



## Finance Bill

### HL Bill 123 of 2019–21

The [Finance Bill](#) is a government bill intended to give lasting statutory effect to the tax measures announced in the spring budget 2020.<sup>1</sup> It completed its stages in the House of Commons on 2 July 2020 and was introduced in the House of Lords on the same day. This briefing provides summary information on the Finance Bill in advance of its second reading and remaining stages in the House of Lords.

#### House of Lords' role in finance bills

The bill falls within the category known formally as “bills of aids and supplies”, in which “aids” refers to taxation and “supplies” refers to government expenditure.<sup>2</sup>

The House of Commons has a special role in such bills, known as “financial privilege”.<sup>3</sup> This means, in practice, that only the Commons can initiate such bills and Lords consideration is limited. In particular, the House of Lords may not amend such bills. While the Lords will have a debate at second reading, later stages will go through formally, without debate.<sup>4</sup>

Although the budget deals with public spending as well as taxation, the procedure by which Parliament scrutinises and approves government expenditure is separate to the Finance Bill and is not discussed in this briefing.<sup>5</sup>

Chris Smith | 7 July 2020

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<sup>1</sup> A briefing on the budget, with links to further information, can be found at: House of Lords Library, [Spring Budget 2020](#), 13 March 2020. Some measures announced in the budget, such as changes in the rates of duty on alcohol, tobacco and fuel, may take effect before the Finance Bill receives royal assent. This is achieved via a single “provisional collection of taxes” motion following the budget speech. However, these changes are then subject to further confirmations, and ultimately it is the Finance Bill which gives them lasting effect. For further details, see: House of Commons Library, [The Budget and the Annual Finance Bill](#), 13 June 2020, p 4.

<sup>2</sup> House of Lords Constitution Committee, [Money Bills and Commons Financial Privileges](#), 3 February 2011, HL Paper 97 of session 2010–12, p 3.

<sup>3</sup> *ibid.*

<sup>4</sup> House of Commons Library, [The Budget and the Annual Finance Bill](#), 13 June 2020, p 7.

<sup>5</sup> For more information on scrutiny processes for public expenditure, as well as for taxation, see: House of Commons Committee Office Scrutiny Unit, [Financial Scrutiny Uncovered](#), November 2017.

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## 2020 budget and parliamentary debates

The Chancellor of the Exchequer, Rishi Sunak, presented the spring 2020 budget to the House of Commons on 11 March 2020.<sup>6</sup> The subsequent debates on the budget took place over four days in the House of Commons and one day in the House of Lords.<sup>7</sup>

This briefing does not summarise the contents of the budget itself, but information on this is available in the earlier Lords Library briefing: [Spring Budget 2020](#), 13 March 2020.<sup>8</sup>

## House of Commons consideration of the bill

### Second reading and committee stage

The second reading debate in the House of Commons was held on 27 April 2020.<sup>9</sup>

Committee stage took place in a public bill committee over ten sittings, between 4 June 2020 and 18 June 2020.<sup>10</sup> At committee stage, four government amendments were agreed without division.<sup>11</sup> No other changes were made to the bill.

Three of the government amendments implemented recommendations of the independent review of the loan charge, a measure designed to combat certain types of tax avoidance.<sup>12</sup>

The other amendment would postpone the introduction of reforms to the off-payroll working rules, known as IR35, from April 2020 to April 2021.<sup>13</sup> These reforms were first announced in the October 2018 budget.<sup>14</sup> The then Chancellor, Philip Hammond, said they would “ensure fairness so that individuals working side by side in a similar role for the same employer pay the same employment taxes”.

### Report stage

At report stage on 1 and 2 July 2020, the Government tabled eight new clauses. It explained that the

<sup>6</sup> [HC Hansard, 11 March 2020, cols 278–93](#).

<sup>7</sup> [HC Hansard, 11 March 2020, cols 294–376](#); [12 March 2020, cols 472–538](#); [16 March 2020, cols 732–67](#); and [17 March 2020, col 827](#); and [HL Hansard, 18 March 2020, cols 1465–530](#).

<sup>8</sup> The full range of government documents on the budget can be found at: HM Treasury, ‘[Budget 2020](#)’, 11 March 2020.

<sup>9</sup> [HC Hansard, 27 April 2020, cols 126–92](#).

<sup>10</sup> UK Parliament, ‘[Bill Stages—UK Finance Bill 2019–21](#)’, accessed 1 July 2020.

<sup>11</sup> House of Commons Library, [Budget 2020 and the Finance Bill 2019–21](#), 30 June 2020.

<sup>12</sup> [HC Hansard, 4 June 2020, col 43](#). The report of the independent review, led by Sir Amyas Morse, can be found at: Independent Loan Charge Review, [Independent Loan Charge Review: Report on the Policy and its Implementation](#), 20 December 2019. For further discussion of issues around the loan charge, see: House of Commons Library, [The 2019 Loan Charge](#), 9 June 2020.

<sup>13</sup> House of Commons Library, [Budget 2020 and the Finance Bill 2019–21](#), 30 June 2020.

<sup>14</sup> [HC Hansard, 29 October 2018, col 661](#).

majority were in response to the coronavirus pandemic.<sup>15</sup> All were agreed without divisions.<sup>16</sup>

The House of Commons Library summarised these as follows:<sup>17</sup>

- Corporation tax/income tax: taxation of coronavirus support payments.
- Pensions tax: Covid-19 related changes to protected pension age.
- Modifications of the statutory residence test in connection with the coronavirus.
- The future fund: income tax relief for seed enterprise investment schemes and enterprise investment schemes.
- Amending section 135 of the Finance Act 2008 in relation to disapplication of interest and surcharges on liabilities deferred due to the coronavirus pandemic.
- Stamp duty land tax: higher rates for additional dwellings/refunds and exceptional circumstances.
- Heavy goods vehicle (HGV) levy suspension.
- Enterprise management incentives (EMI): amendment of working time requirements.

The Government published explanatory memorandums containing further details of each clause. These can be found at: HM Treasury, [‘Finance Bill 2020: report stage’](#), 29 June 2020.

No other changes were made to the bill at report stage. The opposition tabled several amendments that would have required the Government to publish additional reviews of the impact of the measures in the bill; for example, on the environment and on job creation. Three such amendments were defeated on division.<sup>18</sup> Two other amendments were also defeated on division. One, tabled by the Scottish National Party, would have required a review of the loan charge scheme. The other was a cross-party amendment seeking to delay the introduction of the IR35 changes until 2023/24.<sup>19</sup>

Third reading subsequently passed without a vote.<sup>20</sup>

### **Lords Economic Affairs Committee scrutiny**

In April 2020, the House of Lords Economic Affairs Finance Bill Sub-Committee produced a report on the reforms to IR35.<sup>21</sup> It supported the principle that “everyone should pay their fair share of tax”, but concluded that the IR35 framework was “flawed” and had “never worked satisfactorily”.<sup>22</sup> It welcomed the delay in introducing reforms, and called on the Government to “use the extra time to rethink fundamentally its approach to the legislation”. However, it also recommended further delays

<sup>15</sup> [HC Hansard, 2 July 2020, col 576.](#)

<sup>16</sup> House of Commons, [Votes and Proceedings](#), 2 July 2020, p 1.

<sup>17</sup> House of Commons Library, [Budget 2020 and the Finance Bill 2019–21](#), 30 June 2020.

<sup>18</sup> House of Commons, [Votes and Proceedings](#), 1 July 2020, pp 3–4.

<sup>19</sup> [HC Hansard, 1 July 2020, cols 470–9.](#)

<sup>20</sup> [HC Hansard, 2 July 2020, cols 622–32.](#)

<sup>21</sup> House of Lords Economic Affairs Committee, [Off-payroll Working: Treating People Fairly](#), 27 April 2020, HL Paper 50 of session 2019–21.

<sup>22</sup> *ibid*, p 2.

to implementing reforms in light of the economic impact of coronavirus, saying that “it would be completely wrong for the Government to impose a new burden on business in the form of the existing off-payroll proposals”.<sup>23</sup>

The Finance Bill Sub-Committee has also taken oral and written evidence on the bill from a range of witnesses. It has not published a report, but the evidence can be accessed at:

- House of Lords Economic Affairs Committee Finance Bill Sub-Committee, [‘All oral evidence’](#); and [‘All written evidence’](#), accessed 1 July 2020

### **Commons Treasury Committee evidence session**

The House of Commons Treasury Committee has held evidence sessions on the spring 2020 budget. Witnesses have included the Chancellor of the Exchequer, officials from the Office for Budget Responsibility and representatives of external organisations. Links to these sessions are available on the committee’s webpage: House of Commons Treasury Committee, [‘All oral evidence’](#), accessed 1 July 2020.

### **Further information**

- House of Commons Library, [Budget 2020 and the Finance Bill 2019–21](#), 30 June 2020; and [The Budget and the Annual Finance Bill](#), 13 June 2020.
- Office for Budget Responsibility, [Economic and Fiscal Outlook](#), 11 March 2020, CP 230; and [‘Coronavirus analysis’](#), accessed 1 July 2020
- Institute for Fiscal Studies, [Budget 2020](#), 12 March 2020

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<sup>23</sup> House of Lords Economic Affairs Committee, [Off-payroll Working: Treating People Fairly](#), 27 April 2020, HL Paper 50 of session 2019–21, p 3.