Meg Hillier MP
Chair of the PAC
Sent electronically

Dear Chair,

TAX REVENUE AS AN AWARD CRITERION

Whilst preparing an answer to a Parliamentary Question (PQN/17-19/2018/04449) it has come to my attention that there is a need to clarify a point that should have been made in the Oral evidence for The Defence Equipment Plan (HC 957 Wednesday 1st March 2017).

The Chair had sought clarification on the considerations made when MOD invests in equipment. In Q134 the Chair asked about the extent to which the number of UK jobs is considered in investment decisions. This was followed by Q135 in which the Chair asked “Do you look at the tax take from the jobs that are created? Defence and aerospace jobs are generally well paid and there is a good tax take. Is there any calculation of that as you try to argue the case within the Department and Government?” My answer to Q135 states that “Impact assessments do typically take account of tax take”.

The terminology I used was not entirely correct because Impact Assessments are a specific form of value for money assessment associated with government interventions of a regulatory nature rarely undertaken in MOD. The assessment of value for money in investment decisions is undertaken through a process of investment appraisal and tender evaluation, with guidance on relevant economic considerations set out in the HM Treasury Green Book and in the department’s own policy and guidance.

In my answer to you I should have said that tax take, whether this is corporate tax on profit or income tax and National Insurance deducted from an employee’s wages, is not considered in the assessment of value for money in accordance with HM Treasury Green Book guidance.

Yours sincerely,

STEPHEN LOVEGROVE