

## [My Question to the Chancellor about the Bank of England's loss on bonds](#)

Treasury has provided the following answer to your written parliamentary question (11535):

**Question:**

To ask the Chancellor of the Exchequer, what his latest estimate is of the Bank of England's loss on bonds held in the Asset Purchase Facility guaranteed by his Department. (11535)

Tabled on: 01 June 2022

**Answer:**

**John Glen:**

To date, £120 billion has been transferred to HM Treasury from the Asset Purchase Facility (APF) which has been used to reduce the government's debt issuance. The size of future cash flows is uncertain and depends on developments in Bank rate, the speed of APF unwind, and the evolution of bond market prices. It is likely that as monetary conditions normalise HM Treasury will make cash transfers to the APF to cover losses.

However, the eventual size of the net payments to or from HMT should not be used as a measure of the success of asset purchases, or of the impact of the scheme on the public sector accounts as a whole. The scheme should instead be judged by the degree to which it helps the Monetary Policy Committee meet its objectives.

In their most recent forecast in March 2022, the Office of Budget Responsibility forecasted net cash transfers from the APF to the Treasury of £3.5bn between 2022-23 and 2026-27.

The answer was submitted on 13 Jun 2022 at 13:35.

Response. This answer seems to imply the recent forecasts were wrong and we are now entering a time when the Bank's losses the bonds it holds requires Treasury transfers. every time the Bank raises interest rates bonds sell off leading to losses on the Bank portfolio.

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## [My interventions about the future of](#)

## Channel 4

**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Many fine British businesses have grown, flourished and invested far more once being privatised, and I hope that this one will too. But will the Secretary of State see, during the privatisation, whether there is a way of allowing the people who work for Channel 4 and do so much for it to gain participation, perhaps partly by buying and partly by gift, so that they become shareholders in whatever entity emerges?

**Nadine Dorries, Secretary of State:** I will go on to talk about the fact that we have many bidders who are looking at purchasing Channel 4, and we are looking at all options before we bring the matter to Parliament to see what is on the table. But for the sale of Channel 4, as it says in the "Up next" White Paper, what we are looking at is to sell Channel 4 as a PSB. Therefore, I do not think the model that my right hon. Friend outlines briefly would be conducive to that sort of purchase. We are going to sell to an organisation that will invest in Channel 4 and keep it able to make those distinctive programmes.

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**Rt Hon Sir John Redwood MP (Wokingham) (Con):** Has my right hon. Friend noticed that the Opposition think that they know better than the audience what Channel 4 should show every evening? Is it not a good idea that we move to a model where the owners engage with the audience and try to grow the audience, because that way they will attract more revenue?

**Nadine Dorries, Secretary of State:** We agree on many things, and we agree on that.

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## The Bank of England writes another letter

The establishment states that the Bank of England is independent and is responsible for keeping inflation around 2%. The authors of this relationship did foresee the possibility that the Bank would fail to achieve its single objective. Their remedy was to make the Bank write a letter to the Chancellor, who in turn was empowered to write back. We have just seen another example of the letter writing arts of the two parties. The constitutional position has in fact been that the key decisions of how much money to create and how many bonds to buy, the main drivers of Bank policy in

the last 13 years, have been joint ones requiring Treasury sign off.

When you get to letter writing stage it is clear the Chancellor becomes part of the decision process, with the formal opportunity given by way of public letter to criticise, influence, support or reprimand. So far these letter exchanges usually show the Bank offering some excuses for failure to keep inflation down and saying something vague about how they might remedy it going forward. The Chancellor often agrees whilst placing more accent on the excuses or more emphasis on the need for future action depending on what he wants next. No-one can read these exchanges and seriously say the Bank is completely independent. They must accept the ability of the Chancellor to write a public letter invites him or her to influence analysis and policy at a time when the Bank has clearly failed to carry out its single task. If some other Governor in the future had wantonly failed to curb inflation the letter could be the last straw presumably leading to replacement of the poor performing Governor. The government after all owns the Central Bank and appoints its boss.

So what should we make of the latest round of letters? I was disappointed but not surprised that neither side mentioned the fact that they had jointly agreed to create so much money and to go on buying up bonds for so long. That might have affected inflation. Neither side mentioned the rapid rate of money growth during the intense Quantitative easing period or thought that might matter. Neither side made any forecast of what might happen to credit and lending from here or what role the large savings balances of the better off part of the population might play going forward. No-one asked why Bank and OBR forecasts of inflation have been so hopeless.

Both accepted that the obvious large price rises in energy and food played a part more recently following the Russian invasion of Ukraine. Neither asked why China and Japan, large importers of fossil fuels themselves, still have inflation around 2%.

The inflation was mainly fuelled by last year's policies. This year policy is much tighter, and the Bank itself expects inflation to come down next year. If in the next few weeks inflation does not embed and inflation expectations do not climb, the economic policymakers will need to address a shift from too hot an economy to potentially too much of a slowdown.

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**[My Question to the Chancellor about the difference in taxes taken in 2022 compared with the last Budget](#)**

## forecasts

Treasury has provided the following answer to your written parliamentary question (11536):

**Question:**

To ask the Chancellor of the Exchequer, what recent estimate he has made of the difference in tax taken from (a) VAT on fuel, (b) North Sea oil production and profits taxes and (c) all taxes on petrol and diesel sales in 2022 compared with the last Budget forecasts. (11536)

Tabled on: 01 June 2022

**Answer:**

**Helen Whately:**

Forecasts for Government tax revenues are provided by the Office for Budget Responsibility (OBR).

Their most recent published forecast, provided for Spring Statement 2022 on 23 March, is available on the OBR website at the following link <https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/>.

For the financial year 2022-23, Value Added Tax is forecast to be £154.2bn; UK oil and gas revenues are forecast to be £7.8bn; and fuel duty revenues are forecast to be £26.2bn. An updated forecast will be published by the OBR at the next Fiscal Event.

HM Revenue and Customs publishes monthly tax receipts statistics, including for UK oil and gas production, VAT, and fuel duties, on a cash receipts basis, at GOV.UK at the following link <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>.

The answer was submitted on 13 Jun 2022 at 13:40.

JR Reply VAT on domestic fuel must be delivering considerably more VAT now the typical bill has gone up by 50%. VAT on petrol and diesel must also be substantially up on forecast now pump prices are in the 180s and 190s.

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**[My Question to the Chancellor about the potential effects of a windfall](#)**

# tax and a planned increased corporation tax

Treasury has provided the following answer to your written parliamentary question (11537):

**Question:**

To ask the Chancellor of the Exchequer, what assessment he has made of the potential effect of the (a) windfall tax on oil and gas producer profits and (b) planned increase in corporation tax on the UK's position in global league tables of the best places to do business. (11537)

Tabled on: 01 June 2022

**Answer:**

**Helen Whately:**

The UK's oil and gas ring fence tax regime balances attracting investment with ensuring a fair return for the nation.

The Energy Profits Levy is an additional, temporary tax which reflects the extraordinary global context. It will raise around £5 billion over the next year. The OBR will take account of this policy in their next forecast.

The UK's rate of Corporation Tax is currently 19%.

To balance the need to raise revenue with having an internationally competitive tax system, the Chancellor announced at Spring Budget 2021 that the rate of Corporation Tax would increase to 25% from April 2023, after the point at which the economy is expected to recover to its pre-pandemic level. 25% is the lowest rate of tax in the G7.

The answer was submitted on 13 Jun 2022 at 13:47.

JR Response The Minister does not tell us what impact a 31% increase in the corporate tax rate will have, and omits the possibility that the windfall tax on oil and gas will run for three years, not just one. These changes must have an adverse impact on investment.