

My speech during the debate on Taxation (Post-transition Period) (Ways and Means), 8 December

I came to this debate expecting to hear the Minister set out a vision of post-Brexit Britain, how the taxation system will be transformed and how VAT will be changed to encourage our businesses and give our consumers a better time. Instead, we have six resolutions that are mainly about trying to make sure that the Government can get even more VAT out of people after we have left than before. The Government could have done that at any time. Where is the vision that we will have a much better tax system after Brexit?

We are taking back control of VAT, which was almost entirely under EU control. The Government say, for example, they wish to be a green Government, but these measures will not even take VAT off a whole series of green products, which should not have VAT on them if the Government are trying to encourage people to insulate their homes, change their boiler controls or put in more fuel-efficient ways of heating their homes. The Minister has failed this very simple test.

We have six resolutions about a piece of legislation which we are not allowed to see until after the debate. It is a piece of legislation that will be very complex, because it is mainly about the techniques of raising revenue and making sure that no revenue escapes. However, the Brexit voters out there—the majority in the country—have had to vote three times now for Brexit to make it clear to the House of Commons that they want even this House of Commons to be in charge, even though there are still too many MPs on the Opposition Benches who hate the idea of this country legislating for and governing itself and think that every law that comes from Europe is wise and necessary and every law that is made here is somehow inappropriate.

We want our Ministers to say, “No, we are the people’s representatives. We had the majority in the election and we are going to transform our country’s economy, recover the economy from covid-19 and level up the country.” That requires bold and visionary leadership and it certainly requires pretty fundamental tax changes. VAT rates on some things are too high. VAT should not be imposed on some things at all.

We need to remodel that tax. We need to look again at our corporate taxes, where a series of judgments by the European Court of Justice prevented this country levying all the corporate taxes that it wished to raise.

Patrick Grady (Glasgow North) (SNP): I probably should not rise to the bait, but does the right hon. Gentleman honestly think that the way the Government are treating the House tonight is an expression of parliamentary sovereignty? Is this what he really campaigned for over all these years, so that the Government could fast-track major financial legislation, bounce it through the House of Commons, not give us the information we are looking for and not

subject it to proper debate? Is that what he campaigned for all these years?

John Redwood: The answer is that I campaigned for this Parliament to take control and use it in the interests of the people, which is why I am making the speech that I am making. Why does the hon. Gentleman not listen to it instead of planning an intervention for a speech I am not making? I am urging the Government to take back control and use it in the way that the public would like to see them use it.

I must take up the point of sovereignty. My hon. Friend the Member for Stone (Sir William Cash) is quite right to go back to that. The simple truth about Brexit is that Brexit voters knew exactly what we were voting for. We understood the slogan "Take back control", and we think control—the right of self-government, the right to trust people in these Houses of Parliament to make decisions for us or the right to throw them out if they are useless—is fundamental to our freedoms and living in a democracy. You do not bargain those away in some kind of dispute about tariffs. You do not argue about those in the context of making compromises.

This is the fundamental truth of Brexit. Like practically every other country in the world that is not a member of the EU, we just want to be free to make those decisions and laws that we can make and have representative institutions—a great Parliament—in order to do that. We clearly need to train some of the parliamentarians in the idea that we can make better laws here than people can make for us abroad and that we can modify European laws that we currently have so that they work in our interests better.

Alison Thewliss (Glasgow Central) (SNP): Does making better laws not start with letting MPs see a Bill before it exists?

John Redwood: I do not disagree with the hon. Lady. I have said that I want to debate a real Bill. I am giving ideas to the Minister because I do not think what he has in mind for this Bill is going to quite suit me. I want to pep it up. I want to make it more exciting so that we can go out to the public and say, "This is the party that is going to level up. This is the party that knows how to recover an economy that has been damaged by covid", and that requires lower taxes and different taxes and requires that we use the powers that only the House of Commons has. The House of Lords has very limited abilities to intervene, and on this occasion I am very pleased about that, because it nearly always wants to take the European answer, and the European answer is the high unemployment answer, the high taxation answer and the very complicated taxation answer.

VAT is an extremely complicated tax. We had to adopt its complications and we are now trying to add to those complications to try to avoid items slipping through. We are trying in these proposals to deal with small transactions that sometimes escape the net. They try to find ways of making online organisations, for example, responsible for levying tax between two people trading with each other.

Alan Brown (Kilmarnock and Loudoun) (SNP): The right hon. Gentleman referred to the levelling-up agenda. On rough figures, we have had 50 years of the EU,

20 years of devolution and over 300 years of the Union. Why are devolution and the EU to blame for the requirement to level up when, quite clearly, the Union is at the heart of the problem?

John Redwood: I do not agree, and nor did Scottish voters when they were asked this question. We do have a great democratic country and I was a great enthusiast for the people of Scotland deciding whether they liked our Union or not. They said, yes, they liked our Union. Then the people of the United Kingdom were asked whether they liked the European Union and they said they did not. So I found myself in the happy position of agreeing in two big referendums with the winning side. It is such a pity that the Scottish National party lost both and has never understood the democratic principle that it then has to accept the verdict. I was on the losing side in a former referendum; like my whole party, I was against the principle of Scottish devolution, and we got that wrong. We lost that referendum and from the day after that we did not fight it, delay it or dilute it. We said, "Yes, devolution is the wish of the Scottish people." We got on and implemented it.

Sir William Cash (Stone) (Con): I do not know whether my right hon. Friend can recall this, but when that Bill was introduced by the late Donald Dewar in 1997 I put forward a proposal that the devolution settlement should be decided by a referendum of the entire UK. Perhaps it is some encouragement for him to know that despite a three-line Whip half the Conservative Back Benchers went through the Lobby behind me on that question of having a referendum for the whole UK on this devolution issue, about which he is being so extremely articulate.

John Redwood: We are probably straying a little away from the resolutions before us, Madam Deputy Speaker, so I will not try your patience any more. I have made my two main points, but just to summarise: we need more vision from the Government to use our power to tax in our own way, because our current tax system is ill fitting and not yet geared to promoting that recovery we want—we need greater simplicity, lower taxes and a lower incidence of taxes to get that recovery going; and we need reassurances from the Government that sovereignty is not something one can bargain away or compromise over, but is fundamental. We either have a free trade agreement between an independent UK and the EU, which is our preferred model, or we have no deal. It is as simple as that. The choice is theirs.

[The UK's balance of payments](#)

In 2019 the UK ran a trade deficit with the EU and a trade surplus with the rest of the world. The deficit in goods traded with the EU was particularly large, at £96.7bn. This large trade deficit has been going for many years during our membership. A trade partner like the US shows we are competitive on World Trade terms where we ran a surplus in goods as well as total trade.

The US is our largest single export market, accounting for two thirds more export value than Germany, our largest market in Europe.

Our trade deficit in food is particularly large with the EU where they enjoy tariff free access to the UK whilst the rest of the world faces some high tariffs on some important items. UK farming has suffered a loss of market share during our time in the EU.

These large goods deficits need paying for, as they are debts incurred in a foreign currency. The UK has been selling off foreign assets to pay the bills. In 2019 the UK sold £165bn of foreign assets. We now run a deficit on investment income, as we have to pay a lot more interest and dividend out to foreign owners of UK assets than we receive on overseas assets owned by UK residents. The UK now has a net liability of £579 billion on investment account, following years of large trade deficits.

This is why it will be good to regain control of our trade policy, and set out tariffs that make more sense for the UK . We need, for example, to help our consumers by taking tariffs off items we cannot grow or make for ourselves, and take tariffs off intermediate and raw materials needed for added value manufacture at home. We need to regain market share in areas like food to reduce the deficit. Being part of the EU single market, fishing and food policy has been bad for the U.K. economy.

[The EU's deal is clearly worse than No Deal.](#)

I made the mistake of listening to Radio 4 yesterday lunchtime. They went on and on about alleged problems for trade with the EU if we do not sign a deal, with plenty of speakers including the interviewers pushing the negatives. The ignorance of how trade works was as before.

We were told trade between the UK and the continent is currently as border and friction free as it is between two English counties. Do they not realise goods coming across the Channel have to go through VAT adjustments as we have a different set of rates and incidence, Excise payment and currency changes? As this is usually carried out through pre logged computer manifests and settled electronically away from the border. The truck driver does not have to work out the VAT and pay in banknotes at a kiosk. Why cannot we do the same thing for any tariffs that need to be imposed? We will of course.

Why do they never point that their worry about imports is a nonsense, because the UK will control the incoming borders, and has no interest in trying to prevent imports coming in that companies and people in the UK want to buy. Indeed, the UK government has already said there will be a relaxed arrangement for the first six months as importers get used to the new trading

regime. EU products will switch over to the tried and tested system used for imports from all non EU countries, which our Border authorities usually handle well without causing hold ups and bottlenecks.

Some Remain commentators claim the EU will seek to slow or prevent UK exports into their single market by zealous implementation of rules. This shows they have a very low estimate of how our neighbours behave, and ignores the fact that the EU like the UK is a member of the WTO and has to follow WTO rules to expedite traffic at borders and have in place decent systems for handling the volume of goods. As Remain advocates are always extolling the virtue of the international rules based system, surely the EU will want to obey or will have to obey its rules on these matters? The EU will also note that their citizens and companies need those products we are selling and will take a dim view if they are impeded in getting them on time.

Brexiteers are fed up with the endless Project Fear material. We can trade well under WTO rules if the EU really does not want a Free Trade Agreement with us. We will decide what tariffs if any to impose on their goods along with goods from the rest of the world, to get the right balance between helping domestic producers and looking after our customers. No Deal is fine. We should only negotiate a deal if it is clearly better than No Deal. What the EU wants is worse.

[The government should set out early wins from leaving without a deal](#)

We voted to make our own laws, spend our money, pursue our own trade interests, to take a global rather than a European view of the world, control our own borders, settle our own taxes and regain our own place on major international bodies. The EU and their Remain friends in the UK have set out for four and half years now to thwart these aims and to recreate legal controls and barriers over our actions. It is time to break free.

The government should explain how we will

1. Take VAT off items like green products and female hygiene products. Set Corporation Tax definitions and rates to make the UK competitive globally
2. Operate the points based migration system which meets the needs of the UK and controls numbers of economic migrants
3. Reform our benefits system to help people here more, and reduce incentives to come here to try to settle
4. As a full member of the WTO pursue more great trade deals, including one with the Trans Pacific Partnership and including services
5. Controlling all our own fish and creating a much bigger fishing and fish processing industry at home

6. Cutting food miles by redirecting farm subsidies to promote UK food production
 7. Using public procurement to help UK based production of goods and services, whilst continuing with competitive tendering
 8. Reducing harmful or needless regulation to make the UK more responsive and business friendly, whilst maintaining or enhancing high standards in areas like employment law and health and safety
 9. Raising animal welfare standards, starting by removing export of live animals or transit of live animals through the UK to other destinations.
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A new farming policy

One of the big wins from Brexit should be a new farming policy. The Common Agricultural Policy has not been kind to UK farmers. Market share in temperate food products has shrunk badly during our time in the EU, whilst cheaper products from non EU sources have been kept out by tariffs. We have developed a huge balance of trade deficit with the EU in food.

The government always responds positively when I raise the issue of how we can follow a farming policy from the 1 January that gives more help to UK producers, and encourages more domestic production. The government has promised to maintain current overall subsidy levels this Parliament once we are out of the EU, but to gradually redirect them. Large scale profitable farmers will enjoy less subsidy for producing food. More subsidy will go for environmental goods including the promotion of more natural landscapes.

The government will take advantage of our new freedoms to raise animal welfare standards. It is currently consulting on banning the export of live animals, and banning the transport of live animals through the UK by overseas interests. That is welcome.

I would like to see more definition of the schemes available from 1 January to offer support to farmers keen to expand their food production. Market gardeners wishing to whittle away the huge deficit on vegetables, temperate fruits and salad items need to loan and grant schemes to put in the extra covered areas to boost output. As stated before, the fishing industry needs loan and grant schemes to increase our fleet capacity to land our fish. Dairy and meat producers also may need help with mechanising and improving output.

Our competitors use these methods to gain market share. The government has promised us more of a response, so bring it on.