

My contribution to the Finance (No. 2) Bill debate, 13 April 2021

I strongly support those MPs from Northern Ireland who are urging the Government to move on and make sure that we can restore the important trade between Great Britain and Northern Ireland. It has been damaged. The EU is being too intrusive. The Northern Ireland protocol clearly sets out that the United Kingdom is a whole and has its own internal market.

It states that Northern Ireland should be fully part of that market, and that is not true today. So I urge the Government to take control over all trade that is internal trade from GB to Northern Ireland and not going on to the Republic of Ireland – therefore not of concern to the European Union—and to ensure that it runs smoothly.

That is just one part of a much bigger picture that we need to fuel a strong recovery.

Of course I agree with the Government that the current level of deficit is unacceptably high and we cannot go on with deficits on that scale indefinitely. I also agree with the Government that it must be a one-off, and the Government did need to be very generous, given all the damage being done to individual livelihoods and businesses by the health measures being taken to combat the pandemic. But all the time that restrictions and adverse measures are in place for health reasons, the Government should continue to be generous. People and business need support.

We want people to be available to go to work and businesses to be available to produce goods and services as soon as they are legally allowed to do so. It is a big cost, but it is manageable. We are seeing around the world that many Governments are having to do the same thing, interest rates have stayed very low and, so far, the debt has remained affordable.

I encourage the Government to understand that the deficit will collapse very rapidly as soon as the controls are off and all those policies in place to promote a fast economic recovery take effect. We are going to have a much faster recovery than normal once the controls are off, because we had a much bigger fall thanks to the controls themselves, which, in an unprecedented way, stopped people working and stopped businesses trading. The Government should take some encouragement from the United States' example.

The United States' monetary stimulus and fiscal stimulus are huge. If we adjust for the size of the economies, the stimulus under the Federal Reserve Board's actions and President Trump and now President Biden is about twice the scale of the UK stimulus in monetary terms and is considerably higher in fiscal terms. Perhaps the US is taking more risks with inflation than we would like. I am not suggesting that we need to match the American numbers, but I am saying to the Government that we are nowhere near the American numbers, so worry not. This is the time for stimulus. This is the time to

make sure that the economy is properly supported and people can get back to work.

With that in mind, I urge the Government to look again at the idea that we need tax rises in the years ahead. If we threaten too many tax rises, it will damage confidence. We will put people off investing here and make people nervous about spending and make them want to save more. This is the time when we need people to spend, to recreate those jobs and get businesses going again. This is the time when we really need businesses to want to come to the United Kingdom or to stay and grow in the United Kingdom, because we need that massive investment. We are short of capacity in all sorts of areas. We have had too much deindustrialisation over the last few decades, and now is a great opportunity to promote new investment. The Government recognise that with their short-term measures to boost investment, but they may need to show that we are going to have a very benign climate on business tax after the initial impetus and stimulus is offered. If people think that we are going to gravitate to the average or to a higher tax regime, it will put them off.

I pray in aid our neighbour the Republic of Ireland, which has been extraordinarily successful by having an extremely low corporation tax rate. It is 12.5%—a knockout low rate—and what has happened? First, the Republic of Ireland collects far more as a proportion of its total tax revenues from business than us or other European Union countries, because so many great companies have gone there and book a lot of profit there, since the rate is obviously agreeable and favourable.

The Republic of Ireland also has a much higher GDP per head. It is more than twice the EU average, and it is considerably higher than the United Kingdom's. That is entirely because the Republic of Ireland has this extremely attractive tax policy, which has been so successful in attracting a lot of inward investment, a lot of jobs based on that, and a lot of turnover and profit booking, particularly from great American corporations.

I do not know how that will work out now that President Biden is encouraging a minimum rate, which would mean almost doubling the Irish rate. We will have to see. However, in the meantime, if anyone doubts the power of lower rates to generate prosperity, greater GDP per head and, above all, greater tax revenue, they should look at the Irish example, which is very vivid.

I would like to see the Government speed up with their freeports and be very generous with both the number of freeports and the areas they cover. I also urge the Government to be as friendly as possible to business on taxation and on permits over what to do with the land and how to create all those extra jobs we wish to see. It is an interesting initiative, and the sooner it is rolled out the better. Surely, this is the time we need it—when we need to promote recovery.

I also say to the Government that we need our small business community to get back on its feet and to be able to trade again successfully. Small businesses have had a lot hurled at them, and some of them did not manage to benefit from all the schemes that the Government put forward, so they have been particularly hard hit by up to a year of lockdown or impediments to their

trading and their normal work.

I do not think this is the time to be looking at new taxes on small businesses and the self-employed. I do not think the IR35 idea is a particularly good one. It would be good if there were more forthcoming to promote small businesses, which we are going to need. They will have flexibility and the ability to respond. If every self-employed person were able to take on an extra employee, it would transform the employment position, but that requires patient work on ensuring that it is affordable and that the administrative burden is not too great, obviously without undermining important protections for individuals as employees, which we rightly value.

We need flexibility and support from the Treasury and the rest of the Government to understand how important small businesses and the self-employed will be to trigger this revival and to build back in a different way—to build back better, as they are saying on both sides of the Atlantic and as this Government are saying. That implies doing different things, and it requires the innovation and the productivity-driving measures that can come from small companies and the self-employed, who need to be flexible.

There is a huge amount to be done, but the Government should be of good cheer. There can be a very rapid recovery. They have not done too much on the deficit or the monetary stimulus and have fallen quite a long way behind America in the size of the stimulus.

They should be ready to do more, be generous if the controls have to go on longer than we would like, and work with the small business community and the big business community on what is a sensible tax regime. There are issues still to be solved on business rates and VAT. The whole purpose of the reviews should be to promote a strong recovery—better jobs, more better-paid jobs, more small business—and then the revenue will flow. Think of the jobs, the incomes and the prosperity, and the revenue follows. Thinking too much about the revenue first, in the mood of putting everybody's taxes up, will be a great dampener on the recovery we need.