



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

26 October 2017

The Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

Dear Nicky

I committed to write to you, and your fellow members of the Treasury Select Committee, following my evidence session on 11th October.

Regarding John Mann's question on Landfill Tax, I can confirm that I have received the business case to exempt the state from Landfill Tax where there is an abandoned waste site. As I stated, a key factor to consider will be whether the cost of maintaining the abandoned waste sites outweighs the cost of remediating them, and I will respond separately to the proposal in due course.

However, the last time John presented his case to my department, the previous Financial Secretary to the Treasury responded by stating that the waiver of Landfill Tax could set a dangerous precedent. I want to avoid creating a perverse incentive to game the system, where other sites are abandoned in order to avoid their tax liability, thereby leaving behind large amounts of unmanaged waste. I would therefore have to consider this wider risk alongside the specific issues surrounding the site that John is referring to.

I also agreed to write to provide an update following last week's cross-Government meeting to discuss economic crime. As you know, the Prime Minister tasked the Cabinet Office to examine the UK's response to economic crime. This project looked at the UK agencies involved in the investigation and prosecution of high value or complex economic crime to determine the effectiveness of our organisational framework and the capabilities, resources and powers available to these agencies. In the course of this work, officials have consulted non-governmental organisations, academics, members of the financial services industry, and the agencies themselves.

Officials have provided advice to ministers on the effectiveness of the UK's response to economic crime along with a series of recommendations to further enhance our capabilities. The recommendations seek to improve the governance and operational response of the UK's economic crime agencies. The cross-Government meeting agreed that the Home Secretary will take forward this work and that a package of reforms should be announced by the end of 2017.

With regards to sharing the Treasury's internal modelling with the OBR, the Budget Responsibility and National Audit Act (2011) gives the OBR a statutory right of access to information and full discretion in how it undertakes the remit set by Parliament. This would provide the statutory basis for the Treasury sharing any models or modelling if this was necessary for the performance of the OBR's work.

You also asked us to write to you about the gender pay gap. I can confirm that Tom Scholar, the Permanent Secretary to HM Treasury, will be writing to you on this matter.

Finally, I would also like to clarify my comment on investment in relation to a "maximum facilitation model" for the customs border. I used this term in the hearing to refer to the option described as "highly streamlined customs arrangements" in the discussion paper. The goal of this model is to streamline and simplify customs requirements between the UK and the EU through continuing some of our existing arrangements with the EU; putting in place negotiated and unilateral facilitations to remove trader barriers; and implementing technology-based solutions. As I said, this will require infrastructure and IT investments, but is contingent upon the outcome of negotiations.

Similarly, I would like to clarify my answer in response to Catherine McKinnell's question on the best-case scenarios for future trade. In my response, I used the term "highly streamlined border" to refer to the second option outlined in the customs discussion paper, a new customs partnership. This assumes a high degree of co-operation between the UK and EU member state customs authorities; the application of technology to the border and relatively low levels of delay and additional costs at the border. Aligning our approach here would see many of the current benefits of being in the EU customs union, but in the form of a new customs agreement.

A handwritten signature in blue ink, appearing to read "You ever" followed by a stylized signature that looks like "Philip".

PHILIP HAMMOND