad who will stop at nothing to bombard consumers with these calls. Even if we did introduce such legislation, it would not stop the most unscrupulous companies. That is why it is so important, first, to be able to report these calls, and then to trace them. We will consult on calling line identification to make it absolutely certain that legitimate companies display their number when they call someone. We have worked with the Direct Marketing Association to produce a code of conduct to which companies can sign up. I am sure that any legitimate company that wants to carry out legitimate marketing activity would restrict its calls to what anyone in this House would regard as common-sense hours.

One reason we have seen this huge increase in nuisance calls is the use of technology that allows automated calling, so we need to combat that technology with our own technology. I was delighted that in the Budget before the election the Chancellor announced a £3.5 million nuisance calls budget. That includes the marketing mentioned by the hon. Member for North Ayrshire and Arran, but also a challenge fund to allow people to purchase call-blocking technology. We are looking at network-level solutions because we want to ensure that we can block some of these calls at source. Indeed, a company that has been in the news for all the wrong reasons, TalkTalk, has deployed network-level solutions that have blocked hundreds of millions of nuisance calls.

Rachael Maskell: Will the Minister define what he means by "common-sense hours"? I do not really know what that term means.

Mr Vaizey: I would not expect any legitimate company to call a consumer at 11 o'clock at night. We could debate this back and forth, but I will write to the hon. Lady about the work we have done with the Direct Marketing Association.

We have also worked with Ofcom on call tracing, helping to trace calls where calling numbers are withheld or disguised. Ofcom has now agreed a new standardised approach to call tracing across and between network providers in the UK and abroad, and that was implemented earlier.

I do recognise the concerns expressed by the hon. Member for North Ayrshire and Arran, and I am very pleased to see so many hon. Members in the House at this late hour to support her. We have worked on this through changing legislation and working with providers. I will continue to update the House on this. The nods and smiles from the Opposition spokesmen, the hon. Members for Newcastle upon Tyne Central and for Makerfield (Yvonne Fovargue), encourage me in my belief that we are doing the right thing and making an impact.

Question put and agreed to.

10.42 pm

House adjourned.

Westminster Hall

Monday 26 October 2015

[Steve McCabe *in the Chair*]

Term-time Leave

Steve McCabe (in the Chair): Mr Speaker has agreed that for this debate members of the public may use handheld electronic devices in the Public Gallery, provided that the devices are on silent. Photographs, however, must not be taken.

4.30 pm

Steve Double (St Austell and Newquay) (Con): I beg to move,

That this House has considered an e-petition relating to term-time leave from school for holiday.

It is a pleasure to serve under your chairmanship, Mr McCabe. I understand that this is your first time in the Westminster Hall Chair. It is my first time opening a debate here, so hopefully we can learn together.

It is a pleasure to open this debate on a controversial and unpopular policy that has provoked much public interest, as we can see from the number of members of the public present. The debate is the result of an e-petition calling for parents to be allowed to take their children out of school for up to two weeks for a family holiday; it has been signed by more than 120,000 people. I am leading the debate because I am a member of the Petitions Committee, but I also have a keen interest in the issue and have been campaigning about it for the past 12 months or more. I have been contacted by, and have spoken with, hundreds of parents, tourism-related businesses, charities and campaigning organisations about the issue. In my opening statement, I hope accurately to represent the views of all those people, while making it clear that I share those views.

To begin with, I want to make it absolutely clear that I support the aim that children should attend school regularly. Education is vital, but it is not the only important thing in a child's upbringing. Although I support that aim, I fundamentally disagree that telling parents when they can and cannot take their children on holiday is a job for the state.

During the election campaign, I became increasingly aware of the policy's detrimental effects; in my view, its wider economic and social impact outweighs the positive effect on school attendance. I represent the constituency of St Austell and Newquay in mid-Cornwall, and the policy's impacts are especially felt in Cornwall and other places that depend heavily on tourism. I will lay out three main reasons why the policy is wrong and counterproductive and why it needs to be reviewed.

We have heard an awful lot about fairness in politics over the past few years. My first reason is that, sadly, the policy is blatantly unfair to a number of groups. The first group are those unable to take a holiday during school holiday times, including many who work in tourism and other sectors. Many small tourism-related businesses in Cornwall are too busy to allow their staff to take a holiday during the peak holiday season; many are owner-run and have to make money while people are on holiday. People with such work cannot, therefore, afford to close and take a holiday themselves during the season. In fact, the introduction of the policy has made things even worse for tourism businesses because the season is now even more concentrated, into six or seven weeks of the school summer holidays. That places even greater demand on the businesses during the peak season and makes it even more difficult for them to allow staff to take a holiday.

It is not, however, only those who work directly in tourism who are affected; it is also those who work in the public sector in tourism areas. For example, our local police in mid-Cornwall have for many years restricted police officers' ability to take holiday during the peak season due to the increased demand for policing in the area. The policy effectively tells people who cannot take a holiday during school holiday times that they cannot have a family holiday, and that seems completely unfair.

The policy is also unfair in other ways—on people who cannot afford to pay for a holiday during the peak holiday season, for example. We all know that holidays taken during the peak season, whether in this country or abroad, are out of the reach of many families on low incomes; in fact, many families we would consider to be on middle incomes struggle to pay the peak season prices. There have been calls for the Government to intervene and bring some sort of regulation into the holiday market, but we have to accept that that is incredibly unlikely—we live in a free market economy and prices are set by supply and demand. But surely we can expect the Government not to introduce policies that make the matter worse, and it is worth noting that that is precisely what is happening.

The restriction on term-time holidays has had the unintended—I am sure—consequence of increasing demand during school holidays and pushing prices up during the peak season. Holiday resorts in Cornwall say that because there is greater demand during the peak weeks and they are also losing business during what we call the shoulder weeks, they are having to increase prices in the peak weeks to make up the difference. The cost differential between term-time and school holiday prices is widening. Far from helping the lower-paid to have a holiday, the policy is exacerbating the situation.

Another group that the policy is unfair to are the many families who rely on charities for a holiday. I have been contacted by a number of charities that have for many years taken groups of disadvantaged families on holiday during September. They do it then because prices are lower and they are often able to get a good deal on a holiday park during periods of lower demand.

An example close to my heart is an organisation called Cornwall One Parent Support. I have been involved with the charity right from its beginnings, almost 20 years ago, since when it has provided support for single-parent families, including taking them on a cheap, subsidised holiday in September. It has often taken groups of up to 40 families away for a week. The holiday provides a great opportunity for the parents and children to have a break, and experience a holiday they would otherwise never be able to enjoy. However, since the introduction of the policy, the organisation cannot run the holidays in the same way, as the families are prevented from taking their children out of school. The policy is unfair to a great number of families, and sadly it is the lowest paid and most disadvantaged who appear to be losing out.

[Steve Double]

I also believe that the policy is detrimental to family life. As a matter of principle, I do not believe that it is the role of the state to tell parents when they can take their children on holiday. Every child is unique, and it should be for parents to decide what is right and best for their child. Some parents will decide that the best thing is for their child to be in school at all times; others will decide that the benefit of a family holiday—the experience of travel, new cultures and meeting new people—is more beneficial than being in school for that week. It should be, however, for the parent to make the choice.

Steve Brine (Winchester) (Con): It is, of course, the state's right and responsibility to see that children get a proper education, and we know that being in school clearly leads to that. I do not think that the signatories to the petition are saying that taking children out of school for family holidays is an absolute right, and I wonder whether there might be a compromise to be reached for children in the early years of primary school—reception, year 1 and year 2. Would my hon. Friend suggest that the rules could be relaxed for those years?

Steve Double: I agree with my hon. Friend. The vast majority of parents—if not all of them—want a good education for their children. The issue is not about a competition between education and family; it is that many parents, including me, consider that family holidays and the experiences they bring are part of a child's education. One of the sadnesses of the policy is that it has pitted school and education against family, when we want them to work together for the benefit of the child and to do what is right and best for that child.

If we view education as just what takes place in the classroom, we rather miss the point; education needs to be about much more than that in a child's life. The point that my hon. Friend made about flexibility is absolutely right—we need some common-sense flexibility brought into this issue. Parents want their children to be in school regularly, and that is what the Education Act 1996 asks for. Let us not forget that the 1996 Act gives parents the option to home educate, which seems to be a bit of a contradiction given the application of the strict rules that I am discussing.

Many parents have contacted me on this matter. It is a widely held view that a child's upbringing and education are about more than what happens in the classroom. Clearly, formal schooling is a central and critical part of any child's education, but it is not the only important element. The breadth and variety of experiences that children can gain from travel can enrich and deepen their view and appreciation of the world. I know that from my own upbringing. The times when I travelled with my parents shaped and developed my understanding of the world in a way that the classroom teacher would never be able to provide.

There is a deeper, more concerning aspect of the policy's impact on families. The policy sends out the message that being in the classroom is somehow more important than being with their family, which is something I fundamentally cannot support. No matter how good a school or individual teacher is, being in school can never be more important, more valuable or more beneficial in a child's life than a positive and healthy family situation.

We all know that we are living busier and busier lives these days; the pressure and stresses of daily life put more demands on family life than ever before, so the time that parents have with their children is more precious than ever before. The benefit of that week or two away—away from the pressures of life and the domestic and mundane responsibilities of home—can be an oasis for any family, offering the opportunity to regroup, to refresh their relationships and to strengthen the family bond. I know the cliché is often used, but the quality time parents can spend with their children on a holiday can be one of the most positive things a child can experience in the madness of today's world.

Neil Carmichael (Stroud) (Con): I just wonder whether the weekend is not an option for families to spend some quality time together. The real danger of allowing parents to take their children out at any point during term is that it interrupts their time at school, in the classroom.

Steve Double: Of course, weekends can play a part, but I again make the point that for many parents, the weekends these days are full of a great deal of activity. That week away, where a family can get away from the pressures of life and concentrate on their time together, is valuable.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): On that point, in the broader sense we need to understand that many parents, such as those who work in our health service, work shifts and may have to be present during summer time. Not everyone can have their holiday at the same time, because we need to keep our health service running.

Steve Double: I absolutely agree. Gone are the days when our society was neatly packaged into the week and the weekend. The lines are very much blurred these days.

To reiterate the point, that week or two away from it all as a family cannot be replaced by the odd day here and there that parents may be able to get. If the choice for a family is a holiday during term time or no holiday at all, parents should have every right to decide that a family holiday would be more beneficial for their child than being in school for that week. I know from my many years as a school governor that the single most important factor in any child's life is a positive and stable relationship with their parents, along with the degree to which their parents are involved in their life and upbringing.

The policy is not only preventing families from taking a holiday together. I have been contacted by dozens of families offering accounts of how their children have missed out on family events as the school would not authorise them to miss a day or two. One family told me how their child missed out on seeing their cousin compete in a sporting world championship as their school said the cousin was not a close enough family member for the child to be allowed to go. A four-year-old was refused permission to attend his grandmother's 60th birthday celebrations as it would have meant taking the Friday off school to travel. I would welcome clarification from the Minister. My understanding of the 1996 Act is that there is no requirement to put children in school until after their fifth birthday. If a child is in school before their fifth birthday, do the strict rules apply to them?

The Minister for Schools (Mr Nick Gibb): I am listening carefully to the powerful speech that my hon. Friend is making. In answer to his question, once a child is registered at a school, he or she is subject to the same rules as children who are of compulsory school age.

Steve Double: I am grateful to the Minister for clarifying that point.

Other parents have told me of children missing out on scores of significant family celebrations. In fact, there seems to be a bit of confusion on what constitutes an exceptional case where headteachers are allowed to grant an authorised absence. Headteachers are being put in the impossible position of having to make choices about children attending family events—quite frankly, those are decisions that parents should be free to make. Headteachers have told me that even when they do exercise their judgement and authorise an absence, they then risk the spectre of Ofsted criticising that decision. Pitting family life against the classroom, as the policy sadly does, is one of its most regrettable aspects.

Nigel Huddleston (Mid Worcestershire) (Con): My hon. Friend makes some valid points that I have also heard in my constituency about the confusion over what constitutes exceptional circumstances, and he gave some good examples. Is he aware that 90% of those surveyed by the National Association of Head Teachers said that they would appreciate clearer guidance from the Government as to what constitutes exceptional circumstances? Perhaps that guidance might help.

Steve Double: I was aware of that survey. It raises the point that if the policy is to be continued—clearly, I hope it will be reviewed—there needs to be much greater clarity for headteachers on what constitutes exceptional circumstances. That especially needs to be applied to Ofsted, because I am hearing from headteachers that when they make a judgment call that they believe they are allowed to make and authorise the absence, those decisions are then queried at best, and perhaps criticised in other cases, by Ofsted. Parents want a constructive relationship with the school, where together they can decide what is right and best for the child.

My final point is on the policy's economic impact. I was disturbed to learn that no economic impact assessment was made before the policy was introduced. In fact, when the matter was brought before Parliament in March 2013 by way of a statutory instrument, the explanatory note stated:

"An impact assessment has not been provided for this instrument as no impact on businesses or civil society organisations is foreseen."

Unfortunately, that simply is not the case. The impact of the policy on the tourist industry, particularly in Cornwall, has been significant, as it has elsewhere in the country. Many tourist-related businesses are reporting a significant drop in revenue in the shoulder months of May, June and September, which used to be times when many families would come to towns such as Newquay to stay.

Scott Mann (North Cornwall) (Con): I have been contacted by the Federation of Small Businesses, which has highlighted the concerns of many hoteliers, retailers and businesses that are affected by the six-week period. Has my hon. Friend been contacted by the FSB?

Steve Double: I have not been contacted by the FSB, but I am grateful to the Newquay chamber of commerce, and to its chairman, Rachel Craze, who was the first person to bring this issue to my attention about 12 months ago and has helped me in liaising with businesses in Newquay to understand the significant impact on them. Only last year, Visit Cornwall produced a report on the Cornish economy that stated that Cornwall had lost an estimated £44 million as a result of the policy. Individual businesses have told me that their revenue for June this year was 40% down on what they had previously come to expect. Others have told me that they have had to lay off staff, reduce staff hours and cut back on stock purchases.

A tourist business cannot be run based on having only six or seven weeks' peak business during the school holidays. For most businesses, the shoulder months make the business viable. Some businesses are faced with the choice of having to stop catering for the family sector and completely shift their focus, or close.

It is also reported that owners of holiday lets are now changing to full residential letting because they simply cannot get enough lettings out of the holiday season. That reduces the capacity of the holiday trade in the peak season, and the knock-on effect is felt by surrounding businesses. The policy is damaging tourism in this country. As it was wrongly stated when the decision was taken that there would be no impact on business, clearly it should now be reviewed.

The policy is unfair; it undermines the place of the family and damages our economy. It is clear to me and many others that it needs to be reviewed. When the Government have been challenged on this matter, their response has been to say that headteachers have discretion. As has already been pointed out, there is a need for much greater clarity. Another suggestion from the Government was to allow schools to stagger their holidays, but I do not believe that would work. We have tried it in Cornwall. In some ways, it makes the matter worse, because if one school changes its holidays and another school nearby does not, and a parent has children in both schools, they simply end up with a childcare problem during a different week. Discussions have taken place on helping schools around the country stagger their holidays, but I do not believe that has come to anything. Perhaps the Minister can confirm where the Government are on that.

The petition calls for the Government to allow flexibility and to allow headteachers to grant up to two weeks' holiday per school year for a family holiday. We are not talking about a free-for-all or giving parents carte blanche to take their children out as and when they like. We are talking about parents agreeing in conjunction with the school when they believe it is right for them to take a family holiday. Headteachers need to be given flexibility to authorise a holiday. Most parents would accept that there would be times when it would be entirely inappropriate to take a holiday: in years 10 and 11, and perhaps in year 6 as well. There might even be times during the school year when the school could say it was not a good time to be away. We need a constructive relationship between the school and the parents, not the tensions that currently seem to exist.

The vast majority of parents simply want the right to decide for themselves what is right and best for their own children. As I said at the start of my speech, I do

[Steve Double]

not believe it is the role of the state to dictate to parents in the way that is happening, so I simply call on the Minister to review the policy. As no impact assessment was made when the policy was introduced, the Government should carry out an assessment now and consider the impact that it is having on the tourist industry and on family life. We should allow parents the right to bring up their own children in the way they believe is best.

4.55 pm

Scott Mann (North Cornwall) (Con): I welcome you to the Chair, Mr McCabe, and I thank my Cornish colleague, my hon. Friend the Member for St Austell and Newquay (Steve Double), for spearheading this debate. He has been instrumental in making the public aware of today's debate and the general debate in wider circles about allowing children to be taken out of school to go on holiday. As an MP for a key tourist destination, I know how the current policy is detrimental to my constituents and the economy of North Cornwall and of Cornwall as a whole.

There are various reasons why I support calls for allowing children two weeks off in term-time. First, I do not feel it is right for the state to tell parents when they can and cannot take their children on holiday, as my hon. Friend the Member for St Austell and Newquay said. As a parent, I would not do anything to negatively affect my child's education. However, I am also confident that were my child to come out of school for a holiday, she would have a broader understanding of the world and a memorable experience that she could take back and share with her classmates. I am confident that parents in my constituency would not do anything detrimental to their child's education; they could take them out and the educational trips would be mind-broadening.

When it comes to holidays, headteachers should regain the say over when pupils can go on holiday. The whole point of a headteacher is to run the school and remain accountable to parents, so why are we not giving parents the ability to choose and headteachers the freedom to decide? I can allude to one instance on Padstow 'Obby 'Oss day—a popular day for merriment in Padstow and in Cornwall generally—when a young person was denied leave to go out on a day that is so big for the area. Holidays and days off can be incredibly educational for children. Granted, children do learn a lot when they have high attendance in school, but two weeks' maximum is a drop in the ocean compared with the total amount of time that they are in school. Headteachers need to be able to use discretionary powers on holidays. A headteacher has a huge understanding of the importance of education for a child.

Mr Gibb: I have listened carefully to another very good speech. When my hon. Friend says that two weeks is a drop in the ocean, does he mean one two-week break in the whole 11-year or 13-year career of a child, or does he mean a two-week break every year?

Scott Mann: I would be flexible on that. We simply need to give parents the ability to take their children out of school at some time during those years. I am not a wealthy man. I cannot afford to take my child away on holiday year after year. If we can give people the ability to save up for holidays and have a week or a couple of weeks in the sun, they will benefit from that. If a child has been out of school for too long because of sickness or holiday, we should allow headteachers to say that it is not appropriate for them to take time out for a holiday, but if someone has high attainment records and has demonstrated that they are prepared to do some educational work when they are on holiday, they should be granted it.

We believe in a free market economy. When demand goes up, prices go up. However, it is wrong to deny families on lower incomes the opportunity to go on holiday simply because of a week's schooling. Schools need to embrace the fact that children go on holiday. They should encourage children to write diaries, take photographs and bring back souvenirs to show their school friends. Holidays are beneficial not only to them, but to their peers. What better way to learn about the world and its history or geography than to have a person in the classroom to illustrate the area they have been to?

The current policy of not allowing children to go on holiday during school time is also hitting the Cornish economy hard. It has been estimated that the west country has lost £87 million a year, with Cornwall seeing an 8% drop in visitors and revenue down by £44 million in 2014. We need that money to continue to invest in Cornwall's tourism economy to ensure that people remain in employment. I have many constituents who work in the holiday and tourism industry, and they need to work at the very time when their children are not in school.

Such a restrictive policy means that our tourism sector has to cater for a holiday season that sees huge volumes of people visiting my constituency over six weeks, but outside that time we no longer have huge numbers of people coming down. It is very frustrating and places huge demands on business owners over those six weeks. It also creates problems with the recruitment of seasonal staff and adds to congestion on the roads. A much more flexible approach would be to allow parents to choose to holiday before or after the summer holidays, which, in economic terms, would help us to extend the tourist season.

Parents need time out. They want to go away and make memories with their children. Why should we deny people that for the sake of a few days off school? Ultimately, I support the calls being made by fellow MPs and the 120,000 people who signed the online petition. Parents should be allowed to take their children out of school and go on holiday. I hope that the Minister understands my views and will consider changing the policy.

5.1 pm

John Pugh (Southport) (LD): I congratulate the hon. Member for St Austell and Newquay (Steve Double) on securing this important debate, which is not entirely about tourism in Cornwall—it goes much wider than that.

I declare an interest. I never took any of my four children out of school during term time. That probably had something to do with the fact that I was a teacher. My employer would have regarded it rather dimly.

There is a legitimate debate to be had about how much time a pupil needs to spend in school and how valuable that time is. In life there is always a trade-off between quantity and quality. The Minister can point to the fact that the Chinese spend more time in school than we do and make progress rapidly. We reach the same point, but they get to it somewhat earlier. University technical colleges have longer school days and their pupils make more rapid progress, although I do not know whether they get further in the long run. Against that we can set the example of the great public schools of England, which sometimes have ridiculously long summer holidays. If a pupil is in the cricket team, they are hardly in during the summer term anyway. Their results appear to be quite commendable, so we cannot draw general conclusions.

I am rather sad at the general perception that it is ultimately damaging to take children out of school at all times and on all occasions, except in very exceptional circumstances, which certainly do not include holidays. Most parents accept that school is valuable and important and want their child to be there. If they put in a request to take their child out for a time, they do so reluctantly. The Government struggle with this, but I think most parents are reasonably good judges of their own child's interests and that most requests are put in only at the margins of the school year. These days, pretty much all parents juggle their working life with school time. If their children are at multiple schools with holidays at different times, they find the task formidable.

What is to be done if a parent feels that it would be desirable and not too damaging if their child was out of school during term time? I suggest that the answer for the school and for parents is simply to allow flexibility, which was the generally agreed answer until quite recently. There are exceptional circumstances, which will sometimes involve holidays or other events of family importance. That, however, does not appear to be the view of the Department for Education and Ofsted, which seem to take the rather Gradgrind approach that a child should never miss an hour in school, otherwise the consequences might be fatal.

As I said, I was a teacher. I have not taught for 14 years now, but I had a fairly long teaching career. I have to say that not every hour in school is that educational. Towards the end of the summer term, when exams are done and people are tired, and when the days are hot and the pupils sleepy and looking forward to the summer, one cannot always say that time in school is absolutely precious and could never be forfeited under any circumstances. Equally, most holidays are educationally very productive. After all, that is why so many schools organise holidays. Strangely enough, they sometimes start such holidays towards the end of school time because they recognise the benefits they bring to pupils.

Children improve on holidays. They certainly improve faster on holiday than they do in the last few weeks of school. I recently had the benefit of taking all five of my grandchildren on a holiday to France for two weeks. We did not go around museums, nor did I lecture them about things such as French literature or test their maths, but they came back far more developed after two weeks away than they had after the previous term. I could actually see the difference. They are small children and the development that took place was there for all to see.

The Minister will undoubtedly say that there is an anxiety that for some children there will be some sort of tail-off in the summer. There is a tail-off among certain groups because of the long summer holidays, which some people see as something of an anachronism. Real holidays, subject to the headteacher deciding that that is what is taking place, are life-enhancing and educational. How would we distinguish between real holidays and school-shirking or lesson-skipping, which the Minister would legitimately fear? I do not have a clear answer to that, but I am certain that if we want to make that sort of judgment, it should be done not through the DFE or Ofsted, but based on local information. Local schools should be allowed to make their decisions. We certainly must not poison the relationship between the school, the parents and the child by imposing fines.

A common-sense solution is being urged, through the petition and eloquently by the Members who have spoken so far. I hope that the Minister, having seen some of the errors that the Government have made through their Gradgrind approach, will review the legislation and commend a more sensible regime to schools.

5.7 pm

Derek Thomas (St Ives) (Con): I thank my fellow Cornish MP, my hon. Friend the Member for St Austell and Newquay (Steve Double), for introducing the debate so well.

I fully understand the Government's intention behind the legislation on taking children out of school during term time. I am sure that every Member present and throughout the House understands the need to address absence from school and to reassure people that the education of their children in school is hugely important. I am glad to live in a country where education is free, good and easily accessible. We do not want to do anything to undermine that value and the priority given to education. It is fantastic that our children have the opportunity to go to school and learn and grow into young people who are able to enter the world of work.

I also understand how children being absent and not taking part in their normal class or group at school can affect the learning of the whole class and its progress over the school year. We are not trying to undermine the Government's intention to support schools in dealing with absence, and we recognise the contribution that children make to their class. Nevertheless, we are asking for change.

I too am a Cornish MP, and we have seen a huge problem in Cornwall. Part of the problem is how the legislation is interpreted. I have two small children in school. They have cousins of a very similar age, but their schools interpret the law differently. My children's school is very strict. I have to confess that I took them out of school without permission so that we could go to a family wedding. I needed to take them out on the Thursday to travel to a Friday wedding, and we were not permitted to do that. My children's cousins' school, however, regularly allows holidays and provides educational material for the parents to use while they are away. That different interpretation causes tension among schools and among families. Whatever the Government choose to do after this debate, they should provide clear guidelines to schools about their intention for the legislation.

[Derek Thomas]

I think something has been lost. Before the legislation and guidance on school holidays were introduced, schools worked very well on this matter. I took my son on holiday for a week away from school, and the school provided a stuffed toy—if I remember correctly, it was an elephant called Elmer, although I may be wrong about that. We were encouraged to take Elmer to different places during the holiday, take photos and send postcards back from Elmer. When my child went back to school, he was able to talk about the experience. The class discussed where Elmer had been and learned important and interesting things about each visit he made. That has been lost, because that can no longer happen.

I am glad that we have a former teacher here who is able to confirm that in parts of the school year, learning—certainly formal learning—drops off. I have done a lot of school assemblies and been involved with schools for probably 20 years, and I have often been frustrated, because there used to be a time in the school year, often after the SATs finished, when formal education changed and parents could take advantage of it to take their children on holiday. That is no longer allowed, yet some schools still have a more informal attitude towards teaching in the latter weeks of the summer term. There are good reasons for that, but it is a shame that parents are not allowed to take their children out of school during that time.

I am concerned because, although the Conservative party does not want to intrude on families—we often say that families know best—I believe that this legislation does so. Some families in Cornwall, as we have heard, are not able to take their children on holiday during peak school holiday time because of their jobs. They may work in the public services or run business that rely heavily on the school holidays for their income. By introducing this legislation, we have intruded on those families and told them that they are not able to take their children on holiday.

My hon. Friend the Member for Stroud (Neil Carmichael), who has left the Chamber now, spoke about weekend holidays, but that would not work in Cornwall because families would spend the whole weekend stuck on the A30, which would be a completely inappropriate and unfortunate way of spending their holiday. I therefore do not accept the argument that weekends can be used to go on holiday; that would not work. I have to travel for longer than any other MP to get here on a Monday, and we cannot assume that weekends are an alternative.

As my hon. Friend the Member for St Austell and Newquay said, the cost of taking a holiday during the school holidays is prohibitive for many families. Like my hon. Friend, my constituency neighbour, I come from one of the poorest areas in the country. Our average wage is considerably less than the national average.

That brings me on to the disruption to business. Businesses in my constituency have closed since the legislation was introduced because the owners are no longer able to run them all year round. The business they get in the summer, at half-term and even at Christmas is not enough for them to continue their work, so they have had to close their business and lay people off as a result. The impact on our local economy is considerable, and I am sad that the Government were unable to look at that before they introduced the current advice.

Last summer was phenomenal for the holiday industry in Cornwall. We had more visitors than we have had for many years. Our summer season has been compressed into the six-week school holiday period, and I do not know how long the holiday industry will survive in Cornwall, because the A30 was gridlocked pretty much continuously every day. If I travelled to Cornwall, using the precious holiday I have with my children, and got stuck on the A30, I do not know whether I would choose to do that again next year and the year after. The situation indirectly affects the potential of Cornwall's tourism businesses, because if people cannot go on holiday to Cornwall because of the increased traffic on the roads, they will choose to go elsewhere. The holiday companies that cannot operate during the summer will close, and the businesses that rely on the summer trade will lose business and may not be able to continue.

I urge the Government to look carefully at this issue. We are not asking for parents to be able to compromise their child's learning. We are asking the Government to look at the impact that this measure has on our tourism and family life. We seek an agreement that would allow holiday to be taken outside holiday time in a way that contributes to the child's learning. We are asking the Government to relax the legislation, not to backtrack on their good efforts to address habitual absenteeism. It is very important that we address the issue of parents who regularly take their children out of school for no good reason; we recognise that that has a detrimental effect on the classroom. However, we ask the Government to recognise that parents are able to complement their child's education with a school holiday. We need a change in the law, and schools need clear guidelines and absolute clarity about the Government's approach. All schools need to use the same guidelines for their children.

Melanie Onn (Great Grimsby) (Lab): Is the hon. Gentleman aware that the National Association of Head Teachers surveyed its members, and 90% said that they would welcome additional guidance?

Derek Thomas: That has already been discussed, but the hon. Lady is absolutely right to bring it up. The headteacher at my children's school would love the Government to say, "This is what we want from your school," and for Ofsted to reflect that in how they judge the school. I believe that an allowance of up to two weeks a year would not be detrimental if, as has been said, it is at a quiet time for formal learning. Children's holidays should be celebrated and made part of the learning of the child who goes on holiday and of the class, which, the following week, is able to look at where that child and Elmer have been.

5.17 pm

Dr Daniel Poulter (Central Suffolk and North Ipswich) (Con): It is a pleasure to serve under your chairmanship, Mr McCabe. I pay tribute to my hon. Friend the Member for St Austell and Newquay (Steve Double) for securing this debate and for raising the issue of the petition. I commend my other hon. Friends and hon. Members who have spoken for their thoughtful contributions. There have been a number of contributions, and the issues and arguments appear to me to be as follows.

Several points were made about the guidance given to headteachers on how to implement the regulations. Hon. Members discussed the potential impact on tourism

and the seasonality of work—in Cornwall, in particular, but also in other areas of the country with a tourist trade. Hon. Members mentioned the potential impact on public sector workers who may have their leave cancelled during those periods. Although that is certainly true during the summer holiday period, other holiday periods are available to public sector workers—I speak from experience. Hon. Members also spoke about the issue of affordability and the effect that inflated holiday prices during school holidays can have on certain families.

I want to talk about the educational case that underpins the current regulations. Although there are clearly concerns about the regulations, I will talk about why they are in place and outline some of the issues at stake. Fundamentally, they are about doing the right thing by children. There is clear evidence that absence from school is detrimental to school performance and leads to lower levels of attainment. Absence data from the academic year 2012-13 and previous years indicate that pupils with no absence from school during key stage 4 were nearly three times as likely to achieve five A*, A, B or C grades at GCSE. Even a small amount of absence from school can reduce performance. Indeed, 44% of children with no absence at key stage 4 achieve the English baccalaureate, which is the gold standard package of GCSE qualifications including English, maths and science. That figure falls by a quarter to 31.7% for pupils who miss up to 14 days of lessons over the two years that they study for their GCSEs—that equates to about one week per year.

There is therefore clear and well-established evidence that missing lessons equals lower achievement in schools, and that is why the policy is in place. The policy is well intended and is there to ensure that all children have a good education.

John Pugh: The hon. Gentleman is talking about absence generically, but the evidence clearly includes two sorts of absence: the occasional absence, which people talk about and has extenuating circumstances, such as holiday absence; and systematic, regular absence. Do the data show any difference? The data will show clearly—I am only guessing; he may correct me if I am wrong—that children who are underperforming because of absence are not those who are taking the odd week off in exceptional circumstances because their parents have asked, but children who are repeatedly absent for one reason or another throughout the term and the year.

Dr Poulter: The hon. Gentleman makes a good point. The data are generic—we know that there is a link between absence rates for all reasons and lower attainment at school. Of course we would expect pupils who are missing school regularly and not turning up for reasons such as truancy to do less well at school than those who attend regularly—there is other evidence to support that. That is the hon. Gentleman's point, but my understanding of the data is that, generally, higher rates of absence equal lower levels of attainment.

When putting regulations in place—perfect ones are difficult, but they are there for the right reasons—we need to look at something the Minister alluded to in an intervention on my hon. Friend the Member for St Austell and Newquay. Were we to facilitate routinely two weeks of holiday for pupils during term time, over a pupil's school career that would represent about 24 weeks of extra holiday in school time—almost half a year of extra holiday and of lost learning time being facilitated by law. That is not something that anyone ought to want to facilitate in Government regulation. Such a situation would clearly be detrimental to a child's development, future life chances and chances at school.

Regulations are difficult to make but there is a reason why they are in place. We have failed to discuss the level of discretion available to headteachers at the moment and I will come on to that. It is right to have given discretion to headteachers, who may look at the circumstances involved, but there might be an issue to do with refreshing some of the guidance. Perhaps the Minister will talk about that in his response.

The background to the legislation is that parents are not now able directly to authorise absence themselves; they must do so with facilitation from the headteacher. The initial framework of the regulations was put in place by the then Labour Government in 2006 and changed by the coalition Government in 2013. Under the new regulations, headteachers may not grant leave of absence during term time unless there are exceptional circumstances.

The matter is therefore one for the headteacher. A fine for an unauthorised absence is possible, but discretion has been given to the headteacher to look at the circumstances, and they have done so in a number of cases. Clearly, in our increasingly multicultural country—something we celebrate—different religions have certain celebrations at different times of the year. Certain schools and headteachers recognise that and use those exceptional circumstances of religious celebration to exercise their discretion.

We need to look at what we want in regulation—a duty that is in effect permissive, allowing such absence, or one that allows the headteacher to look at the circumstances, making it the rule that leave should not be given without exceptional circumstances? A permissive duty would in effect allow an extra half year of holiday and missed school in pupils' lives, so the legislation has probably come down on the right side of the argument: in support of the headteacher's having discretion.

Melanie Onn: I appreciate the hon. Gentleman's point about a permissive duty and the responsibilities held by headteachers. Is there not also a substantial argument to support headteachers' being given guidelines to allow for consistency, as the hon. Member for St Ives (Derek Thomas) mentioned? Should there not be an enhanced framework to support those headteachers to make such decisions and to make things a bit clearer across the board?

Dr Poulter: I completely agree. The hon. Lady mentioned earlier how a number of headteachers are confused about what circumstances they may consider exceptional. My hon. Friends have made similar points. Given a survey of teachers that indicates concerns about how to act and how to interpret the regulations, there is clearly something that to be said for the need to refresh the guidance so that teachers have clearer guidelines. I am sure that the Minister will address that in his remarks.

Councillor Roy Perry, chairman of the Local Government Association's children and young people's board, said:

"The current rules tie families to set holiday periods."

He added that the system does not easily define what

"would class as a special occasion",

[Dr Poulter]

and does not take

"into account a parent's work life"—

a point made earlier in the debate. I believe that headteachers would benefit from clearer understanding and guidance to inform their decision on exceptional circumstances.

The other issue raised in the debate was about having staggered school holidays, which touches on a number of matters, including the business concerns. The regulations apply to England, but I was recently fortunate enough to visit Scotland, where there are clear differences in school holidays between neighbouring areas—for example, Fife had a longer October break than Edinburgh. Such flexibility might be desirable and deal with some of the concerns. That needs to be looked at.

Making legislation and regulations can be difficult. The balance is on the right side in this case, which is not actively to facilitate school-time absence, but to make it an exception, although guidance could do with being looked at. The answer might lie in clearer guidance, or in a degree of staggered school holidays. Clearly and fundamentally, we need to look after the children. Better guidance for headteachers would be better not only for the headteachers themselves, but for parents, in enabling them to understand the benefits of the policy. The policy is designed to help children receive a good education and to provide them with the best possible start in life.

5.28 pm

Michelle Donelan (Chippenham) (Con): I echo the gratitude expressed to my hon. Friend the Member for St Austell and Newquay (Steve Double) for introducing a debate that carries the British public with it. There is considerable support for his opinion among my constituents —the issue cropped up regularly on doorsteps during the election and has reached me subsequently in correspondence and in surgeries.

The existing situation is simply not fair. The changes in September allow headteachers to have discretion over emergency circumstances, but the term is subjective, so different schools judge those circumstances differently. One family in my constituency who had been through a traumatic time requested two weeks away together to get over their personal loss. They were not given that. In fact, they were fined, despite the fact that they promised, and did, keep up with their children's primary school education while away. In other areas, I hear of cases where children were granted permission in similar circumstances. That seems unjust; it seems that in effect we have created a postcode lottery situation.

I have two primary concerns. First, why is so much money and administration being used to fine those parents who are not really neglecting their children's education or enabling truancy? Should we not be targeting those resources on those actually abusing the system and damaging their children's education and chances?

Secondly, the policy punishes servicemen such as those who work at MOD Corsham. They often work inflexibly and can be deployed during school holiday time; their leave periods may not align with the school holidays. It also punishes the hard-working families whom we were elected to represent, especially those on low incomes who simply cannot afford to go away during the holidays.

The Department stated that it is not denying any family a holiday, but the reality is different, because poorer families are denied that chance. For what? To stop them from travelling? We must not underestimate the value of travel. Different places, cultures, customs, activities and people all enrich and enhance a child's education. They also enable children to be more tolerant and help produce well rounded individuals. We must ask ourselves whether that is also an educational objective. The issue is not just about grades.

I question the key argument the Department gave in its formal response to the petition, which was that taking children out of school during term time lowers attainment levels. That is true, but the figures used in the response were based on children who were absent for 15% to 20% of the time, or primary schoolchildren absent for 31 days. The petition does not suggest 15% to 20% absence; it discusses a period of just two weeks.

The figures indicate that less than two weeks' absence can affect GCSE students, so surely it would be best to introduce changes just for primary schoolchildren. That would ensure that no time was taken during exam periods and when work is harder to catch up on. Primary school work can be done easily while away—it is easier to keep up. I do not suggest that children should be allowed to take two weeks off without parents ensuring that they keep up to date with their work, but I would like to see a much more flexible system.

To make our education system less rigid and more understanding would enhance the relationship with parents. Education relies on parents and guardians—in fact, they are vital. The current law creates a "them and us" mentality, which is the polar opposite of the ethos of "from school to home", a partnership between parents and teachers. There needs to be much more trust and flexibility. We can introduce a change that is logical and fair, which could be just for primary school level. However, what we must not do is continue with a system that punishes hard-working families and alienates parents.

We must not also forget that this concept can easily be blown out of proportion. We are talking about two weeks to offer children, especially those from poorer backgrounds, an opportunity to have time with their families and be enriched.

John Pugh: The hon. Lady made a good point about 15% to 20% absence. Is she familiar with the DFE report that said:

"The proportions of pupils achieving the expected level stay relatively similar for increasing levels of absence due to authorised family holidays, religious observance and study leave"?

In other words, leave makes precious little difference when we are not talking about 15% to 20% absence.

Michelle Donelan: I thank the hon. Gentleman for that. We need further studies on the value of travel and family time. We need to look at the reason for absence.

We must not blow the petition out of proportion. It is only about two weeks' absence. That is two weeks to offer children, especially from poorer backgrounds, the opportunity to have time with their family and be enriched. As a member of the party that stands for hard-working families and opportunities, I see that proposal as not only the best thing to do, but the right thing to do.

5.35 pm

Nigel Huddleston (Mid Worcestershire) (Con): It is a pleasure to give my first Westminster Hall speech under your chairmanship, Mr McCabe. I pay tribute to my hon. Friend the Member for St Austell and Newquay (Steve Double) for taking the lead in the debate. The fact that the e-petition has been signed by more than 120,000 people shows the strength of feeling on this subject and the success of the e-petition experiment.

Although I fully support the intent and gist of the e-petition, I have a little concern about its wording, like other hon. Members. To allow all pupils two weeks off would cause chaos and disruption in our schools. I am concerned, as was mentioned earlier, that that could be interpreted as giving a carte blanche entitlement of two weeks off to all parents across the country no matter what the circumstances. I suspect—this is the feeling I have got from the debate—that we are really asking for flexibility, and for headteachers to be given the discretion to decide.

Hon. Members have also mentioned the lack of clarity about exceptional circumstances versus special circumstances, and I think we all agree that further guidance would be appreciated. I am sure we are all interested to hear what the Minister will say about that later on.

The reason why the tighter rules were implemented in the first place was to tackle the burgeoning problem of truancy, partly caused by the persistent and deliberate flouting of the previous rules by a small minority of parents. Truancy was allowed to get completely out of control—so much so that, between autumn 2009 and spring 2010, pupils missed 46 million days of school. That was clearly not acceptable, which is why I support tight regulation, but there is a need for greater flexibility and local discretion when parents truly have no other options.

Like my hon. Friend the Member for Chippenham (Michelle Donelan), I have heard cases of people who work in the armed forces, and it will be no surprise to colleagues who represent constituencies in the south-west that I am concerned about the tourism sector in particular. The situation does not just affect coastal towns and the south-west. I represent Mid Worcestershire, with no coast whatever, where this is an issue as well.

Support for the tourism industry is pivotal, because it is a hugely undervalued sector. Since 2010, one in three new jobs has been in the hospitality, leisure and tourism sector. Tourism contributes £127 billion to our economy and employs more than 3 million people, and that number is growing. This issue will therefore inevitably get bigger, because as more people work in the sector, more people will be affected. It is no exaggeration to say that those who work in the sector are among the hardest-working people in the country, and that is never more the case than during the school holidays, and particularly the summer break.

According to a 2014 study by the Centre for Economics and Business Research, proportionately more people are self-employed in the travel and tourism sector than in the economy as a whole. Many of those people are small business owners running bed and breakfasts, restaurants and shops, and of course many of them will have families.

It goes without saying, therefore, that we would not expect those who work in the holiday industry to go on holiday during their busiest time of the year—we would not expect accountants to go away in the run-up to the tax return deadline in April, a florist to take time off before Valentine's day or anyone in the retail sector to take a break in December. In most cases, those who run businesses in the tourism sector simply cannot have holidays in late July and August, at Easter, during most half-terms or at Christmas.

It just so happens that the tourism sector's busiest time is almost every other sector's downtime. Many who work in the tourism sector are therefore not able to take a family holiday during official school holiday times. They are effectively penalised simply because of their choice to work in that sector. I therefore sincerely hope that flexibility and common sense will prevail. I look forward to the Minister's response.

5.39 pm

Peter Heaton-Jones (North Devon) (Con): It is a pleasure to serve under your chairmanship, Mr McCabe. I congratulate my right hon. Friend—*[Interruption.]* I was pre-empting the obvious result of what is happening today. I congratulate my hon. Friend the Member for St Austell and Newquay (Steve Double) on securing the debate. I agree with a vast amount of what he said, and I suspect that the only thing we will disagree on is my view that North Devon is clearly the best place to spend a holiday.

There is a serious issue prompting me to speak in the debate, and it concerns the importance of the tourism sector in my constituency. On some measures, one in six of all jobs in my constituency depend directly or indirectly on the tourism sector. It is a vital driver of the local economy, and many families work in it. It is out of the question for them to take their family vacation in the school holidays. It is their busiest time; they have to be at work. The introduction of the new guidance in 2013 meant that many of my constituents faced a double whammy—not only their business but their family life is suffering.

That is not just my point of view. I have received, as many colleagues have, a number of emails and letters from constituents who share those concerns. I shall quote a small sample, because they say better than I could what the unintended consequences of the 2013 guidance notes are. One constituent writes:

"I operate a small bed and breakfast business in Woolacombe"—

which is a great place to spend a holiday. He says:

"To date, this year is proving a disaster (with the exception of the school holidays); our family rooms are being left unoccupied…Something needs to be done! Please air the views of the thousands of small operators, in the forthcoming…debate."

Another correspondent writes:

"We feel strongly the negative effect this legislation has had on our seasonal business in Mortehoe"—

another fantastic place in North Devon in which to spend a holiday. They say:

"Our season is shorter and therefore harder to earn enough for the winter months. Also as parents we are penalised in high costs of…holiday charging by travel companies"

during school holidays. Another constituent writes that "as a seasonal business", the regulations have had

"a negative impact on us; overall we have not been as busy whilst at the same time our peak busy periods have been more frantic,

[Peter Heaton-Jones]

due to many more…bookings, making it harder to staff, manage and run a seasonal business…This has meant a reduction in profits and a reduction in staffing."

Put bluntly, the guidelines are harming employment in north Devon's vital tourism sector.

I want to quote a few sentences from a final, longer email, from a gentleman who says that he is writing because he runs

"an outdoor pursuits company which relies on the tourism industry"

and because he is the

"father of a 7 year old, who would like to spend more quality time with her Dad."

He says that the situation has had

"a major effect on myself, my colleagues and lots of my friends that work in the emergency services…we are really struggling to spend time with our children",

and the guidance only makes things worse. That is a small sample of the emails and letters I have received, and I am sure that colleagues will have had much the same.

I am sure that, as others have said, the intent of the 2013 guidance was good. Of course we should encourage parents to ensure that their children attend school, but I question some of the assumptions that led to the issuing of the guidelines. To delve further, I have dug out the 2013 explanatory memorandum. Much is made of the guidance and advice received by a respected adviser, Charlie Taylor. He was then the Government advisor on school behaviour, and he issued guidance in 2012. The explanatory memorandum to the Education (Pupil Registration) (England) (Amendment) Regulations 2013 and the Education (Penalty Notices) (England) (Amendment) Regulations 2013 said:

"Charlie Taylor noted that if children are taken away for a two-week holiday every year and have an average number of days off for sickness and appointments, then by the time they leave school at sixteen"—

across their whole academic career—

"they will have missed a year of school."

It is never the intention of any parent who takes their child away to do the same thing year after year for all 13 years of their child's academic career. That advice is unfairly burdening parents with a view that they simply do not take. If the Government made their 2013 decision on the basis of it, I ask them to look at it again. I do not think any parent intends to take their child away for that length of time every year.

The word "flexibility" has been mentioned, and there has also been mention of interpretation. That is what it all comes down to. Schools and parents have been misguided in interpreting the arrangements to mean that there is no flexibility. Clearly there is an intention of flexibility in the guidelines. I am sure the Minister will confirm that it was not intended that schools, teachers, headteachers and local education authorities should be told there was no flexibility at all. We need to get the message across to them and to governing bodies; I was a school governor myself. They need to understand that they have flexibility, which is built into the system but which they do not take advantage of at the moment.

Steve Double: Would my hon. Friend add Ofsted to that list? I believe that part of the problem is that at times Ofsted takes a much more legalistic view of the guidance than headteachers do.

Peter Heaton-Jones: My hon. Friend makes his point powerfully, and I am sure the Minister will have taken note.

I hope that one other result of airing the issue today will be that holiday companies will be shamed into not charging such vastly inflated prices during school holidays. I have done a little work and will cite just one example of what has been widely reported in the media. A package holiday to Spain for a family of two adults and two children cost £1,300 if it began on 14 July; but if the same holiday—with identical flights and accommodation—began just two weeks later, when the school holidays had begun, it was a shade under £2,000. That is a 60% mark-up. That would not be allowed in any other retail business, and up with that we should not put.

There is one other reason why I am very pleased that my hon. Friend the Member for St Austell and Newquay secured the debate, and it has been mentioned before: in my view, the best people to decide what is best for children are not the Government, politicians or MPs. They are the parents. If the parents decide that it will do their child good to take them out of school for a few days to go on a family holiday, they should be given the right to do so without being penalised.

5.48 pm

Sitting suspended for a Division in the House.

6.3 pm

On resuming—

[Mr David Hanson *in the Chair*]

Peter Heaton-Jones: Mr Hanson, it is a pleasure to serve under your chairmanship for the remainder of the debate. That was a quick reshuffle.

Before the Division bell rang, I was talking about the belief that the best people to decide what is best for children are not politicians, Ministers or Members of Parliament, but parents. I fundamentally agree with that, but there must be a compact—a deal—between parents and teachers. Teachers also have an extraordinarily important part to play in this equation. Many headteachers get the point that I and many hon. Members on both sides of the debate have been making, which is that some flexibility is already built into the system, but for some reason, many people do not realise that they are able to make flexible decisions, or they just need the certainty of an assurance.

I was very pleased to welcome to Westminster, 10 days ago, a group of children from a primary school in my constituency. I had this discussion with the headteacher, and she absolutely got it; she said to me that she uses the flexibility that she has, which is built into the system, to allow children to have authorised absences from school for a few days at a time for a good, worthwhile and valuable family holiday. She is one headteacher who does that, and I would be very pleased to work with the Minister, in whatever way would be appropriate, to make sure that all headteachers of all schools understand the situation. Through no fault of their own, there is unfortunately a gulf in some headteachers' understanding of what they are allowed to do at the moment.

I want to work to ensure that all teachers understand the true position, because teachers in North Devon, and indeed throughout our country, do absolutely fantastic

work. I do not want to do anything to make their life any more difficult than it already is, and I understand the arguments about lesson planning and teaching having to be changed as a result of some children taking time off, so we need to work together on this one. However, let us ensure—I am sure that the Minister will address this point—that headteachers know that they have the flexibility.

It is absolutely right, of course, that the Government have a duty to encourage parents to ensure that their children have full academic attendance and a full school record, but it is a matter of how that is enforced. There must be some carrot and some stick, and my fear is that with the 2013 guidelines, the balance has shifted rather too much towards the stick approach, which I do not think is valuable or helpful.

I conclude by saying that I am sure the regulations were well intended. My fear is that there are unintended consequences that perhaps could not have been foreseen at the time—although we could argue that maybe they should have been—and they are having a serious impact on families in North Devon, whose only crime is to want to take a holiday when they can, at a reasonable price, because they believe it will be good for their children in the long run and because they want to have quality time with their children. It is a well intended piece of guidance, but I fear that in its interpretation, and in the lack of flexibility that is being applied to its interpretation in some quarters, it is having unintended consequences. I hope I can work on that with the Minister to try to put it right.

6.7 pm

Corri Wilson (Ayr, Carrick and Cumnock) (SNP): It is a pleasure to serve under your chairmanship for the rest of this debate, Mr Hanson. I also thank the hon. Member for St Austell and Newquay (Steve Double) for introducing the debate; excellent points have been made throughout it.

The petition was brought about as a result of regulations that were first laid before Parliament on 4 April 2013. They went through Parliament on the nod, but fortunately constituents have a mechanism through which they can express concerns. Once again, we have to commend the e-petition process for bringing constituents closer to the workings of Parliament. It is a far cry from the modern processes in Holyrood—but I will leave the intricate details of modernising this House's parliamentary procedures to more experienced Members.

Making sure pupils are included, engaged and involved in their education is fundamental to achievement and attainment in school, and ultimately to the economic prosperity of both the child and the nation. It is important that schools and parents continue to do all they can to ensure good attendance. We know that the impact of non-attendance at school and non-engagement with learning significantly increases the likelihood of young people leaving school and not going on to further education, employment or training.

I appreciate the concerns that many parents have about the rising costs of package holidays as soon as schools shut down for the summer. That is why the Scottish Government back the lowering and eventual scrapping of air passenger duty; it will benefit thousands of families across Scotland and allow cheaper holidays during school holidays. However, it is not only the tour operators who capitalise on the sudden demand created by a six-week window to spend time with our children; suddenly, we see the cost of car hire, holiday parks and recreational facilities all jump for the holiday. As we have heard, we must recognise that modern living is complex. The value of a family holiday should not be underestimated, whether taken at home or abroad.

In our busy modern world, families need to make a concerted effort to make time for one another. The days of workplaces closing down for trades fortnights are long gone, and many families shuffle shift patterns and annual leave to cover school runs and the various school holidays. Many mums and dads are like ships that pass in the night, juggling work commitments and childcare. Cost is not always the main factor when parents are making decisions about withdrawing their child from school for some family time. As has been mentioned, it should be noted that holidays can sometimes in themselves be a learning experience. The categorisation of most term-time holidays as unauthorised absence has been a contentious issue for some families. If we have no control over the pricing decisions of holiday companies or flight operators, our main focus must be to encourage parents and pupils to recognise the value of learning and the pitfalls of disrupting learning for the pupil, the rest of the class and the teacher.

It is for schools and education authorities to judge what sanctions, if any, they wish to apply to unauthorised absence due to holidays. I hope that common sense would prevail in those circumstances. Family holidays should not be recorded as authorised absence except in exceptional domestic circumstances, where a family needs time together to recover from distress or where the nature of a parent's employment means that school holiday leave cannot be accommodated—for example, when parents are in the armed services or, indeed, when parents spend their weekdays here in Parliament, where English school holidays are accommodated but Scottish school holidays are not.

The Scottish Government are not keen on parents taking children out of school during term time. Their attendance guidelines say that schools will not normally give permission unless there are exceptional circumstances. In Scotland, local authorities hold the power to act against parents. As has been mentioned, regional variations can work. It should be for local authorities and schools to judge when those circumstances apply and authorise absence accordingly. It is a concern that in the last academic year alone, more than 50,000 penalty notices were issued in England because of children being taken out of lessons for trips. The areas with the highest number of penalty notices include some of the most deprived in the country. We need to ask ourselves this question: do we really want to be causing additional hardship to struggling families who merely seek a better work-life balance?

6.11 pm

Nic Dakin (Scunthorpe) (Lab): It is a pleasure to serve for the first time in a debate under your chairmanship, Mr Hanson. This has been a lively, interesting, timely and useful debate. First, I thank the campaigners and petitioners whose efforts led to this debate in Westminster Hall today. People feel passionately about this issue, and it is right and proper that we spend time thinking through how best to respond to the heartfelt concerns

[Nic Dakin]

of people who feel that the current Government's policy on term-time holidays has been detrimental to their family life or their relationship with their children's school.

I know from personal experience of running a college that there is a strong relationship between attendance and achievement. That is why education maintenance allowances were so transformational in impacting on students' performance; they incentivised attendance and thereby transformed attainment. It should go without saying that all children should aim for 100% attendance and that any absence from school is to be regretted and therefore discouraged. That is why I applaud all those children up and down the land who are achieving high levels of attendance and why headteachers and their teams should be congratulated on the work that they do day in, day out to encourage and celebrate high levels of attendance.

However, this is not a simple issue. Would that it were. It is rather complicated. That is why it is helpful that we are having this debate today. A pretty tough approach to attendance was in place up to September 2013. That gave headteachers the discretion to allow up to 10 days' absence from school if they felt that the circumstances warranted it. I have not seen any evidence to demonstrate that headteachers were failing to use that discretion effectively. After all, headteachers are pretty hard-headed individuals who are well aware of the relationship between attendance and achievement. They know the families and parents of their pupils better than any Secretary of State and are capable of using discretion sensibly. They are accountable to their communities through published results and Ofsted inspections. It is not in their interests to abuse the discretion entrusted to them. The hon. Member for North Cornwall (Scott Mann) was right to underline in his contribution the importance of headteachers in this decision-making process.

There was a very useful and interesting exchange between the hon. Members for Central Suffolk and North Ipswich (Dr Poulter) and for Southport (John Pugh) on the relationship between types of absence and impacts on achievement—how the impact on achievement depends on the type of absence. The hon. Member for Central Suffolk and North Ipswich is undoubtedly right to say that there is a relationship between longer periods of absence and an impact on performance. However, the hon. Member for Southport was right to remind us of the evidence published by the Department for Education in 2011. That analysis of performance at key stage 2 concluded that the likelihood of pupils achieving the expected key stage 2 level differs greatly not only according to the amount of absence accrued, but according to the different reasons behind the absences. The proportions of pupils achieving the expected level stay relatively similar for increasing levels of absence due to authorised family holidays, religious observances and study leave. However, long-term absences due to exclusions or illnesses tend to be associated with significantly lower proportions of pupils achieving the expected level.

The policy existing up to 2013 appears to have changed, as the hon. Member for North Devon (Peter Heaton-Jones) said in his helpful contribution, after work by the Government's expert adviser on behaviour in his review of attendance. However, that review looks primarily into the issues around serious and persistent absence, does not appear to have drawn on evidence from parents or children themselves and contains no reference to academic sources.

The hon. Member for St Austell and Newquay (Steve Double), whom I commend for getting the debate off to a very good start, made the telling point that when the statutory instrument was considered, the impact assessment basically said that there was no impact, although we have heard in contributions by hon. Members from across the House and particularly from St Ives and other parts of Cornwall and Devon that there is a clear impact that they can observe in their communities and that information on that has been shared with them.

I first became aware of the change in policy and the difficulties that the change was causing when I was contacted by a local primary school headteacher who was concerned about a letter that she had received from North Lincolnshire Council stipulating the following:

"The amendments from this month make it clear that head teachers may not grant any leave of absence during term time unless there are exceptional circumstances. Unfortunately, there is no definition, nor are there any examples provided, in relation to exceptional circumstances. However, the word 'exceptional' would imply that leave in term time should be granted only on rare occasions where the head teacher believes this is justified."

I took the matter up with the then Under-Secretary at the DFE who is now the Secretary of State for Environment, Food and Rural Affairs. She wrote back to me to say:

"We changed the regulations because it was necessary that we addressed the widespread misconception about term time holidays. Over the years, some schools and parents interpreted the previous law to mean that parents were entitled to two weeks holiday during term time. This led to some pressure on headteachers to grant holidays during term time. This led to some parents booking holidays when it was convenient and putting pressure on headteachers to grant their request to take their children out of school. There was never an entitlement for parents to take their children out of school during term for a holiday, and this has always been at the discretion of the headteacher."

The hon. Member for Mid Worcestershire (Nigel Huddleston) was right to underline the fact that there should never be any sense of entitlement to time off. Of course that would be completely wrong. However, I have never picked up from headteachers that there was ever any sense of that under the previous regulations; nor have I seen any evidence to support the contention in this letter, which goes on to say:

"Headteachers will retain this discretion to grant leave, but they may only do so in exceptional circumstances. Headteachers must consider each request on its own merits."

Everything hinges on the interpretation of "exceptional". Is it exceptional, if parents work in industries in which access to holiday is severely limited—as we have heard, that is the case in the tourism industry in Cornwall and Devon, for example—and does not match the child's holiday time, for the child to miss some school time to access a family holiday? Is it exceptional to attend the funeral of a family member? Is it exceptional to attend a family wedding? We could go on asking such questions ad nauseam. The Minister is smiling; I am sure that he has thought of even more questions.

It is clear to me that no headteacher worth their salt would encourage children to take time off—quite the opposite. Such a headteacher knows the relationship between attendance and achievement and wants all their children to achieve 100% attendance. The change

in rules has meant that headteachers have less discretion than they had, however, and they were initially less confident about how to apply the changed regulations. That has led to an increase in situations in which headteachers and parents have come into conflict, as we all know from our postbags. In some circumstances, it may well have resulted in families being unable to respond to a family situation as constructively as they would have wished. In other circumstances, it has clearly resulted in a rise in truancy with parental support, which is a very bad thing.

Among the 98 councils that responded to a recent survey about the number of fixed penalty notices issued, there has been a rise from 32,512 in 2012-13 to 62,204 in 2013-14 to even more last year. These statistics are of concern, because they represent a growing problem with school attendance that needs to be addressed. Parents being lured into thinking of going on holidays in term time for no other reason than the availability of better deals from holiday companies does not represent a good reason for a headteacher to use any discretion they have, and it is certainly not exceptional circumstances. Any request from parents to take advantage of cheap deals should be firmly rejected under whatever regulations are in place. However, some scrutiny should fall on holiday companies, as hon. Members have said strongly during the debate, to encourage them to look again at their pricing mechanisms. They should not be, inadvertently or otherwise, encouraging truancy.

Schools, parents and children themselves want children to achieve their very best. All the evidence shows a strong relationship between attendance and achievement, but the subject is complex. As the hon. Member for Ayr, Carrick and Cumnock (Corri Wilson) emphasised in her perceptive contribution, real people lead complicated lives with complicated relationships. Headteachers need the discretion to use their knowledge of children, families and parents to make the right decisions to maximise achievement while supporting families.

Given the high level of concern expressed in the petition and echoed in the debate, it would be helpful if the Education Committee—I saw its Chair, the hon. Member for Stroud (Neil Carmichael), here earlier in the debate—were to undertake a thorough inquiry into the evidence on attendance policy. The Committee could look at how the policy operated prior to September 2013, and at the impact of the changes that were made at that time. As my hon. Friend the Member for Great Grimsby (Melanie Onn) pointed out, the National Association of Head Teachers surveyed its members on the matter, 90% of whom said that they would welcome more detailed guidance from Government on what constitutes exceptional circumstances. Is the Minister considering developing and issuing such guidance? Does he agree that the recent decision by magistrates has driven a coach and horses through the Government's approach to term-time holidays and school absence? What conclusions does the Minister draw from that, and what action will he take to remedy the situation?

Finally, we all know how important family holidays are, and it is invidious that price hikes during the school holidays make family holidays unaffordable for many. What has the Minister got to say to holiday companies who put parents in such a difficult position by hiking up prices by thousands of pounds, as we have heard in the debate, during the school holidays?

6.24 pm

The Minister for Schools (Mr Nick Gibb): It is a pleasure to serve under your chairmanship for the very first time, Mr Hanson. I congratulate my hon. Friend the Member for St Austell and Newquay (Steve Double) on securing this debate on a subject that is close to his heart. We met in July to discuss these very issues. I also thank the Family Holiday Association and the Parents Union for their briefing on the matter.

I am pleased that this debate gives me the opportunity to set out the Government's position and to hear other colleagues' views. We have had an interesting debate, with powerful speeches from my hon. Friends who represent some of the most beautiful parts of the country, including my hon. Friends the Members for Chippenham (Michelle Donelan), for Mid Worcestershire (Nigel Huddleston), for North Cornwall (Scott Mann), for North Devon (Peter Heaton-Jones), for Central Suffolk and North Ipswich (Dr Poulter) and for Stroud (Neil Carmichael). We also heard from the hon. Member for Ayr, Carrick and Cumnock (Corri Wilson).

We are talking about an important issue. It is part of our objective of pursuing social justice. All our education reforms are about social justice and about ensuring that every child, whatever their background, benefits from an excellent education so that they have a chance to succeed in the modern and demanding economy that Britain has become. That is what our behaviour policy is all about. It is what our reforms to the curriculum are all about. It is what our focus on phonics in the early teaching of reading in primary school is all about. It is what ensuring that all children, regardless of their background and regardless of geography, attend school regularly is all about.

I listened carefully to the argument made by my hon. Friend the Member for St Austell and Newquay about the impact on the tourism industry in Cornwall of our objective of ensuring that all children attend school regularly. I want to start by clarifying what the 2013 regulatory changes actually change. There is a widespread misunderstanding that before 2013, parents were entitled to take their children out of school for a holiday. That was not the case, and it never has been. The amendments to the law in 2013 simply clarify the position. Previously, as the hon. Member for Scunthorpe (Nic Dakin) has said, headteachers were able to grant leave for the purpose of family holiday in "special circumstances" for up to 10 school days per year, and longer in other circumstances. That was, however, being interpreted as a right to take two weeks off every year, which has never been the case. We wanted to clarify the legal position to make it clear that it is not the case that every person has a right to take their child out of school on a term-time holiday. Even before 2013, it was not the case.

I understand that in some areas of the country with seasonal industries, whether agriculture, horticulture or tourism, there are particular challenges. We are currently reforming education in this country to create a school-led system so that decisions can be made close to home, reflecting local needs. Therefore, schools and local authorities in the south-west have a clear role to play in supporting the tourism industry, without compromising children's attendance at school.

If parents and schools want different term dates, we encourage them to discuss that with their local authority. Academies, foundation schools, voluntary-aided schools

[Mr Nick Gibb]

and foundation special schools can, even now, set their own term dates. As of January 2014, some 76% of secondary schools and 35% of primary schools, educating some 52% of all registered pupils, already had responsibility for their own term and holiday dates. That does not have to involve massive restructuring. This year, schools in Reading returned for the autumn term on 8 September, and next year they will close for the summer holiday on 26 July. Similarly, the David Young community academy in Leeds operates seven terms, or blocks. That enables parents to take their children on holiday outside the expensive peak holiday season. Although it is at an early stage, another example of innovation is Visit Cornwall's development of a proposal for a family enrichment week for early years and primary schools in the spring of each year. It strikes me that Cornwall provides a perfect example of a situation where the local industry should prompt schools and local authorities to change their term dates so that families who work in the tourism industry can take their own holidays outside of the peak season. These examples show that measures can be taken to address the needs of a local tourism industry while ensuring that children stay in school.

Keeping children in school is crucial for achieving our aim of educational excellence everywhere. Evidence shows that pupils with no absence from school during key stage 2—in primary school—are over four and a half times more likely to reach level 5 or above at the end of primary school than pupils who missed 15% to 20% of school time. The outcomes are similar at key stage 4, where pupils with no absence are nearly three times more likely to achieve five A to C grades in their GCSEs, including English and maths, and around 10 times more likely to achieve the English baccalaureate range of GCSEs than pupils missing between 15% and 20% of school time across key stage 4.

When evidence attests to the benefits of good school attendance so clearly, parents have a duty to ensure that their children attend school regularly. No one in the Department for Education says that holidays are not enriching experiences—of course they are—but schools are in session for 190 out of 365 days a year, leaving 175 days in a year in which parents can take their children away on holiday.

My hon. Friend the Member for North Cornwall made a thoughtful speech. I listened carefully to what he said but I do not accept that two weeks in each year of a child's education is a drop in the ocean. As my hon. Friend the Member for Central Suffolk and North Ipswich pointed out, even one week away from school in a year can make a significant difference. Some 44% of pupils with no absence achieve the English baccalaureate range of GCSEs, but the figure falls by a quarter to just 31.7% for pupils who miss up to 14 days of lessons over the two years in which they study for their GCSEs. My hon. Friend the Member for North Devon quoted Charlie Taylor, the Government's expert adviser on behaviour. In his 2012 report "Improving attendance at school", Charlie Taylor calculated that if children are taken away for a two-week holiday during term time every year and have an average number of days off for sickness and appointments, by the time they leave school at 16 they will have missed a year of school. It is for that reason that I cannot support the request set out in the petition.

My hon. Friend the Member for North Devon said that no parent would use the two weeks of flexible term-time holidays every year, but he cannot guarantee that. We have heard powerful arguments about how important it is for parents to be able to take their children out of school; those arguments apply each and every year to all the pupils that that argument is deemed to affect. Instead, I encourage headteachers to use every measure they can to ensure that children attend school. Charlie Taylor found that the best schools work with parents to improve attendance and offer a wide range of support to help parents to get their children to school. If that is not successful, headteachers can, as a last resort, issue parents with a penalty notice or take them to court.

Criminal prosecution can result in fines of up to £2,500 and possible imprisonment. In 2012-13, about 52,000 penalty notices were issued. The number of prosecutions also increased in that period, but these measures have resulted in significant progress in reducing absence. Now 200,000 fewer pupils regularly miss school compared with five years ago—down from 433,100 in 2010. Overall, the absence rate is down from 6% in 2009 to 4.4% in the 2013-14 academic year, which means that 14.5 million fewer school days were lost to overall absence as a result of the combination of policies that we have introduced over the past five years. Some 3 million school days are lost due to holidays, and that figure is down significantly; 2.3 million more teaching days are happening as a result of clamping down on unauthorised term-time holidays. We should be proud of that if we believe that every child should have the opportunity of a first-rate start in life.

Headteachers continue to have discretion to approve term-time leave, but should only do so in exceptional circumstances. Many of my hon. Friends, including my hon. Friend the Member for St Ives (Derek Thomas), have called for more guidance. The National Association of Head Teachers published guidance in October, which made it clear that:

> "If an event can reasonably be scheduled outside of term time then it would not be normal to authorise absence."

It went on to say that children may need time away from school to visit a seriously ill relative or to attend the funeral service of a family member. However, term-time holidays and visiting family members abroad are not considered by the NAHT to be exceptional circumstances and it says that they should be scheduled only for holiday periods or outside of school hours.

My hon. Friend the Member for Chippenham raised the example of a family going through very difficult circumstances and wanting time off as a family, a request that was refused by the school. The NAHT guidance says:

> "Absences to visit family members are also not normally granted during term time if they could be scheduled for holiday periods or outside school hours. Children may however need time to visit seriously ill relatives."

Nic Dakin: I just want to check whether the Minister is commending the NAHT guidance to headteachers as a point of reference? He is drawing good attention to it.

Mr Gibb: Yes. The whole essence of our education reforms is to hand back more power to the teaching profession. It makes absolute sense for teachers and

headteachers to rely on the guidance produced by the NAHT. The introduction to the guidance states:

"Term times are for education. This is the priority. Children and families have 175 days off school to spend time together, including weekends and school holidays."

That is the NAHT's view and we think that it is correct.

Steve Double: Will the Minister clarify something? Although, in theory, families have 175 days a year to be together, some people work in tourism or other industries in which they cannot take time off during those times. Would he consider such a situation to be an exceptional case, where headteachers would be right in granting a holiday?

Mr Gibb: That is a matter for the discretion of the headteacher. In such a situation, I would commend, as the hon. Member for Scunthorpe (Nic Dakin) intimated, looking at the NAHT guidance. If we are talking about a whole industry across a large geographical area, employing many millions of people, the best approach would be to use the term-time flexibilities to change the school term times to take into account the particular industries of that part of the country.

Steve Double: I take on board what the Minister says. Does he remember that he recently wrote to me saying that the Department had consulted educational authorities, which had rejected this idea saying that they thought it was unworkable?

Mr Gibb: My hon. Friend is a powerful advocate of the case he is making. I have every confidence that he will apply that advocacy locally as well as he is doing in this debate. I hope that he will have more success with the local authority than has been achieved so far.

My hon. Friend the Member for St Ives raised the issue of the cost of holidays. He spoke of the period at the end of the summer term, when teaching might be reduced in some schools. If his argument is that all children should be allowed to be off school during the last two weeks of the summer term, holiday prices, supply and demand would of course be affected by the mass use of that time across the country.

We know that holidays can be important and enriching experiences, but so too is school. Although we recognise the difficulties faced by some parents in taking a holiday at particular times of the year, disrupting their children's education is not the answer. Pupils need continuity in their education. A good curriculum is planned sequentially, with knowledge building upon knowledge. Missing a step in such a sequence can cause a pupil to fall back, with pupils often finding it hard to catch up. A two-week holiday might mean that a pupil misses out on the lessons in which their teacher explains long division, long multiplication, fractions, Newton's second law or Ordnance Survey six-figure grid references.

I remind hon. Members that the NAHT guidance makes it clear that there are many circumstances that it would regard as exceptional, such as where children

"need…to visit seriously ill relatives."

The guidance says that absence for a bereavement of a close family friend is usually considered an exceptional circumstance, as are

"Absences for important religious observances… Schools may wish to take the needs of the families of service personnel into account if they are returning from long operational tours that prevent contact during scheduled holiday time. Schools have a duty to make reasonable adjustments for students with special educational needs".

Point 10 of the guidance states:

"Families may need time together to recover from trauma or crisis."

The NAHT guidance lists carefully constructed exceptional circumstances that cover many of the issues raised by hon. Members in this important debate.

We encourage all parents and schools that want different term dates to discuss the matter with their local authority or, in other cases, directly with their children's schools. If more schools and authorities, such as the David Young community academy or Reading local authority, vary their holiday and term times, access to holidays outside of the more expensive holiday season will become increasingly common for parents.

I am grateful to my hon. Friend the Member for St Austell and Newquay, and other hon. Members, for raising the issue of term-time leave. He has raised some important concerns, and I hope he is happy that the Government have heard those concerns, both today and in our previous meetings. I hope he will understand that our overarching objective is to improve the life chances of the most disadvantaged children in this country. I also hope he will accept that many of his objectives can be achieved by using local discretion to set term dates.

6.42 pm

Steve Double: I will say a few brief words. First, I thank everyone who signed the public petition that led to this debate—all 120,000 of them. I am grateful for all the encouragement that I have received from many members of the public since saying that I wanted to lead this debate. I thank all the members of the public who came and sat through this debate, particularly those representing Parents Want a Say, the Family Holiday Association and whoever else is here—sorry, but I cannot remember all of them. I am grateful for their interest and support.

I am sure that one thing on which we all agree is that children across our nation should have the very best opportunities in life. Education is clearly at the centre of that, but so are parents. Every parent I know wants the very best for their child. I am disappointed that we do not seem to have persuaded the Minister to reconsider the policy. I still believe that, as well intended as the policy was when it was introduced—I support and agree with the aim of getting as many children into school as possible, and with the social justice motive behind that—the introduction of the measure has had unintended consequences. The impact on our economy and on wider family life was not foreseen.

I have considered some of the proposals for addressing term-time leave. Personally, I do not believe that staggering term times in the way the Minister suggests is the way to achieve that. The feedback I have received from various sources is that many people agree that such a proposal is not workable.

John Pugh: The Minister said towards the end of his contribution that the policy is all about helping disadvantaged children, but the burden of the debate did not suggest that the parents of disadvantaged children are particularly the parents who are having difficulty with the regulation.

Steve Double: The hon. Gentleman makes a good point. Unfortunately, by seeking to address one issue, a completely different set of people are being penalised. We have heard that only 8% of unauthorised school absences are for family holidays. The policy therefore affects only a small number of the families involved in the school attendance problem that we have sought to address.

I ask the Department for Education to reconsider the policy in the light of what we now know to be its impact. If the impact had been assessed correctly when the measures were introduced in 2013, and if the family test had been in place—it is unfortunate that the family test came into effect 12 months after the changes were made—a slightly different conclusion might have been reached. However, I will leave that with the Minister. I look forward to an ongoing debate on this issue in the months ahead, and I thank every Member for their support and their contributions to this very good debate.

Question put and agreed to.

Resolved,

That this House has considered an e-petition relating to term-time leave from school for holiday.

6.46 pm

Sitting adjourned.

Written Statements

Monday 26 October 2015

ENVIRONMENT, FOOD AND RURAL AFFAIRS

EU Environment Council

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Rory Stewart): I will attend the EU Environment Council in Luxembourg on 26 October.

Following the adoption of the agenda the list of "A" items will be approved.

During the legislative deliberations, there will be a policy debate on the proposal for a directive reforming the EU emissions trading system.

There will be a non-legislative discussion on greening the European semester, with regard to environmentally harmful subsidies and the implementation of environmental legislation. There will also be a discussion following the September UN special summit on sustainable development, which adopted the 2030 Agenda for Sustainable Development.

Over lunch Ministers will be invited to discuss the implementation of the 2030 Agenda for Sustainable Development.

The following Any Other Business items will be discussed:

1. Recent informal meetings preparing for the Paris climate change summit.

2. The 'Make it Work' initiative for better regulation on European environmental policy.

3. Real driving emissions and manipulation of emission control systems in cars, and links to air quality in the EU.

[HCWS270]

Lake District and Yorkshire Dales National Parks

The Secretary of State for Environment, Food and Rural Affairs (Elizabeth Truss): I am today informing the House of my decision taken on Friday 23 October to extend the Lake District and Yorkshire Dales national parks.

These will extend the Yorkshire Dales national park by nearly 24% and the Lake District by 3%, almost joining up the two parks. The extension areas will come into effect in August 2016. The dales and the lakes have some of our country's finest landscapes, beautiful vistas and exciting wildlife. They are part of our national identity. The designation of these additional areas to the national parks will protect these landscapes for future generations.

By protecting and promoting access to wide swathes of rural England, the parks will provide attractive places to undertake physical activity and environmental volunteering, or simply enjoy the view or tranquillity. This will bring benefits for health and wellbeing and will strengthen the next generation's connection with nature through activities available for families and children.

Tourism is vitally important to the rural economy, contributing around £11 billion each year. It is also the main driver behind 13% of rural employment and 10% of rural businesses. National parks are an important part of this visitor economy and more than 90 million people visit them each year, helping to boost rural economies.

Over one third of England's protected foods are produced within the national parks. Since 2010, the number of protected foods in the UK has increased from 40 to 64.

The announcement of the extensions to the national parks builds on my vision for a 25-year environment plan, and is an important part of delivering this Government's manifesto commitment to protection for natural landscapes to ensure Britain has the best natural environment anywhere.

An additional 188 square miles of land across Cumbria, Yorkshire and a small part of Lancashire will now be protected for future generations following the decision to extend the national parks.

In the Lake District this will include an area from Birkbeck fells common to Whinfell common and an area from Helsington barrows to Sizergh fell, an area north of Sizergh castle and part of the Lyth valley. In the Yorkshire Dales, it will include parts of the Orton Fells, the northern Howgill fells, Wild Boar fell and Mallerstang and Arbon, Middleton, Casterton and Leek Fells, the River Lune, and part of Firbank fell and other fells to the west of the River Lune.

[HCWS271]

HOME DEPARTMENT

European Union Opt-in Decisions

The Minister for Immigration (James Brokenshire): The UK has not opted in to the proposal to amend regulation (EC) No 1683/1995 on the uniform format for visas. The Government are committed to ensuring that people coming to the UK do so legally and are taking steps to improve document security. The UK has concerns about the current proposed design and is considering the implications that a new UFV may have on future visa strategy.

The UK has also not opted-in to the proposed Council decision authorising the opening of negotiations with the associated states (Norway, Iceland, Liechtenstein and Switzerland) and Denmark concerning access to Eurodac for law enforcement purposes. This proposal concerns the opening of negotiations. If the negotiations are successful there will be a further Council decision, also subject to the United Kingdom's Justice and Home Affairs opt-in. At this point we will be able to assess properly any potential benefits to the UK and others, and on that basis consider whether or not to opt-in.

[HCWS269]

ORAL ANSWERS

Monday 26 October 2015

WRITTEN STATEMENTS

Monday 26 October 2015

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