



Queen's Speech: Business, Economic Affairs, Transport, Energy, Environment and Agriculture Day 2: 26 June 2017

Summary

This Lords Library briefing has been prepared in advance of the forthcoming Queen's Speech, which is due to take place on 21 June 2017. The House of Lords is due to debate the Queen's Speech over five days between 22 and 29 June 2017. This briefing is one of five prepared by the House of Lords Library to cover the themes of each day of debate.

The Conservative Party won the largest number of seats at the 2017 general election, but did not secure an overall majority in the House of Commons. At the time of writing, the Conservative Party and the Democratic Unionist Party were in negotiations regarding a potential coalition or confidence and supply arrangement. Any agreement between the parties will have implications for which proposals the Government will bring forward. However, in lieu of any agreement, the Conservatives may seek to govern without a majority, which again will affect the contents of the Queen's Speech. The Labour Party has said it will table an amendment, setting out its own programme for government.

In this context, this briefing sets out commitments in the Conservative Party manifesto for each policy area to be debated, together with relevant policy and legislative proposals made by the previous Conservative Government. It does not constitute official information about the Government's intentions or provide a complete list of bills to be announced. This briefing also highlights sections of the Democratic Unionist Party manifesto, and comments or material from opposition parties, which may be helpful in establishing which Conservative proposals will be put forward in the Queen's Speech. Again, this does not constitute official information about the forthcoming legislative programme, rather it is provided with the aim of indicating the policy intentions of parties prior to the general election.

The Government announced on 17 June 2017 that the forthcoming parliamentary session would last two years to "give MPs enough time to fully consider the laws required to make Britain ready for Brexit".

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Business

Corporate Pay and Governance

The Conservative manifesto proposed a number of changes for businesses, especially around pay. It stated that a Conservative Government would legislate to make executive pay subject to annual votes by shareholders, and require that listed companies publish the ratio of executive pay to that of the wider UK workforce.¹ The manifesto also stated that a Conservative Government would commission research into how share buybacks are used. The aim would be to ensure share buybacks cannot be used to hit performance targets and inflate executive pay. The Conservative Party's plans on corporate pay and governance attracted comment from a number of industry representative bodies. The Confederation of British Industry's (CBI) Director General, Carolyn Fairbairn, responded to the manifesto proposals on executive pay stating that the Party's intentions would be "best served by developing the existing regime to focus stricter votes on those cases that warrant greater attention".² On pay ratios, Ms Fairbairn suggested they have a "role to play" given "meaningful context".³ Stephen Martin, Director General at the Institute for Directors (IOD), stated that the IOD believed in "high standards of corporate governance" but said that measures such as annual votes for shareholders on executive pay may worry businesses that "interventions will disrupt the normal flow of commerce".⁴

The Conservative Party said it would also change the law to require listed companies to "nominate a director from the workforce, create a formal employee advisory council or assign specific responsibility for employee representation to a designated non-executive director".⁵ A Conservative Government would introduce the right for employees to request information relating to the future direction of the company, "subject to sensible safeguards".⁶ Privately owned businesses would also be looked at, with the manifesto announcing that a Conservative Government would hold a consultation on how the corporate governance of privately-owned business could be strengthened.⁷

In regard to the structure of public sector organisations, a Conservative Government would also "establish in law" the freedom for employees to mutualise within the public sector.⁸ The Postal Services Act 2011 currently

¹ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p. 18.

² Confederation of British Industry, ['Our Full Response to the Conservative Party Manifesto'](#), 18 May 2017.

³ *ibid.*

⁴ Institute of Directors, ['Economic Interventions Sometimes Justified, but Tories Must Remember Government Has Limitations'](#), 18 May 2017.

⁵ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p. 18.

⁶ *ibid.*, p. 18.

⁷ *ibid.*, p. 18.

⁸ *ibid.*, p. 43.

allows for the mutualisation of Post Office Ltd.⁹

The manifesto also committed a future Conservative Government to increasing the national living wage to 60 percent of median earnings by 2020, and then after that it would be increased by the rate of median earnings.¹⁰ The Democratic Unionist Party's (DUP) manifesto supported the national living wage and whilst the Party acknowledged the "pressures the national living wage can place upon small businesses" it endorsed continued increases in it and firm action against companies who do not pay employees the national living wage.¹¹

Regulation and Markets

The Conservative manifesto stated that it would bring forward a green paper "this spring" which would "closely examine markets which are not working fairly for consumers".¹² It reiterated its intention to look at the how markets work for consumers, stating that a Conservative Government would "strengthen the hand of regulators"¹³ and would also strengthen consumer enforcement bodies to order fines against companies which have broken consumer laws.¹⁴ Additionally the manifesto stated a Conservative Government would:

- Explore how to give consumers a voice in the regulation of business.
- Consider placing a duty on regulators to consider the needs of vulnerable consumers.
- Investigate how switching sites can better serve competition.
- Act to make terms and conditions of online services clearer, including making it clearer when free trials come to an end.¹⁵

In addition to looking at the general principles of market regulation, the manifesto also made reference to acting in specific markets. This included making the house buying process more efficient, and less costly, and addressing "unfair practices" in leasehold.¹⁶ Further commitments in the manifesto included:

- Improving protections for renters.

⁹ House of Commons Library, [The Post Office](#), 20 April 2017, p 18.

¹⁰ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 16.

¹¹ Democratic Unionist Party, [The DUP Manifesto for the 2017 Westminster Election](#), 31 May 2017, p 8.

¹² Department for Exiting the European Union, [Legislating for the United Kingdom's Withdrawal from the European Union](#), March 2017, Cm 9446, p 17.

¹³ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 59.

¹⁴ *ibid.*

¹⁵ *ibid.*

¹⁶ *ibid.*

- Making telecoms customer billing easier to understand.
- Consideration of banning cold calling people about making “false personal injury claims”.¹⁷
- Tackling “rogue private parking” operators.¹⁸
- Reducing insurance costs for motorists by addressing fraudulent whiplash claims.
- Reviewing rail ticketing.
- Seeking to agree minimum service levels with train companies during periods of industrial action. The Government would legislate if it could not find voluntary agreement.¹⁹

The manifesto stated that a Conservative Government would continue to reduce “poor and excessive government regulation” through the Red Tape Challenge and the One-In-Two-Out Rule.²⁰ It also said that the Conservative Party would examine ways of improving the regulation of utilities and transport infrastructure.²¹ The DUP’s manifesto supported the introduction of a Better Business Initiative that would “systematically review health and safety legislation working in concert with sectors such as construction”.²² It would also support the maintenance of the present ‘worker’s rights framework’ and for the UK to “lead the way in improving this framework”.²³

Takeovers and Mergers

The Conservative manifesto made several commitments to reform the rules which govern takeovers and mergers. Whilst it stated that “careful deliberation” was required, the Government intended to make the following changes:

- Bidders would be required to be “clear about their intentions from the outset of the bid process”.²⁴
- All promises and undertakings made in the course of a takeover bid would be made legally enforceable.
- The Government would be given the power to require a bid to be paused to allow for greater scrutiny.

The Pensions Regulator would also be given the power to scrutinise mergers or takeovers. It would be able to clear them with conditions or potentially stop

¹⁷ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 59.

¹⁸ *ibid.*

¹⁹ *ibid.*, pp 59–60.

²⁰ *ibid.*, p 15.

²¹ *ibid.*, p 16.

²² Democratic Unionist Party, [Democratic Unionist Party Manifesto 2017](#), 31 May 2017, p 12.

²³ *ibid.*

²⁴ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

those which might threaten the solvency of pension schemes.²⁵

On the subject of foreign ownership, a Conservative Government would take action to protect “our critical national infrastructure”.²⁶ It would do so by extending the ministerial scrutiny and control already present with respect to civil nuclear power to that of some other sectors, including telecoms, defence and energy.²⁷

The CBI commented on the Conservative Party manifesto proposals on takeovers and mergers, stating that the UK must maintain its reputation as an “open market to do business”, and that any further changes to merger and takeover rules “should be based clearly on evidenced economic grounds and taken in consultation with businesses”.²⁸

Employment Practices

On 1 October 2016, the Prime Minister, Theresa May, commissioned an Independent Review of Employment Practices in the Modern Economy. The review is being led by Matthew Taylor, the Chief Executive of the Royal Society of the Arts.²⁹ It is currently examining the following areas:

Security, pay and rights:

- To what extent do emerging business practices put pressure on the trade-off between flexible labour and benefits such as higher pay or greater work availability, so that workers lose out on all dimensions?
- To what extent does the growth in non-standard forms of employment undermine the reach of policies like the National Living Wage, maternity and paternity rights, pensions auto-enrolment, sick pay, and holiday pay?

Progression and training:

- How can we facilitate and encourage professional development within the modern economy to the benefit of both employers and employees?

The balance of rights and responsibilities:

- Do current definitions of employment status need to be updated to reflect new forms of working created by emerging business

²⁵ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

²⁶ *ibid.*

²⁷ *ibid.*, pp 17–8.

²⁸ Confederation of British Industry, [‘Our Full Response to the Conservative Party Manifesto’](#), 18 May 2017.

²⁹ Department for Business, Energy and Industrial Change, [‘Employment Practices in the Modern Economy’](#), 1 October 2016.

models, such as on-demand platforms?

Representation:

- Could we learn lessons from alternative forms of representation around the world?

Opportunities for under-represented groups:

- How can we harness modern employment to create opportunities for groups currently underrepresented in the labour market (the elderly, those with disabilities or care responsibilities)?

New business models:

- How can government—nationally or locally—support a diverse ecology of business models enhancing the choices available to investors, consumers and workers?³⁰

The deadline for submitting evidence was 17 May 2017.³¹ The Conservative Party manifesto stated that, whilst it awaits the results of the Review, a Conservative Government would act to “ensure that the interests of employees on traditional contracts, the self-employed and those people working in the ‘gig’ economy are all properly protected”.³² Answering a question on worker’s rights within the context of the UK leaving the EU in the previous Parliament, David Davis, Secretary of State for Exiting the European Union, stated that the Review had the explicit aim of “ensuring that [worker’s] rights are appropriate to the modern age and will protect people in the modern age”.³³

Stephen Martin, Director General at the Institute of Directors, has responded to the Conservative Party manifesto by calling for further consultation, stating that “any new employment regulations must be consulted on in depth to ensure that they do not have unintended consequences”.³⁴ On worker’s rights, Carolyn Fairbairn, Director General of the Confederation of British Industry, stated that:

Firms believe that practices must continue to evolve to raise productivity and increase trust. Whoever forms the next Government must support businesses to protect the UK’s strengths, while enhancing responsible

³⁰ Department for Business, Energy and Industrial Change, ‘[Employment Practices in the Modern Economy](#)’, 1 October 2016.

³¹ Department for Business, Energy and Industrial Change, ‘[Review of Employment Practices in the Modern Economy](#)’, accessed 6 Jun 2017.

³² Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 16.

³³ [HC Hansard, 27 April 2017, col 1205](#).

³⁴ Institute of Directors, ‘[Economic Interventions Sometimes Justified, but Tories Must Remember Government Has Limitations](#)’, 18 May 2017.

business practice.³⁵

Responding on behalf of the Trades Union Congress (TUC), Frances O'Grady, the TUC's General Secretary, stated that the manifesto ignored the impact of the tribunal fees:

While it's promising that the Taylor Review is looking at improving working conditions in the gig economy, if you can't afford to take your employer to tribunal, you can't enforce your rights.³⁶

Industrial Strategy

In its manifesto, the Conservative Party proposed a “modern industrial strategy”. The strategy would involve:

[...] identifying the industries that are of strategic value to our economy and supporting and promoting them through policies on trade, tax, infrastructure, skills, training, and research and development.³⁷

As part of this, the manifesto stated that a Conservative Government would “remove the barriers that hold back small firms with big potential—and let them compete when government itself is the buyer”.³⁸ In its 2016 Autumn Statement, the Government announced increased funding for research and development.³⁹ This would be supplied through the National Productivity Investment Fund (NPIF) and would amount to £4.7 billion by 2020/21.⁴⁰ Through the NPIF, the Government stated it would fund a new Industrial Strategy Challenge Fund to support collaboration between business and the UK science sector. It would set identifiable challenges for UK researchers to tackle, be managed by Innovate UK and the research councils and be modelled on the US' Defence Advanced Research Projects Agency.⁴¹ The additional funding would also be allocated to increase research capacity and business innovation.⁴² The Conservative manifesto stated that it would deliver this funding, and ensure that the UK met the current OECD average for investment in research and development (2.4 percent of GDP), within ten years. There would be a longer-term goal to increase this to 3 percent of GDP.⁴³ The NPIF itself would “take total spending on housing, economic infrastructure and research and

³⁵ Confederation of British Industry, [‘Our Full Response to the Conservative Party Manifesto’](#), 18 May 2017.

³⁶ Trades Union Congress, [‘TUC Responds to Conservative Party Manifesto’](#), 18 May 2017.

³⁷ Conservative Party, [‘The Conservative and Unionist Party Manifesto 2017’](#), 18 May 2017, p 19.

³⁸ *ibid.*

³⁹ HM Treasury, [‘Autumn Statement 2016’](#), November 2016, Cm 9362, p 30.

⁴⁰ *ibid.*

⁴¹ *ibid.*

⁴² *ibid.*

⁴³ Conservative Party, [‘The Conservative and Unionist Party Manifesto 2017’](#), 18 May 2017, p 19.

development to £170 billion during the next parliament".⁴⁴

The Conservative manifesto stated that a Conservative Government would create UK sovereign wealth funds, called Future Britain Funds, from revenues from shale gas extraction, dormant assets, and from the sale of some public assets.

Following the UK's withdrawal from the EU, the Conservative manifesto said that a Conservative Government would use the "structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund".⁴⁵ The funds would be used to reduce inequality, and would be spent to deliver sustainable and inclusive growth based on the industrial strategy. The Government would consult on the design of the fund with the devolved administrations, local authorities, businesses and public bodies.

The Conservative manifesto made a number of references to specific industries as part of its industrial strategy. For example, a Conservative Government would take forward Sir John Parker's review of shipbuilding.⁴⁶ The report was published on 29 November 2016 and made 34 recommendations on issues such as how the Ministry of Defence approaches ship procurement and that there should be a nationally coordinated effort behind the export of ship sales.⁴⁷ The Ministry of Defence described the report as "a fundamental reappraisal of how we undertake naval shipbuilding in the UK with the aim of placing it on a sustainable long-term footing".⁴⁸ The House of Commons Defence Committee published the results of its inquiry into naval procurement and the national shipbuilding strategy on 21 November 2016.⁴⁹ The Government's response was published on 26 January 2017.⁵⁰ In its response, the Government stated that it was committed to delivering a shipbuilding strategy "as part of an industrial strategy that focuses on increasing economic growth across the country and investing in a more highly skilled workforce".⁵¹ There have been a range of comments made in response to the review by Sir John Parker. The Royal Academy of Engineering, of which Sir John is a former president, was supportive of the report. Professor Dame Ann Dowling, current President of the Royal Academy of Engineering, supported the review and

⁴⁴ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 20.

⁴⁵ *ibid*, p 35.

⁴⁶ *ibid*, p 21.

⁴⁷ Sir John Parker, [An Independent Report to Inform the UK National Shipbuilding Strategy](#), 29 November 2016.

⁴⁸ Ministry of Defence, [Parker Review: Blueprint for a Strong Naval Shipbuilding Sector](#), 29 November 2016.

⁴⁹ House of Commons Defence Committee, [Restoring the Fleet: Naval Procurement and the National Shipbuilding Strategy](#), 21 November 2016, HC 221 of session 2016–17.

⁵⁰ House of Commons Defence Committee, [Restoring the Fleet: Naval Procurement and the National Shipbuilding Strategy: Government Response to the Committee's Third Report of Session 2016–17](#), 26 January 2017, HC 973 of session 2016–17.

⁵¹ *ibid*, p 15.

argued that the report:

[S]hows how the current situation can be dramatically improved, including through a regional industrial strategy, with targeted investment and consideration of how digital technology has changed the landscape for designers and manufacturers at every stage of the supply chain. Above all, and as the report recognises, we need to ensure we have the skills in place to meet the needs of a growing industry if we are to fulfil our engineering potential. A future industrial strategy must have the training of more engineers at its core if it is to work.⁵²

Dr Peter Roberts, Director of Military Sciences at the Royal United Services Institute (RUSI), has stated that as an engineer and businessman, Sir John's "experience to date placed him in an exceptional position to make judgements about any future government plan for, what he described, as a national infrastructure project".⁵³ However, Dr Roberts expressed concern that the ships recommended for naval military operations by the review were not appropriate for some roles:

Sir John recommends a cheap and cheerful corvette designed for overseas sales to fill that void: the Type 31e would be suitable for constabulary duties against drug smugglers and counter migration patrols but little else.⁵⁴

The manifesto also stated that a Conservative Government would support the development of a new decommissioning industry for North Sea oil and "work with the industry to create a multi-use yard and the UK's first ultra-deep water port to support this industry".⁵⁵

Democratic Unionist Party's Manifesto Commitments

The DUP's manifesto stated that the Party supported the delivery of an "ambitious" new industrial strategy for Northern Ireland.⁵⁶ It stated that this would be aligned with the wider UK strategy, and would be centred on the following:

- Accelerating innovation and research.
- Enhancing education, skills and employability.
- Driving inclusive, sustainable growth.

⁵² Royal Academy of Engineering, ['Sir John Parker Publishes Shipbuilding Review to Support Naval Capacity and Inform Industrial Strategy'](#), 6 December 2016.

⁵³ Royal United Services Institute, ['Is Sir John Parker Advocating a Snatch Land Rover for the Royal Navy?'](#), 1 March 2017.

⁵⁴ *ibid.*

⁵⁵ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 22.

⁵⁶ Democratic Unionist Party, [The DUP Manifesto for the 2017 Westminster Election](#), 31 May 2017, p 10.

- Succeeding in global markets.
- Building the best economic infrastructure.⁵⁷

The manifesto argued that by taking a long-term “ten year plus” view, Northern Ireland could become a “globally competitive economy built upon a renewed and reinvigorated industrial base”.⁵⁸ The DUP would also establish the “new Northern Ireland Infrastructure Fund” as quickly as possible.⁵⁹

Digital Technology and Property Development

The Conservative manifesto stated that a Conservative Government would act to “use digital technology to release massive value from our land that currently is simply not realised”.⁶⁰ The aim of this policy would be to create greater specialisation in the property development industry and improve transparency for buyers. The manifesto pledged to combine “relevant parts” of HM Land Registry, Ordnance Survey, the Valuation Office Agency and the Hydrographic Office and Geological Survey to create a “comprehensive geospatial data body within government”.⁶¹ The new body would be responsible for setting new standards to digitise the planning process.

Writing for the Law Society's *Gazette*, Michael Cross argued that whilst he supported the idea “there's more to the issue than data geekery” and that “not everyone will see the proposed system as self-evidently a good thing”.⁶² He wrote that:

There will also be questions of privacy. And then there's the question of how to manage the switch to defining boundaries by lines on centrally created digital maps. What scale will be used, and how will the inevitable conflicts with features on the ground be resolved?⁶³

⁵⁷ Democratic Unionist Party, [The DUP Manifesto for the 2017 Westminster Election](#), 31 May 2017, p 10.

⁵⁸ *ibid.*

⁵⁹ *ibid.*, p 13.

⁶⁰ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 82.

⁶¹ *ibid.*, p 82.

⁶² Michael Cross, [‘Tories’ Land Data Body Sounds Excellent. But...’](#), *Gazette*, 19 May 2017.

⁶³ *ibid.*

Economic Affairs

Rates of Corporation Tax

The current main rate of corporation tax in the UK is 19 percent (for all profits except ring fence companies, unit trusts and open-ended investment companies).⁶⁴ In the Summer 2015 Budget, the Government, led by David Cameron, announced legislation setting the corporation tax main rate at:

- 19 percent for the years starting the 1 April 2017, 2018 and 2019.
- 18 percent for the year starting 1 April 2020.

At Budget 2016, the Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17 percent.⁶⁵

The Conservative manifesto reaffirmed its commitment to that reduction of corporation tax by 2020, stating that “corporation tax is due to fall to 17 percent by 2020” and that in government it would follow this plan “because it will help to bring huge investment and many thousands of jobs to the UK”.⁶⁶

With regard to Northern Ireland, the Conservative manifesto said the Party was “committed to the devolution of corporation tax powers subject to the executive demonstrating fiscal stability”.⁶⁷ Likewise, the DUP's manifesto made a commitment to support “UK wide tax policy improvements to encourage economic growth in Northern Ireland”,⁶⁸ together with a pledge to reduce the rate of corporation tax in Northern Ireland to at least 12.5 percent to “make Northern Ireland not just a good place but the best place to do business”.⁶⁹

The Corporation Tax (Northern Ireland) Act 2015 allows for the devolution of power to the Northern Ireland Assembly to set a Northern Ireland rate of corporation tax to apply to certain trading income.⁷⁰ In 2015, the Northern Ireland Executive had agreed to set a corporation tax rate of 12.5 percent from 1 April 2018.⁷¹ This formed part of the 2015 ‘Fresh Start’ plan,⁷² agreed by the Northern Ireland Executive, the UK Government and the Irish Government, to implement the 2014 Stormont House Agreement of Northern Ireland's

⁶⁴ HM Revenue and Customs, [‘Rates and Allowances: Corporation Tax’](#), 1 April 2017.

⁶⁵ *ibid.*

⁶⁶ Conservative Party, [‘The Conservative and Unionist Party Manifesto 2017’](#), 18 May 2017, p 14.

⁶⁷ *ibid.*, p 34.

⁶⁸ Democratic Unionist Party, [‘The Democratic Unionist Party Westminster Manifesto 2017’](#), 31 May 2017, p 12.

⁶⁹ *ibid.*

⁷⁰ HM Government, [‘Corporation Tax \(Northern Ireland\) Act 2015 \(c. 21\)’](#), March 2015.

⁷¹ Department of Finance/An Roinn Airgeadais, [‘Foster and Bell Welcome 12.5% Corporation Tax Rate’](#), 17 November 2015.

⁷² Northern Ireland Executive, HM Government and Irish Government, [‘A Fresh Start: The Stormont Agreement and Implementation Plan’](#), 17 November 2015, p 21.

political leaders.⁷³ The Fresh Start plan stated the rationale for a 12.5 percent rate of corporation tax as follows:

As a means of rebalancing the economy and addressing the social and economic challenges facing Northern Ireland, the Executive is committed to an affordable and more competitive corporation tax rate.⁷⁴

Devolution of corporation tax to Northern Ireland has not yet been enacted. In its draft guidance on how the Northern Ireland corporation tax regime would work, the Government stated it would do so once certain financial assurances are in place:

The Government will commence the Act and devolution of the power can be completed once the Northern Ireland Executive demonstrates its finances are on a sustainable footing.⁷⁵

Following the March 2017 elections to the Northern Ireland Assembly, discussions to form a Northern Ireland Executive have not yet reached an agreement. A spokesperson for the Government said the formation of an Executive was essential to the devolution of corporation tax rates:

We remain fully committed to the devolution of corporation tax powers in Northern Ireland, subject to the conditions around financial sustainability as set out in the Stormont House and Fresh Start Agreements.

The Government continues to make practical arrangements and stands ready to move forward with devolving these powers when a devolved government is returned.⁷⁶

The deadline for the formation of an Executive has been extended to 29 June 2017.⁷⁷ Some recent commentary in Northern Ireland has focused on the possibility of the 'confidence and supply' arrangement between the Conservatives and the DUP leading to an acceleration of the proposed devolution of corporation tax.⁷⁸

⁷³ HM Government, ['The Stormont House Agreement'](#), 23 December 2014.

⁷⁴ Northern Ireland Executive, HM Government and Irish Government, [A Fresh Start: The Stormont Agreement and Implementation Plan](#), 17 November 2015, p 21.

⁷⁵ HM Revenue and Customs, [Northern Ireland Rate of Corporation Tax: Draft Guidance on the NI CT Regime](#), 26 September 2016.

⁷⁶ John Mulgrew, ['Corporation Tax Levy in Limbo until Functioning Executive is Established'](#), *Belfast Telegraph*, 31 March 2017.

⁷⁷ Northern Ireland Office, ['Northern Ireland Act 2017 Receives Royal Assent'](#) 27 April 2017.

⁷⁸ John Mulgrew, ['DUP deal with Tories 'Could Speed up Corporation Tax Devolution to NI'](#), *Belfast Telegraph*, 13 June 2017.

Rates of Income Tax

The Conservative manifesto stated it intends to “always be the Party that keeps tax as low as possible and spends the proceeds responsibly. It is our firm intention to reduce taxes on Britain’s businesses and working families”.⁷⁹ The manifesto committed to “increase[ing] the personal allowance to £12,500 and the higher rate to £50,000 by 2020”.⁸⁰ The current personal allowance in the UK is up to £11,500 of taxable income.⁸¹ The current higher rate of income tax applies at £45,001–150,000 of taxable income,⁸² unless the individual is a Scottish taxpayer. Income tax bands in Scotland are set by the Scottish Parliament and the Scottish higher rate currently applies at £43,001–150,000 of taxable income.⁸³ The personal allowance amount remains set by Westminster.⁸⁴

The Institute for Fiscal Studies released the following calculations on the effects of the Conservative Party’s proposed changes:

Their promise to raise the income tax personal allowance to £12,500 would leave about 24 million basic rate payers £33 a year better off (in today’s prices). Factoring in the increase in the higher rate threshold too, around 4 million higher rate taxpayers would gain £208 per year in total. Approximately the highest-income ½ million individuals—who do not get a personal allowance—would gain £175 per year.⁸⁵

The DUP’s manifesto made a commitment to support increases in the personal allowance, with no numerical commitment, stating that “in Parliament, we will support proposals to further increase the personal allowance”.⁸⁶

Rates of VAT

The Conservative manifesto stated that the Party would “not increase the level of Value Added Tax” in government.⁸⁷ The DUP manifesto committed to “pursue a cut in the VAT rate for tourism businesses”.⁸⁸

⁷⁹ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 14.

⁸⁰ *Ibid.*

⁸¹ HM Government, [‘Income Tax Rates and Personal Allowances’](#), accessed 7 June 2017.

⁸² *Ibid.*

⁸³ Scottish Government, [‘Scottish Income Tax 2017/18’](#), accessed 7 June 2017.

⁸⁴ *Ibid.*

⁸⁵ Institute for Fiscal Studies, [‘Neither Conservatives nor Labour are properly Spelling out Consequences of their Policy Proposals’](#), 26 May 2017.

⁸⁶ Democratic Unionist Party, [The Democratic Unionist Party Westminster Manifesto 2017](#), 31 May 2017, p 8.

⁸⁷ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 14.

⁸⁸ Democratic Unionist Party, [The Democratic Unionist Party Westminster Manifesto 2017](#), 31 May 2017, p 11.

The current standard rate of VAT on most goods and services is 20 percent, and the reduced rate is 5 percent.⁸⁹ Prior to the release of the manifesto, the Institute for Fiscal Studies had described previous 'tax lock' pledges not to increase the rates of VAT, income tax, and National Insurance contributions as a "serious constraint on the Government's ability to raise revenues".⁹⁰

Air Passenger Duty

The Conservative manifesto did not mention Air Passenger Duty (APD), whereas the DUP manifesto made a commitment to pursue the abolition of APD.⁹¹

As of 1 April 2017, the current rates of APD for flights originating in Northern Ireland are as follows:⁹²

Destination Bands and distance from London (miles)	Rates from 1 April 2017 (reduced/ standard/ higher)	
	Direct	Indirect
Band A (0 to 2,000 miles)	£13/ £26/ £78	£13/ £26/ £78
Band B (over 2,000 miles)	£0/ £0/ £0	£75/ £150/ £450

Currently, no APD is paid on direct long-haul flights departing from airports in Northern Ireland. A flight is a 'direct long-haul flight' when:

- The passenger's journey begins from an airport in Northern Ireland.
- The first part of the journey is to a destination in Band B.
- That part of the journey is direct and does not connect elsewhere beforehand.⁹³

Currently, the intent is for APD rates on Indirect Band B flights originating in Northern Ireland to rise to £78/ £156/ £468 on 1 April 2018.⁹⁴ All other rates would remain the same.

The Finance Act 2012 enabled the devolution to Northern Ireland of APD rates on direct long-haul flights that take off from Northern Ireland, and on 1 January 2013, the Northern Ireland Assembly set these at nil.⁹⁵ Rates for short-haul (Band A) flights are not devolved to Northern Ireland.

⁸⁹ HM Government, '[VAT Rates](#)', accessed 7 June 2017.

⁹⁰ Institute for Fiscal Studies, '[Unpicking the Tax Lock](#)', 12 May 2017.

⁹¹ *ibid.*

⁹² HM Revenue and Customs, '[Rates and Allowances: Excise Duty—Air Passenger Duty](#)', 6 April 2017.

⁹³ *ibid.*

⁹⁴ *ibid.*

⁹⁵ HM Revenue and Customs, '[Excise Notice 550: Air Passenger Duty](#)', 6 March 2017, s 2.1.2.

Any further cuts to APD in Northern Ireland separately from the rest of the UK would lead to a reduction of at least £55 million per year in the block grant Northern Ireland received from HM Treasury, as stated in a report by the Executive by the Northern Ireland Centre for Economic Policy (NICEP).⁹⁶ NICEP stated this meant the “case was not strong enough” to cut APD,⁹⁷ although the managing director of Belfast International Airport said to the House of Commons Northern Ireland Affairs Committee that the Northern Ireland Executive was “bottling” on any reduction in APD.⁹⁸ Prior to the election, the managing director of Belfast International Airport had described APD as an “anchor” on tourism growth.⁹⁹

Making Tax Digital

The Conservative manifesto stated that it intended to introduce changes to simplify the way the tax system operates, stating that:

A good tax system is not just about the headline rates of tax, however, but about its simplicity. Our system remains too complicated, making it hard for people—especially self-employed people and small businesses—to assess their taxes. We will therefore simplify the tax system.¹⁰⁰

Making Tax Digital (MTD) was originally announced in the Spring 2015 Budget. MTD would be a significant change in the methodologies of tax collection and record-keeping for HMRC, businesses, and individuals. It was described by the Government as:

A key part of the Government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs—meaning the end of the annual tax return for millions.¹⁰¹

MTD would mean the majority of self-employed individuals, landlords, and businesses would be required to keep digital tax records, and send quarterly updates digitally to HMRC on their tax affairs, extending to all forms of taxation by 2020.¹⁰² Businesses, self-employed people, and landlords with turnovers of less than £10,000, and those with secondary incomes of less than £10,000,

⁹⁶ Julian O'Neill, '[Case not Strong Enough for Abolishing £13 Air Passenger Duty](#)', BBC News, 3 March 2015.

⁹⁷ *ibid.*

⁹⁸ BBC News, '[Air Passenger Duty: Stormont 'Bottling' Action on Tax, Airport Boss Says](#)', 13 January 2016. This was denied by the then Northern Ireland Finance Minister (and DUP member), see BBC News, '[Air Passenger Duty: Stormont not Bottling on Tax says Storey](#)', 13 January 2016.

⁹⁹ *Belfast Telegraph*, '[Air Passenger Duty an Anchor on Tourism Growth, says Airport Boss](#)', 24 April 2017.

¹⁰⁰ Conservative Party, '[The Conservative and Unionist Party Manifesto 2017](#)', 18 May 2017, p 14.

¹⁰¹ HM Government, '[Overview of Making Tax Digital](#)', 8 March 2017.

¹⁰² *ibid.*

would be exempt from digital record keeping and quarterly reporting.¹⁰³ The Government also stated that alternatives for whom “digital is not an option” would be provided.¹⁰⁴ HMRC has recently published a detailed policy paper and Tax Information and Impact Note (TIIN) on MTD and its relation to business.¹⁰⁵

Previous Legislative Proposals

The Finance (No. 2) Bill originally provided the legislative basis for these digital tax requirements in clauses 120 to 122 and schedule 25 of the Bill as introduced to the House of Commons on 20 March 2017.¹⁰⁶ However, due to the election and limited time available for debate, the legislative provisions for MTD were dropped from the final Finance Act 2017. The salient points from the original legislative provision were:

- The new requirements were to take effect from April 2018, and apply to income tax for businesses, self-employed people and landlords with turnovers/incomes above the VAT threshold.¹⁰⁷
- For businesses, self-employed people and landlords with turnovers/incomes below the VAT threshold, these requirements were to take effect from April 2019.
- Provision would be made for HMRC to define the form of the information to be kept and the information to be provided.
- Provision would be made for HMRC to exempt from these requirements those who were “digitally excluded”. This was defined as:
 - Membership of a religious organisation whose beliefs were incompatible with electronic record keeping and/or communication.
 - Any reason, including age, disability, and location, which meant it was not “reasonably practical” to keep electronic records or communicate electronically.
- Provision would be made for HMRC to make further exemptions from these requirements.
- A penalty of up to £3,000 could be imposed for failure to keep

¹⁰³ HM Government, [‘Overview of Making Tax Digital’](#), 8 March 2017.

¹⁰⁴ *ibid.*

¹⁰⁵ HM Revenue and Customs, [‘Making Tax Digital for Business’](#), 8 March 2017. HMRC conducted six separate consultations on different aspects of the proposed MTD system in 2016, and published the results in 2017 (HM Revenue and Customs, [‘Making Tax Digital: Consultations’](#), 31 January 2017). HMRC published independent research into the attitudes of small businesses and accountancy firms on the same day (HM Revenue and Customs, [‘Making Tax Digital for Business: Exploring Small Business and Agent Attitudes and Engagement with Making Tax Digital’](#), 31 January 2017), and later published a policy paper summarising the responses to these consultations (HM Revenue and Customs, [‘Summary of Consultation Responses’](#), 8 March 2017).

¹⁰⁶ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹⁰⁷ Currently more than £85,000 (HM Government, [‘VAT Registration Thresholds’](#), 1 April 2017).

records as required.¹⁰⁸

The Government had intended to extend the requirements of MTD to VAT record keeping and updating in 2019, and corporation tax in 2020.¹⁰⁹

The original timeline for implementation of MTD published by HMRC in December 2015 was to be realised in the above legislative proposals, with one alteration.¹¹⁰ In the Spring 2017 Budget, the Government announced that small businesses would be provided with an extra year (up to April 2019) before they would fall into the remit of MTD,¹¹¹ explaining the difference between the original timeline and the 2017 legislative proposals.

Customs Enforcement

The Conservative manifesto stated it intended to give HMRC additional powers to counter smuggling:

We will improve HMRC's capabilities to stamp down on smuggling, including by improving our policing of the border as we leave the European Union.¹¹²

In the Finance (No. 2) Bill as introduced in the 2016–17 session, the Government had intended to extend HMRC officers' powers to inspect goods, and to clarify their ability to use reasonable force in the course of an inspection. The rationale was to take into account developing practices in customs fraud that now take place away from traditional locations, such as ports, airports, and approved warehouses. This would have meant legislation extending HMRC's powers to inspect goods in the particular instances below, yet due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017.

Power to Enter Premises

The basic legislative power for HMRC officers examining goods comes under section 159 of the Customs and Excise Management Act 1979 (CEMA).¹¹³ However, these powers are limited to places appointed for doing so by the Commissioners for HMRC, such as ports, airports and approved warehouses. The use of these powers outside of the appointed locations is not permitted.

¹⁰⁸ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹⁰⁹ HM Government, ['Overview of Making Tax Digital'](#), 8 March 2017.

¹¹⁰ HM Revenue and Customs, [Making Tax Digital](#), December 2015, pp 11–12.

¹¹¹ HM Government, ['Overview of Making Tax Digital'](#), 8 March 2017.

¹¹² Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

¹¹³ Customs and Excise Management Act 1979.

Currently, the legislative basis for HMRC officers entering premises and inspecting goods to enforce customs rules outside of the appointed locations comes under section 24 of the Finance Act 1994.¹¹⁴ However, the Finance Act 1994 does not grant any power to move and/or unpack goods for the purposes of a closer inspection (unlike the CEMA). Customs officers may only look at goods that are visible to them when visiting businesses premises and where there is reasonable cause to believe a customs offence has been committed.

The Government's legislative proposals in the Finance (No. 2) Bill, as introduced in the 2016–17 session, would have amended the Finance Act 1994. These amendments would have applied to premises which officers believed were being used for the purpose of carrying on a trade or business in respect of goods which may be liable to customs duty. As a result, officers would have been able to:

- At any reasonable time enter and inspect the premises.
- Inspect, examine and take account of any goods found on the premises.¹¹⁵

Powers of inspection would have included being able to:

- Move, open, or unpack goods and containers.
- Search containers and anything in them.
- Mark goods and containers.¹¹⁶

The Government argued that the original CEMA provisions were designed for checking and countering smuggling at airports and ports, and need to be updated to deal with more recent methods of evading duty.¹¹⁷ HMRC published a TIIN on this measure in December 2016, stating the rationale as follows:

HMRC often investigates sophisticated frauds involving customs goods, the majority of which are at inland premises, post-clearance, and not within the confines of approved premises, including ports and airports. It is essential that customs officers are empowered to enter and inspect premises, examine goods, and take account of them, as well as open or unpack any container, or require it to be opened or unpacked in order to search it or anything in it.¹¹⁸

¹¹⁴ Finance Act 1994.

¹¹⁵ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹¹⁶ *ibid.*

¹¹⁷ HM Revenue and Customs, '[Customs Examinations Powers](#)', accessed 6 June 2017.

¹¹⁸ *ibid.*

Power to Enter Vehicles

Section 163 of the CEMA permits officers to stop and search vehicles which they suspect are transporting goods that have not had any chargeable duty paid on them.¹¹⁹ It does not specifically state that officers can use force to gain entry to the vehicle. The Government's legislative proposals in the Finance (No. 2) Bill as introduced in the 2016–17 session would have meant officers were explicitly permitted to use “reasonable force if necessary” to enter a vehicle they suspect of containing illicit goods.¹²⁰

This measure was originally announced in the Spring 2016 Budget. The proposals in the Finance (No. 2) Bill were based on the argument that the original CEMA provisions were designed for checking and countering smuggling at airports and ports, and needed to be updated to deal with more recent methods of evading duty.¹²¹ HMRC stated the rationale was that:

HMRC is increasingly finding abandoned vehicles, at places other than an approved place, with excise goods visible inside. On those occasions customs officers need to force entry to the vehicle and secure the goods, removing them from the supply chain and protecting legitimate businesses. This amendment will put beyond all doubt that the power in section 163 of CEMA provides the power to use force, where necessary.¹²²

Online VAT Fraud

In addition to the previous statements granting HMRC additional anti-smuggling powers, the Conservative manifesto further stated that HMRC would gain additional powers to reduce online VAT fraud.¹²³

Fulfilment Houses

The Fulfilment House Due Diligence Scheme (FHDDS) was announced in the Spring 2016 Budget, and was aimed at UK fulfilment houses (warehouses) that handle the importing of goods on behalf of third parties outside the EU. Under the proposed FHDDS, fulfilment businesses in the UK would have to register with HMRC from 2018, keep certain records and carry out “robust” due diligence checks on their overseas customers.¹²⁴ The Government had intended to introduce secondary legislation which would outline the records and due diligence checks that fulfilment businesses would be expected to keep in

¹¹⁹ Customs and Excise Management Act 1979.

¹²⁰ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹²¹ HM Revenue and Customs, [‘Power to Search Vehicles or Vessels under Section 163 of Customs and Excise Management Act 1979’](#), 5 December 2016.

¹²² *ibid.*

¹²³ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

¹²⁴ HM Revenue and Customs. [‘Fulfilment House Due Diligence Scheme’](#), 5 December 2016.

respect to their overseas customers.¹²⁵ HMRC explained:

[To] disrupt and deter abuse by some overseas businesses selling goods to UK customers via online marketplaces. [...] This will make it more difficult for non-compliant overseas businesses to trade in the UK and will enable HMRC to identify and tackle them more easily. HMRC will publish the register to allow businesses to check whether they are dealing with compliant fulfilment businesses.¹²⁶

The Government had specifically targeted this measures at the contravention of VAT through online means, as it would sit alongside other measures under the remit of Value Added Tax: Tackling Overseas Trader Evasion.¹²⁷ The FHDSS would have sat alongside powers granted to HMRC in the Finance (No. 2) Bill to direct overseas businesses to appoint a UK VAT representative with joint and several liability. Also granted then were powers to make online marketplaces jointly and severally liable for VAT unpaid by non-EU online sellers who do not comply with HMRC direction.¹²⁸ The projected benefits from these measures collectively) were as follows:

***Exchequer Impact of Tackling Overseas Trader Evasion in £m*¹²⁹**

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	+65	+130	+315	+365

These figures were described by HMRC as “certified by the Office for Budget Responsibility”.¹³⁰

HMRC consulted on the FHDSS proposals in 2016, and published a summary and its formal response on 5 December 2016.¹³¹ In its response, HMRC defined businesses and goods that would fall under the FHDSS as follows:

Businesses must be operating a fulfilment business, meaning:

- Some or all of the storage and fulfilment premises of the business must be located in the UK.
- The storage and fulfilment premises must wholly or partly contain ‘relevant’ goods.
- The fulfilment business arranges for the customer to receive the relevant goods (either by initiating delivery or allowing

¹²⁵ [Explanatory Notes to the Finance \(No. 2\) Bill 2017](#), 20 March 2017, p 372.

¹²⁶ *ibid.*

¹²⁷ HM Treasury, [Budget 2016: Policy Costings](#) March 2016, p 44.

¹²⁸ *ibid.*

¹²⁹ HM Treasury, [Budget 2016](#), 16 March 2016, p 85, table 2.1, line 46.

¹³⁰ HM Revenue and Customs, [‘Fulfilment House Due Diligence Scheme’](#), 5 December 2016.

¹³¹ HM Revenue and Customs, [Fulfilment House Due Diligence Scheme: Summary of Responses](#), 5 December 2016.

collection).¹³²

'Relevant' goods are goods that:

- Have been imported into the EU.
- Are in free circulation.
- At the point when they arrive at the fulfilment business's premises in the UK, do not normally have a delivery address beyond the address of the fulfilment business.
- Are owned by a business located outside of the EU until such time as they are sold to the customer.¹³³

Following the consultation, businesses that fulfil their own orders of imported good would not have been subject to FHDSS.¹³⁴

The legislative basis was due to be introduced in the Finance (No. 2) Bill,¹³⁵ yet due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017. The previous Government's legislative proposals would have made it an offence to trade as a fulfilment business without registration with and approval from HMRC. A person guilty on summary conviction would have been liable for up to twelve months imprisonment (six months in Northern Ireland), a fine of up to £3,000, or both; a person guilty of conviction on indictment would have been liable for up to seven years imprisonment, a fine of up to £3,000, or both.¹³⁶ Any goods stored in a non-registered and approved fulfilment house are liable to forfeiture.¹³⁷

Tax Advisory Firms

The Conservative manifesto stated that it intended to legislate for "tougher regulation of tax advisory firms".¹³⁸ The Government had previously intended, through the Finance (No. 2) Bill as introduced in the 2016–17 session, to legislate to increase regulation concerning advice around tax avoidance in two specific areas: promotion and disclosure. It also announced in the Spring 2016 Budget that it intended to introduce penalties for 'enablers' of tax avoidance, to be instituted through the Finance (No. 2) Bill. Due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017. The Government consulted on these proposals in 2016 and published a summary of responses and a formal response on 5 December

¹³² HM Revenue and Customs, [Fulfilment House Due Diligence Scheme: Summary of Responses](#), 5 December 2016, p 4.

¹³³ *ibid*, p 5.

¹³⁴ *ibid*.

¹³⁵ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹³⁶ *ibid*, clauses 113 and 115.

¹³⁷ *ibid*, clause 114.

¹³⁸ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

2016.¹³⁹

'Enablers' of Tax Avoidance

Announcing the consultation on a proposed tranche of measures to address 'enablers' of tax avoidance in 2016, Jane Ellison, then Financial Secretary to the Treasury, stated:

Currently tax avoiders face significant financial cost when HMRC defeats them in court. However, those who advised on, or facilitated, the avoidance bear little risk [see Disclosure section below on responsibility]. The Government is acting to make sure that tax avoidance is rooted out at source and this action will target all those in the supply chain of tax avoidance arrangements.¹⁴⁰

The Government intended to enact new legislation to focus on these enablers of tax avoidance. In the consultation, it provided the following definition:

The word enabler encompasses more than those who design, promote and market avoidance. It includes anyone in the supply chain who benefits from an end user implementing tax avoidance arrangements and without whom the arrangements as designed could not be implemented.¹⁴¹

There is no current legislative basis for enablers of tax avoidance. However, there is currently legislation defining 'promoters' of tax avoidance and 'intermediaries' of tax avoidance under the Disclosure of Tax Avoidance Schemes (DOTAS) and the Promoters of Tax Avoidance Schemes (POTAS) rules as provided by HMRC:

- DOTAS describes a 'promoter' as a person who is responsible for the design, marketing, implementation, organisation or management of avoidance arrangements, in the course of a business which includes the provision of services relating to taxation.
- POTAS describes an 'intermediary' as the person who sits between the promoter and the client and typically provides the client with information in relation to the arrangement.¹⁴²

¹³⁹ HM Revenue and Customs, [Strengthening Tax Avoidance Sanctions and Deterrents: Summary of Responses](#), 5 December 2016.

¹⁴⁰ HM Government, [Tax Avoidance Enablers to Face Tough New Penalties](#), 17 August 2016.

¹⁴¹ HM Revenue and Customs, [Strengthening Tax Avoidance Sanctions and Deterrents: A Discussion Document](#), 17 August 2016, p 8.

¹⁴² HM Revenue and Customs, [Strengthening Sanctions and Deterrents for Tax Avoidance](#), 5 December 2016. DOTAS legislation was originally instituted in the Finance Act 2004, see HM Treasury, [Finance Act 2004 \(c. 12\)](#) (March 2004). POTAS legislation was originally instituted in the Finance Act 2014, see HM Treasury, [Finance Act 2014 \(c. 26\)](#) (March 2014).

The Finance (No. 2) Bill as introduced in the 2016–17 session proposed new penalties for those who enable the use of tax avoidance arrangements, when those avoidance arrangements are later defeated by HMRC in a tribunal or court.¹⁴³ In a TIIN published on 5 December 2016, the Government said the proposed legislation would:

- Define who is an ‘enabler’ to draw the distinction between those who design, market or otherwise facilitate avoidance arrangements implemented from those who solely advise, report or otherwise provide opinion on such arrangements and whose advice does not result in any amendment to the arrangements or any resulting arrangements.
- Ensure that those who are brought within the meaning of enabler through unwittingly becoming involved in the arrangements are excluded from that definition.
- Describe the types of arrangements which, if defeated, bring those who enabled those arrangements within scope for penalties.
- Describe how the amount of any penalty is calculated and assessed and provide a right of appeal against that assessment.¹⁴⁴

Penalties

The Government intended the new legislative scheme would apply to anyone who enabled someone to use a tax avoidance scheme that HMRC later defeats,¹⁴⁵ and would focus on abusive schemes that “no-one could mistake for a reasonable commercial arrangement”.¹⁴⁶ When a tax avoidance arrangement was defeated in tribunal or court by HMRC, the proposed new penalty would have applied to everyone in the supply chain of enabling that tax avoidance, and would “be equal to the amount of consideration received or receivable by an enabler” (ie 100 percent of any earnings applicable).¹⁴⁷

Reasonable Care

The current law around what constitutes carelessness and taking ‘reasonable care’ when submitting information to HMRC and any errors (deliberate or non-deliberate) is specified in schedule 24 of the Finance Act 2007 (amended in the Finance Act 2013).¹⁴⁸ This schedule also defines where responsibility lies in cases where reasonable care is found to not have been taken, and the penalties resulting from this.

¹⁴³ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹⁴⁴ *ibid.*

¹⁴⁵ *ibid.*

¹⁴⁶ HM Revenue and Customs, [‘Strengthening Sanctions and Deterrents for Tax Avoidance’](#), 5 December 2016.

¹⁴⁷ [Explanatory Notes to the Finance \(No. 2\) Bill 2017](#), 20 March 2017, p 408.

¹⁴⁸ HM Revenue and Customs, [Schedule 24 FA 2007](#), accessed 7 June 2006.

The Conservative Government proposed amending this schedule in the Finance (No. 2) Bill, in relation to inaccuracies arising in a person's tax return from the defeat of tax avoidance arrangements they have entered into.¹⁴⁹

Where a person receives advice in relation to certain tax avoidance arrangements, they would have not been able to rely on that advice to demonstrate they had taken reasonable care to avoid an inaccuracy arising from their use of the arrangements in certain circumstances.¹⁵⁰ Legislation would have been able to presume in this instance that a person had been careless unless they could prove they have taken reasonable care.¹⁵¹ HMRC had provided examples that describe circumstances and events which are explicitly stated not to represent taking reasonable care in cases of defeated avoidance (but are not limited to):

- Advice addressed to a third party or without reference to the taxpayer's specific circumstances and use of the scheme.
- Advice commissioned or funded by a party with a direct financial interest in selling the scheme or not provided by a disinterested party.
- Material produced by parties without the relevant tax or legal expertise/experience to advise on complicated tax avoidance arrangements, typically this would be the sort of material used to market the arrangements and would not amount to advice setting out the legal options necessary for a potential user to assess the efficacy of the scheme or the risks involved.¹⁵²

Due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017.

Disclosure of VAT and other Indirect Tax Avoidance Schemes

Under schedule 11A of the Value Added Tax Act 1994 (inserted via clause 19 and schedule 2 of the Finance Act 2004), the primary responsibility for the disclosure of VAT avoidance schemes is on the user.¹⁵³ In the Finance (No. 2) Bill as introduced in the 2016–17 session, the Government proposed moving the disclosure responsibility to the promoters of these schemes.¹⁵⁴ It also proposed extending the scope of the responsibility to disclose to the following forms of indirect taxation:

- Insurance premium tax.
- All duties of excise.

¹⁴⁹ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹⁵⁰ [Explanatory Notes to the Finance \(No. 2\) Bill 2017](#), 20 March 2017, p 405.

¹⁵¹ HM Revenue and Customs, [‘Strengthening Sanctions and Deterrents for Tax Avoidance’](#), 5 December 2016.

¹⁵² *ibid.*

¹⁵³ Finance Act 2004.

¹⁵⁴ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

- The soft drinks industry levy.
- Landfill tax.
- Aggregates levy.
- Climate change levy.
- Customs duties.¹⁵⁵

The proposed measure made provision for tests to apply, known as ‘hallmarks’, to determine if arrangements need to be disclosed. These would have been set in regulations.¹⁵⁶ Due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017

Regulations on the Promotion of Tax Avoidance Schemes

Legislation was introduced in the Finance Act 2014 applying to certain Promoters of Tax Avoidance Schemes (POTAS).¹⁵⁷ Broadly, these provisions had defined the promoters of avoidance schemes, identified when they have triggered ‘threshold’ conditions targeting specified behaviours, and provided for a “conduct” notice to be applied to these promoters.¹⁵⁸ They also specified that those who failed to comply with a conduct notice may be issued with a ‘monitoring’ notice, which requires pre-approval by a Tribunal. Names of promoters subject to a monitoring notice would have been published by HMRC, including details of how the conduct notice was breached, and the promoter will be required to publish its monitored status to clients.¹⁵⁹ Information requirements will apply to monitored promoters, and intermediaries and clients of monitored promoters.¹⁶⁰ These were later amended in the Finance Act 2015.¹⁶¹

In the Finance (No. 2) Bill as introduced in the 2016–17 session, further amendments to the Finance Act 2014 were proposed in order to “deter the use of avoidance schemes through influencing the behaviour of promoters, their intermediaries and clients” by ensuring “promoters cannot use associated and successor entities to circumvent the legislation”.¹⁶² HMRC published a TIIN in March 2017 stating the rationale:

This measure will ensure that promoters of tax avoidance schemes cannot circumvent the POTAS regime by re-organising their business so that they either share control of a promoting business or put a person or persons between themselves and the promoting business. This will

¹⁵⁵ [Explanatory Notes to the Finance \(No. 2\) Bill 2017](#), 20 March 2017, p 419.

¹⁵⁶ *ibid.*

¹⁵⁷ Finance Act 2014.

¹⁵⁸ HM Treasury, [Finance Bill 2014 Explanatory Notes Clauses 68 to 295 \(Volume 2 of 2\)](#), March 2014; specified as clauses 227 to 276 and schedules 30 to 32 in the Explanatory Notes.

¹⁵⁹ *ibid.*

¹⁶⁰ *ibid.*

¹⁶¹ Finance Act 2015.

¹⁶² HM Revenue and Customs, [‘Promoters of Tax Avoidance Schemes: Associated and Successor Entities Rules’](#), 8 March 2017.

ensure HM Revenue and Customs (HMRC) can apply the POTAS regime as intended when introduced.¹⁶³

Due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017.

Misuse of Trusts

The Conservative manifesto stated that it intended to examine the misuse of trusts as financial vehicles:

We will take a more proactive approach to transparency and misuse of trusts.¹⁶⁴

The Finance (No. 2) Bill intended to extend inheritance tax (IHT) to residential properties situated in the UK where they are held through overseas structures by trustees or individuals domiciled outside the UK, also known as 'non-doms'.¹⁶⁵ This would have been done by amending the Inheritance Tax Act 1984 (IHTA). Section 6 of the IHTA provides that an individual who is not domiciled in the UK is not liable to IHT on any of their property which is situated outside the UK.¹⁶⁶ However, the Government argued that this provided a tax advantage to non-doms, as follows:

Any residential property in the UK owned by a non-domiciled individual directly will be within the charge of IHT. However, it is standard practice for such individuals to hold UK residential properties through an overseas company or similar vehicle. Where this is the case, the property of the individual consists of overseas shares which will be situated outside the UK and are therefore excluded from IHT. This is known as 'enveloping' the UK property and the effect is that the property is taken outside the scope of tax. Enveloping properties in this way only provides a tax advantage to individuals who are domiciled outside the UK.¹⁶⁷

The Government originally announced its intention to extend IHT to UK property held by non-doms through vehicles such as trusts in the Summer 2015 Budget. It consulted on these proposals in 2016 and published a summary of the consultation and a formal response in December 2016.¹⁶⁸

¹⁶³ HM Revenue and Customs, ['Promoters of Tax Avoidance Schemes: Associated and Successor Entities Rules'](#), 8 March 2017.

¹⁶⁴ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 17.

¹⁶⁵ UK Parliament website, [Finance \(No. 2\) Bill 2016–17, \(HL Bill 156\)](#).

¹⁶⁶ Inheritance Tax Act 1984, s 6.

¹⁶⁷ HM Treasury, ['Reforms to the Taxation of Non-domiciles: Response to Further Consultation'](#), 5 December 2016.

¹⁶⁸ HM Treasury, [Reforms to the Taxation of Non-domiciles: Response to Further Consultation](#), 5 December 2016.

HMRC published a TIIN on this measure in December 2016, which stated rationale for extending IHT provisions as follows:

Currently, a UK residential property which is held by such an individual through an overseas company, trust or similar structure, would be treated as situated outside the UK and therefore outside the scope of IHT [...] The measure will extend the scope of IHT to residential properties situated in the UK which are held by non-domiciled individuals through overseas vehicles. This will be the case whether or not the individual is resident in the UK.¹⁶⁹

Due to the election and limited time available for debate, these legislative provisions were dropped from the final Finance Act 2017.

¹⁶⁹ HM Revenue and Customs, ['Inheritance Tax: Overseas Property whose Value is Attributable to UK Residential Property'](#), 5 December 2016.

Transport

In its manifesto the Conservative Party made a number of commitments with regard to transport, including pledges to improve infrastructure and support motorists.

Transport Infrastructure

Since April 2016, Southern Railway has experienced major industrial action. This followed the operator's decision to change control of train door operation from guards to the driver, which a number of unions, such as ASLEF, have argued makes the network unsafe. According to Network Rail, in 2016 there were approximately 58,983 trains fully or partly cancelled, approximately 160 per day. Southern attribute this to staffing shortages.¹⁷⁰ At the time of writing, this dispute remains unresolved.

The Conservative manifesto promised they would work with train companies and their employees to "agree minimum service levels" during periods of industrial dispute, and if unable to find a voluntary agreement, a Conservative Government would "legislate to make this mandatory".¹⁷¹ The Conservatives also pledged to examine ways in which the regulation of transport infrastructure could be "improved", in order to "deliver a better deal for customers and sharper incentives for investment efficiency".¹⁷² In addition, they pledged to review rail ticketing, "removing complexity and perverse pricing", and would introduce a passenger ombudsman to "to stand up for the interests of rail users suffering a poor deal".¹⁷³

The manifesto pledged to support local authorities in expanding cycle networks and upgrading facilities for cyclists at railway stations.¹⁷⁴ The manifesto also stated that a Conservative Government would "focus on creating extra capacity on the railways".¹⁷⁵ To achieve this, a Conservative Government would create new lines and stations and improve existing routes on the rail networks, in particular, for freight.¹⁷⁶

The manifesto also contained a commitment to continue the Government's "programme of strategic national investments" in the country's transport networks, which included High Speed 2, Northern Powerhouse rail and the expansion of Heathrow Airport.¹⁷⁷ In addition to these commitments, the manifesto outlined that a Conservative Government would "want almost every car and van to be zero-emission by 2050", and would "invest £600 million by

¹⁷⁰ BBC News, ['Southern Rail: Seven Facts about the Dispute'](#), 26 April 2017.

¹⁷¹ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 24.

¹⁷² *ibid.*

¹⁷³ *ibid.*, p 60.

¹⁷⁴ *ibid.*, p 24.

¹⁷⁵ *ibid.*, p 26.

¹⁷⁶ *ibid.*, p 24.

¹⁷⁷ *ibid.*, p 23.

2020" in order to achieve this.¹⁷⁸ They also announced plans to invest in low-emission buses, audio-visual displays for bus passengers and community minibuses "for rural areas poorly served by public transport".¹⁷⁹ According to Stephen Joseph, Campaign for Better Transport, the policy was "good news" and reflected their own Save Our Buses campaign, which seeks to protect buses from local spending cuts.¹⁸⁰

Motorists

In relation to motorists, the Conservative manifesto contained pledges to tackle "rogue" private parking operators and reduce insurance costs by "cracking down on exaggerated and fraudulent whiplash claims".¹⁸¹ This followed a commitment in the 2015 Autumn Statement by the then Government to introduce measures to "stop the right to cash compensation" for minor whiplash injuries, which would subsequently, "end the cycle" whereby motorists pay higher premiums in order to cover false claims.¹⁸² The Government stated that such a measure would remove over £1 billion from the cost of providing motor insurance, with the motor industry passing an average saving to consumers of approximately £40 to £50 per motor insurance policy.¹⁸³

Spaceflight

In December 2015, the Government published the United Kingdom's first *National Space Policy*. Included in the proposals were commitments to increase its international collaboration on development and participation in space missions and applications,¹⁸⁴ and connect UK scientists, innovators and businesses with their space counterparts around the world.¹⁸⁵ At its launch, the then Business, Innovation and Skills Secretary, Sajid Javid, stated that, "historically we [the United Kingdom] haven't been a major player in space programmes, this policy will change that".¹⁸⁶

On 21 February 2017, the Government published the [Draft Spaceflight Bill](#). The Bill set out the Government's plans to regulate launch-to-orbit and sub-orbital spaceflight activities from UK spaceports. As part of the draft Bill, the Government sought to create a "regulatory framework" and provide the licensing of "spaceflight activities".¹⁸⁷

¹⁷⁸ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 24.

¹⁷⁹ *ibid.*

¹⁸⁰ Campaign for Better Transport, [What do the Election Manifestos Say about Transport?](#), 25 May 2017.

¹⁸¹ *ibid.*

¹⁸² HM Treasury, [Spending Review and Autumn Statement](#), November 2015, Cm 9162, p 40.

¹⁸³ *ibid.*

¹⁸⁴ HM Government, [National Space Policy](#), 9 December 2015, p 14.

¹⁸⁵ *ibid.*, p 10.

¹⁸⁶ UK Space Agency, [National Space Policy: Science Fiction into Science Fact](#), 13 December 2015.

¹⁸⁷ HM Government, [Draft Spaceflight Bill](#), February 2017, Cm 9421, p 88.

In a joint ministerial statement, Jo Johnson (the then Minister of State for Universities, Science, Research and Innovation) and John Hayes (Minister of State, Department of Transport) stated that the draft spaceflight legislation:

Will be fundamental to enabling safe and cost-effective access to space from the UK so creating high-value jobs and economic benefits across the country. It is important we get this complex new legislation right to create a safe, competitive and sustainable commercial spaceflight market.¹⁸⁸

Democratic Unionist Party's Manifesto Commitments

The Democratic Unionist Party (DUP) made a number of commitments in its manifesto, including the abolition of Air Passenger Duty.¹⁸⁹ The DUP's Deputy Leader, Nigel Dodds, has previously criticised the measure, describing it as an "iniquitous tax on small, regional airports and peripheral areas of the United Kingdom".¹⁹⁰

In addition, the manifesto also contained promises to support the expansion of Heathrow Airport. In October 2016, the then Secretary of State for Transport, Chris Grayling, made a statement to the House of Commons outlining the Government's intentions to expand Heathrow Airport. Responding to the statement, Nigel Dodds, said that the DUP welcomed the decision.¹⁹¹ Mr Dodds also contended that in Northern Ireland, "there is a wide consensus that [the expansion of] Heathrow is the right decision. It will lead to thousands more jobs, and major investment in tourism and business".¹⁹²

The DUP stated that it would be seeking an independent investigation into ferry price structures on North Channel and Irish Sea routes between Northern Ireland and Great Britain.¹⁹³ In its policy document on tourism in Northern Ireland, published February 2015, the DUP expressed concern about the high cost of ferry travel. The cost of ferry travel was a "serious deterrent" to people who would consider coming to Northern Ireland, subsequently impacting tourism in the country.¹⁹⁴

¹⁸⁸ HM Government, [Draft Spaceflight Bill](#), February 2017, Cm 9421, p 5.

¹⁸⁹ Democratic Unionist Party, [The DUP Manifesto for the 2017 Westminster Election](#), 28 May 2017, p 11.

¹⁹⁰ [HC Hansard, 20 October 2015, col 298WH](#).

¹⁹¹ [HC Hansard, 25 October 2016, col 172](#).

¹⁹² Democratic Unionist Party, [The DUP Manifesto for the 2017 Westminster Election](#), 28 May 2017, p 11.

¹⁹³ *ibid*, p 13.

¹⁹⁴ Democratic Unionist Party, [Making the Most of Northern Ireland's Tourist Potential](#), 9 February 2015, p 2.

Energy

Shale Gas Extraction

As part of its energy policy, the Conservative manifesto stated that a Conservative Government would develop the shale gas extraction industry in Britain. This would involve legislating to change planning law in such a way that non-fracking drilling would be treated as permitted development. A Conservative Government would also establish planning functions to support local councils and (in some circumstances) major shale planning decisions would be the responsibility of the National Planning Regime.¹⁹⁵ The Conservative manifesto also proposed that a new Shale Environmental Regulator should be established, which would “assume the relevant functions of the Health and Safety Executive, the Environment Agency and the Department for Business, Energy and Industrial Strategy”.¹⁹⁶ The stated aim of this would be to provide “clear governance and accountability” and to create a “source of expertise, and allow decisions to be made fairly but swiftly”.¹⁹⁷

In the previous parliament the Government consulted on the delivery method and priorities of the Shale Wealth Fund between August and October 2016.¹⁹⁸ The proposed Shale Wealth Fund would be changed to allow for a greater percentage of the tax revenues from shale gas to “directly benefit communities” that host extraction sites:

Where communities decide that it is right for them, we will allow payments to be made directly to local people themselves. A significant share of the remaining tax revenues will be invested for the benefit of the country at large.¹⁹⁹

The Infrastructure Act 2015 made a number of changes to the right to use “deep-level land for the purpose of exploiting petroleum or deep geothermal energy”.²⁰⁰ The net effect of this was to make it easier for companies to drill for shale gas subject to a number of new safeguards (such as restrictions on fracking at depths shallower than 1,200 metres).²⁰¹

The plans for fracking contained in the Conservative manifesto attracted comment from some campaign groups concerned with its possible impact on the environment. Greenpeace responded to the policies arguing that it “pays no regard to our vital climate change commitments” by introducing a new fossil fuel industry.²⁰² It also expressed concern that the local councils would have

¹⁹⁵ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 23.

¹⁹⁶ *ibid.*

¹⁹⁷ *ibid.*

¹⁹⁸ HM Treasury, [‘Shale Wealth Fund’](#), accessed 6 June 2017.

¹⁹⁹ *ibid.*

²⁰⁰ [Explanatory Notes to the Infrastructure Act 2015](#), para 257.

²⁰¹ House of Commons Library, [‘Shale Gas and Fracking’](#), 13 April 2017, p 5.

²⁰² Greenpeace, [‘What Do We Think: The Conservative Party Manifesto’](#), 19 May 2017.

their powers to decide planning applications taken away despite what it claimed was “growing public resistance across the UK”.²⁰³ In contrast, the Institute of Directors described shale as a “resource that needs to be developed” and that it was pleased that the Government had committed to it.²⁰⁴

Energy Markets

The Conservative manifesto stated that a Conservative Government would commission an independent review into the cost of energy. This would make recommendations on ensuring the lowest possible energy costs in the UK whilst meeting the country's 2050 carbon reduction objective.²⁰⁵ This follows an energy market investigation by the Competition Markets Authority (CMA) in 2016.²⁰⁶ Amongst its findings, the CMA's investigation concluded that “70 percent of domestic customers of the six largest energy firms are still on an expensive ‘default’ standard variable tariff”.²⁰⁷

In its manifesto, the Conservative Party stated that it would introduce a “safeguard tariff cap”.²⁰⁸ This would extend existing price protection measures currently in place for some vulnerable customers to more people on the poorest-value tariffs.²⁰⁹ It stated that it would continue to support initiatives to make switching easier.²¹⁰ The manifesto said that, as part of broader reforms to the business energy market, it would consult on how to extend the safeguard tariff cap to micro-businesses.²¹¹

A Conservative Government would also establish an energy efficiency scheme to assist large companies in reducing energy usage.²¹² Alongside this, the Conservative manifesto stated that it would look to improve energy efficiency of domestic homes by “committing to upgrading all fuel poor homes to EPC Band C by 2030”, and reviewing the requirements on new homes.²¹³

In addition, the manifesto states that, after leaving the EU, a Conservative Government would develop its energy policy based on the ends, not on the means by which the energy is generated:

[W]e will form our energy policy based not on the way energy is

²⁰³ Greenpeace, [‘What Do We Think: The Conservative Party Manifesto’](#), 19 May 2017.

²⁰⁴ Institute of Directors, [‘Economic Interventions Sometimes Justified, but Tories Must Remember Government Has Limitations’](#), 18 May 2017.

²⁰⁵ Conservative Party, [‘The Conservative and Unionist Party Manifesto 2017’](#), May 2017, p 22.

²⁰⁶ Competition and Markets Authority, [‘Energy Market Investigation’](#), accessed 8 June 2017.

²⁰⁷ Competition and Markets Authority, [‘CMA Publishes Final Energy Market Reforms’](#), 24 June 2016. Further information on the reforms in the British energy market can be found in: House of Commons Library, [‘The Current Energy Market Reforms in Great Britain’](#), 15 March 2017.

²⁰⁸ Conservative Party, [‘The Conservative and Unionist Party Manifesto 2017’](#), 18 May 2017, p 60.

²⁰⁹ *ibid.*

²¹⁰ *ibid.*

²¹¹ *ibid.*, p 21.

²¹² *ibid.*, p 22.

²¹³ *ibid.*, p 60.

generated but on the ends we desire—reliable and affordable energy, seizing the industrial opportunity that new technology presents and meeting our global commitments on climate change.²¹⁴

On the issue of conservation, the manifesto stated that a Conservative Government would work with Britain's overseas territories to “create a Blue Belt of marine protection in their precious waters, establishing the largest marine sanctuaries anywhere in the world”.²¹⁵

Reaction

The Institute for Directors said that an independent commission on ways to make energy affordable was a good idea.²¹⁶ However, it argued that it would “have been better to wait for the outcome [of a commission] before pledging a tariff cap”.²¹⁷ Similarly, the CBI described an energy price cap as a “major market intervention” that could have “unintended consequences”, such as reducing competition by reducing the desire of consumers to switch deals.²¹⁸ Reporting on the response by energy providers to the policy to cap energy prices, the *Telegraph* wrote that:

Britain's two largest energy suppliers—British Gas and SSE—have already spoken out against the Tory's plans to intervene in a bid to ‘fix’ the market after a rash of price hikes earlier this year.²¹⁹

However, Stephen Fitzpatrick, CEO and Founder of OVO Energy, a smaller energy supplier, responded to the manifesto by describing the proposed safeguard tariff cap as “bold and ambitious”, stating it would “lead to lower average prices across the industry, saving customers hundreds of millions of pounds”.²²⁰ Mr Fitzpatrick argued that:

The policy of the Standard Variable Tariff price cap is entirely different from the price freeze principle. It will set a ceiling on retail prices based on underlying market conditions, allowing headroom for efficient companies to operate profitably. It is the most efficient way to ensure customers are treated fairly.²²¹

²¹⁴ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 23.

²¹⁵ *ibid*, p 40.

²¹⁶ Institute of Directors, [‘Economic Interventions Sometimes Justified, but Tories Must Remember Government Has Limitations’](#), 18 May 2017.

²¹⁷ *ibid*.

²¹⁸ Confederation of British Industry, [‘Our Full Response to the Conservative Party Manifesto’](#), 18 May 2017.

²¹⁹ Jillian Ambrose, [‘Germany's Eon Warns Tories Energy Price Pledge Could “Really Ruin Things” for UK Arm’](#), *Telegraph*, 9 May 2017.

²²⁰ OVO Energy, [‘OVO Responds to Conservative Party's Commitment to Cap Energy Prices’](#), May 2017.

²²¹ *ibid*.

The Federation of Small Businesses welcomed the proposed safeguard tariff cap to micro-businesses, stated that this companies “struggle to get a fair deal” in the energy market and “would have ended up paying more to subsidise households”.²²²

Democratic Unionist Party’s Manifesto Commitments

The Democratic Unionist Party (DUP) manifesto stated that the Party would support measures to “better control” energy bills and would seek to ensure that such efforts operated in Northern Ireland.²²³

Regarding the supply of energy, the DUP argued in its manifesto for a “comprehensive energy strategy” to address security of supply and the future of renewable energy in Northern Ireland.²²⁴ The DUP would also support progress on the Integrated Single Electricity Market (I-SEM) and the North South Interconnector.²²⁵ The Single Electricity Market (SEM) went live on 1 November 2007 and allows for the trading of wholesale electricity in Ireland and Northern Ireland on an ‘All-Island’ basis:

The SEM consists of a gross mandatory pool market, into which all electricity generated on or imported onto the island of Ireland must be sold, and from which all wholesale electricity for consumption on or export from the island of Ireland must be purchased.²²⁶

The I-SEM is a development of the SEM:

The SEM is undergoing significant change. EU legislation is driving the coming together of energy markets across Europe with the aim of creating a fully liberalised internal electricity market. The SEMC [Single Electricity Market Committee] is leading on meeting the requirements of the European legislation by developing and delivering a new wholesale market on the island of Ireland.

The new wholesale market will be known as the Integrated Single Electricity Market (I-SEM) and must be in place by the end of 2017. As well as building on the SEM, the I-SEM will deliver increased levels of competition which should help put a downward pressure on prices as well as encouraging greater levels of security of supply and transparency.²²⁷

²²² Federation of Small Businesses, ‘[Conservatives Pledge a Low Tax Economy for Small Businesses](#)’, 18 May 2017.

²²³ Democratic Unionist Party, [Democratic Unionist Party Manifesto 2017](#), 31 May 2017, p 9.

²²⁴ *ibid*, p 10.

²²⁵ *ibid*, p 12.

²²⁶ Single Electricity Market Committee, ‘[SEM](#)’, accessed 12 June 2017.

²²⁷ Single Electricity Market Committee, ‘[I-SEM](#)’, accessed 12 June 2017.

Environment and Agriculture

Brexit

According to the Institute for Government, 1,200 EU laws relate to the Department for Environment, Food and Rural Affairs (Defra).²²⁸ In February 2017, George Eustice, Minister for Agriculture, Fisheries and Food, stated that “the EU affects 80 percent of what Defra does”, including the common agricultural policy.²²⁹ It has been recognised by the Secretary of State for Exiting the EU, David Davis, that secondary legislation will be needed to amend “thousands of pages of statutes” and that the scale of the task for some departments, such as Defra, meant they were likely to need additional resources to equip them for this.²³⁰

However, the Institute for Government has argued that the use of primary legislation may be required in the case of Defra:

While the Government plans to use secondary legislation to make EU law operable, the Brexit white paper states that any significant policy changes—ie changes to the content of that legislation—will be made in new, primary legislation, not through secondary legislation [...] agriculture policy, where leaving the EU will leave a policy gap, cannot be filled by mapping over existing EU laws.²³¹

In October 2016, Andrea Leadsom, then Secretary of State for the Environment, Food and Rural Affairs, gave evidence to a House of Commons Environmental Audit Committee inquiry regarding environmental legislation. She stated:

In the region of about two-thirds of the legislation that we are intending to bring into UK law will be able to be rolled forward with just some technical changes, so roughly a third won't, which means that obviously, there will be work to do to ensure that we can make those measures continue to work once we leave the EU.²³²

Funding

The Conservative manifesto committed a Conservative Government to continuing to pay the same amount in farm support “until the end of

²²⁸ Institute for Government, [Legislating Brexit—the Great Repeal Bill and the Wider Legislative Challenge](#), March 2017, p 9.

²²⁹ Department for Environment, Food and Rural Affairs, [‘Written Answer: Brexit’](#), 2 March 2017.

²³⁰ Institute for Government, [Legislating Brexit: The Great Repeal Bill and the Wider Legislative Challenge](#), March 2017, pp 8–9.

²³¹ *ibid*, p 9.

²³² House of Commons Environmental Audit Committee, [Oral Evidence: the Future of the Natural Environment after the EU Referendum](#), 25 October 2016, Q327.

Parliament’’.²³³ This would extend previous commitments to support basic payments and rural development payments until 2020.²³⁴ After this period, the document stated that a Conservative Government would:

[...] work with farmers, food producers and environmental experts across Britain and with the devolved administrations to devise a new agri-environment system, to be introduced in the following parliament.²³⁵

Andrea Leadsom, the then Secretary of State for Environment, Food and Rural Affairs, was reported to have stated in February that there would be a major policy overhaul when the UK leaves the European Union.²³⁶ However, there has been uncertainty over what the UK leaving the EU will mean for farmers. For example, in January the House of Commons Environmental Audit Committee published a report in which it stated:

- Leaving the Common Agricultural Policy would threaten the viability of some farms.
- Trade agreements which imposed taxes on UK farm exports would threaten farm and food business incomes.
- New trading relationships with states outside the EU could lead to increased competition from countries with lower food, animal welfare and environmental standards.²³⁷

In addition, the House of Commons Public Accounts Committee expressed concern that recent delays in the payment of farm subsidies raised doubts about the Government's ability to cope with the UK's withdrawal from the EU.²³⁸

Coastal Communities

The London Fisheries Convention allows European fishing vessels equal access to all EU seas between twelve and 20 nautical miles, and most member states control their own inshore territorial waters, from zero to twelve nautical miles.²³⁹ The Conservative manifesto committed the Party to introducing a “new regime for commercial fishing [...] to ensure prosperity for a new generation of fisherman” and will “withdraw from the London Fisheries

²³³ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 26.

²³⁴ HM Government, [‘Chancellor: Philip Hammond Guarantees EU Funding Beyond Date UK Leaves the EU’](#), 13 August 2016.

²³⁵ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 26.

²³⁶ Reuters, [‘Brexit to Trigger UK Farm Policy Overhaul and EU Funding Gap’](#), 11 April 2017.

²³⁷ Jamie Robertson, [‘After Brexit: What Happens Next for the UK's Farmers?’](#), BBC News, 5 January 2017; and House of Commons Environmental Audit Committee, [The Future of the Natural Environment after the EU Referendum](#), 4 January 2017, HC 599 of session 2016–17.

²³⁸ BBC News, [‘Farm Subsidy Payment Delays Raise Brexit Doubts, Say MPs’](#), 10 February 2017.

²³⁹ House of Commons Library Second Reading Blog, [‘Brexit, the London Convention and Coastal Fishing Rights’](#), 24 March 2017.

Convention".²⁴⁰ The UK Government would be required to serve a notice period of two years to exit the convention.²⁴¹

Countryside Communities and Fox Hunting

Hunting of wild mammals with dogs and hare coursing has been banned since the Hunting Act 2004, which entered into force on the 18 February 2005. The Conservative manifesto stated that a Conservative Government would:

[...] grant a free vote, on a government bill in government time, to give Parliament the opportunity to decide the future of the Hunting Act.²⁴²

The Conservative commitment to a free vote in its manifesto followed similar pledges in its 2010 and 2015 manifestos.²⁴³ However, having not won a majority at the general election the proposal is unlikely to be priority. The Labour Party manifesto stated that the Party supported maintaining the bans on fox hunting, deer hunting and hare coursing.²⁴⁴ In addition, the policy was criticised by David Bowles, head of public affairs at the RSPCA, who was reported to have stated that foxhunting was a "barbaric and brutal practice that has no place in civilised society".²⁴⁵ A survey by Ipsos MORI, conducted on behalf of the League Against Cruel Sports, found that 83 percent of respondents thought the ban should continue.

Defra have been developing a 25 Year Environment Plan which will be "supported by better use of data and technology" to help "ensure the environment is appropriately maintained and improved". This framework was due to be published "by the end of 2016".²⁴⁶ The manifesto pledged that a Conservative Government would make this the "first generation to leave the environment in a better state than we inherited it", and backed the publication of a "comprehensive 25 Year Environment Plan".²⁴⁷ It went on to state that a Conservative Government would "take control of our environmental legislation again" as the UK leaves the EU.²⁴⁸

²⁴⁰ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 27.

²⁴¹ House of Commons Library Second Reading Blog, ['Brexit, the London Convention and Coastal Fishing Rights'](#), 24 March 2017.

²⁴² Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 26.

²⁴³ Christopher Hope and Laura Hughes, [Theresa May Pledges to Give MPs Free Vote on Fox Hunting if Conservatives Win Election](#), *Telegraph*, 9 May 2017.

²⁴⁴ Labour Party, [The Labour Party Manifesto 2017](#), 16 May 2017, p 94.

²⁴⁵ Rowena Mason, [May Says She Will Hold Free Vote on Allowing Foxhunting if Elected](#), *Guardian*, 9 May 2017.

²⁴⁶ Department for Environment, Food and Rural Affairs, [Single Department Plan—2015 to 2020](#), 15 September 2016.

²⁴⁷ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 26.

²⁴⁸ *ibid.*

The Conservative manifesto included other measures related to countryside communities:

We will help Natural England to expand their provision of technical expertise to farmers to deliver environmental improvements on a landscape scale, from enriching soil fertility to planting hedgerows and building dry stone walls. We will deliver on our commitment to improve natural flood management, such as improving the quality of water courses to protect against soil erosion and damage to vulnerable habitats and communities. We will continue to ensure that public forests and woodland are kept in trust for the nation, and provide stronger protections for our ancient woodland.

We will continue to take action to improve animal welfare. We will implement our proposed reforms on pet sales and licensing and will make CCTV recording in slaughterhouses mandatory. As we leave the European Union, we can take early steps to control the export of live farm animals for slaughter.²⁴⁹

The Conservative manifesto added that a Conservative Government would continue the Government's "£2.5 billion flood defence programme that will put in place protection for 300,000 existing homes by 2021".²⁵⁰

Speaking following his announcement as the new Secretary of State for Environment, Food and Rural Affairs, Michael Gove was reported to have stated that he would "protect our precious environment" in his new role.²⁵¹

²⁴⁹ Conservative Party, [The Conservative and Unionist Party Manifesto 2017](#), 18 May 2017, p 26.

²⁵⁰ *ibid*, p 71.

²⁵¹ BBC News, ['Queen's Speech Faces Delay as DUP Talks Continue'](#), 12 June 2017.