

Questions for the SNP to ponder

When I as a young man was on the losing side in the 1975 referendum on EEC membership, I did not think we should have a second referendum soon afterwards to try again to get us out. Indeed, more than 25 years past before I and others called for referenda on the Euro and the growing political union that the EEC had become. A referendum is designed to answer a question and make a decision for a decent period of time when it is about these fundamental constitutional matters.

The SNP will have time to consider what went wrong with their last case for so called independence, and what has gone wrong for them since that event. At current oil prices, with the rapid run down in oil output, their economic arithmetic needs reworking over what a Scottish budget would look like.

The rest of the UK would clearly insist on an independent Scotland leaving the pound. Being in a currency union requires each part of the Union to underwrite all parts of the Union socially, economically, and the banking system. English, Welsh and Northern Irish taxpayers would no longer be willing to do this for an independent Scotland.

Scotland would be out of the EU whether the UK is still in or out itself. The EU does not wish to encourage separatist movements within EU countries by offering them easy membership. Spain is insistent on this point given its refusal even to allow a referendum in Catalonia. Nor would Scotland as an applicant country be likely to be offered opt outs from the Euro and Schengen, nor a contribution rebate as the UK currently enjoys.

I was interested to read that the SNP now think maybe seeking to join EFTA would be better, so their argument that this is mainly about EU membership has not lasted a couple of days debate about a second referendum.

Wokingham social care

I was pleased to hear in the budget that my representations along with other MPs for more money for social care had been accepted. I had made it one of the principal features of my pre budget oral and written submissions to the Chancellor

I was less happy when I heard of Wokingham's small share of the total. I am now taking this up with Ministers to see why Wokingham has not got more of the increase.

Movement in EU thinking on Brexit and “populism”

There are signs that more governments on the continent are beginning to realise that the UK is not seeking continued membership of the single market or customs union, and accepts it will have a relationship based on friendship, collaboration, joint working and trade in a wide range of areas and activities.

Germany now grasps that they need continuing access to the large London financial markets which do so much to help finance continental business as well as to our lucrative car market. French, Dutch, Danish and other farming businesses on the continent do not want to see the quite high tariffs allowed under the otherwise low tariff WTO regime placed against their voluminous exports to us. The more realistic continental politicians see they cannot undertake the type of negotiation they expected. They thought the UK would be begging to stay in the single market, so they could impose requirements over financial contributions and freedom of movement. It is not going to be like that.

A good negotiation for the UK needs to be friendly, straight forward, and with limited requests of the others. Indeed, it is difficult to see that the UK wants anything from the negotiation that the rest of the EU does not want and need more. They need tariff free more than us. They need good access to financial services and banking. They want their many citizens resident in the UK to be able to stay here. They want the UK to continue to make the largest contribution to the European part of the NATO defence activity and budget. The great news is they can have all that if they simply reassure our UK citizens resident on the continent about their status – which they will – and opt for tariff free trade which they would be wise to do in their own interests.

Many are breathing a sigh of relief in the Chancellories of Europe that the Dutch did not give a larger vote to Mr Wilders, and made Mr Rutte the leader of the largest party. However, they would be wise not to be complacent. Mr Rutte lost 8 seats and Mr Wilders gained 5 seats. Mr Rutte had to disrupt the EU's relationship with Turkey to sound more like Mr Wilders in a bid which did swing some voters back according to the polls. In line with the progressive collapse of the Conservative and Labour look alike parties in Euroland owing to their inability to influence main economic policies, the Dutch Labour party had a disastrous election.

The EU without the UK does have to find more tax revenue from the remaining members or cut back its spending. It is curious to see how all those pro EU forces who told us our net contribution was tiny before the referendum are now saying it will leave a nasty hole in EU finances when we are gone.

Fortunately they need to agree a new longer term budget around the time we leave, so they can decide as a more homogenous group of countries, mainly in the Euro, how much collective spending and taxing they need for the new circumstances. As they build their more integrated Europe they would probably be wise to ensure it is properly funded, with sufficient cash to send to the poorer regions and countries. Other single currency areas send much more money around their unions as grants than the Euro area does. That, however, is a matter for them, not for us. They will benefit from not having the UK in the room trying to stop any budget increase when they turn to these important matters for their future.

MPs employing family members

IPSA have decided to introduce a new rule that in future MPs will not be able to employ family members in their offices on the public payroll. Existing family members with contracts will not be affected.

I do not employ any family member anyway.

Letter on National Insurance contributions (NICs) for the self-employed

I have received the enclosed letter from the Chancellor of the Exchequer, confirming that the proposed increase to National Insurance contributions (NICs) for the self-employed will no longer go ahead.



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

15 March 2017

Dear Colleague

I am writing to clarify the Government's position with regard to the changes to National Insurance contributions (NICs) for the self-employed, announced in last week's Budget.

As I set out last Wednesday, the gap between benefits available to the self-employed and those in employment has closed significantly over the last few years – most notably by the introduction of the new State Pension in April 2016, worth an additional £1,800 to a self-employed person for each year of retirement. It remains our judgment that the current differences in benefit entitlement no longer justify the scale of difference in the level of total NICs paid in respect of employees and the self-employed.

Colleagues will be aware that there has been a sharp increase in self-employment over the last few years. Most commentators believe that at least part of the increase is driven by differences in tax treatment. HMRC estimates that the cost to the public finances of this trend is around £5bn this year alone and the parallel increase in incorporation will cost more than £6bn a year by the end of the Parliament. This represents a significant risk to the tax base and thus to the funding of our public services.

The measures I announced in the Budget sought to reflect more fairly the differences in entitlement in the contributions made by the self-employed and addresses the challenge of sustainability of the tax base. The Government continues to believe that this is the right approach.

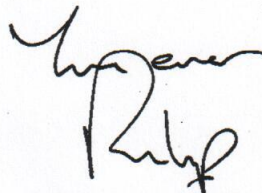
Since the Budget, however, there has been much comment on the question of commitments made in our 2015 manifesto. Ahead of Autumn Statement last year, the Prime Minister and I decided that, however difficult the fiscal challenges we face, the tax-lock and spending ring-fence commitments we have made for this Parliament should be honoured in full. I made this clear in the Autumn Statement speech. As far as National Insurance contributions are concerned, the locks were legislated for in the National Insurance contributions (Rate Ceilings) Act 2015. When that Bill was introduced, it was made clear that the lock would apply only to Class 1 contributions (employer and employee). The measures proposed in the Budget fall within the constraints set out by the tax-lock legislation and the spending ring-fences. However, in light of the debate over the last few days it is clear that compliance with the "legislative" test of the Manifesto commitment is not adequate.

It is very important both to me and to the Prime Minister that we are compliant not just with the letter, but also the spirit, of the commitments that were made. In light of what has emerged as a clear view among colleagues and a significant section of the public, I

have decided not to proceed with the Class 4 NIC measures set out in the Budget. There will be no increases in NICs rates in this Parliament. We will continue with the abolition of Class 2 NICs from April 2018. The cost of the changes I am announcing today will be funded by measures to be announced in the Autumn Budget.

I undertook in the Budget speech to consult over the summer on options to address the principal outstanding difference in benefit entitlement between employed and self-employed: parental benefits. We now intend to widen this exercise to look at the other areas of difference in treatment, alongside the Government's consideration of the forthcoming report by Matthew Taylor, CEO of the RSA, on the implication of different ways of working for employment rights. Once we have completed these pieces of work, the Government will set out how it intends to take forward, and fund, reforms in this area.

I plan to make a statement in the House later today.

A handwritten signature in black ink, appearing to read 'Philip Hammond', with a stylized, cursive script.

PHILIP HAMMOND