

Housing, Communities and Local Government Committee

House of Commons, London SW1A 0AA

Website www.parliament.uk

Rt Hon Mel Stride MP
HM Treasury
1 Horseguards Road
London
SW1A 2HQ

17 January 2019

Dear Mel

EVIDENCE SESSION ON BUSINESS RATES AND THE HIGH STREET

Thank you for your letter dated 8 January 2019 in which you helpfully set out the State Aid implications of a 20% tax on online sales where the business transacts over 20% of its sales online. You determined that there was a “high risk” that such a measure could be found to be a State aid. We would be grateful for the opportunity to put some further questions to you about the application of the State aid rules to business taxation. In particular we would be grateful if you could carry out the legal and factual analysis needed for a more definitive assessment of whether such a tax (disregarding the exact rate) would engage state rules. In doing so we would like you to consider the following questions:

1. You state that tax proposals, including new taxes, have been judged to constitute State aids in the past. Please could you explain which new taxes have been judged to constitute State aids in the past? Are there any examples of measures similar to that outlined above that have been judged not to constitute State aids?
2. Why has the Digital Services Tax announced in the Budget 2018 not been deemed to fall foul of State aid rules?
3. Would a tax on digital sales set at a threshold lower than 20%, i.e. two or three per cent, be likely to infringe State aid rules? Could such a tax be designed so as not to amount to State aid?
4. Will State aid rules continue to apply if the UK leaves the EU?

We would be grateful if you could provide a response by Monday 28 January so we can consider your response before we report on our high streets inquiry.

Yours sincerely



Clive Betts MP
Chair, Housing, Communities and Local Government Committee