



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

Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
SW1A 0AA
By email

30 November 2021

Dear Dame Meg,

Thank you for the Committee's report into environmental tax measures published on 28th April 2021. The government accepted recommendation 3 from this report to "consider the pros and cons of publishing a roadmap that signals a clear trajectory to taxpayers for how tax measures will be deployed to contribute to net zero" and to write to the Committee on this matter. This letter responds to that recommendation.

The government's Net Zero Strategy sets out the wider roadmap for the government's net zero plans, and highlights the role of carbon pricing, Plastic Packaging Tax and Landfill Tax. The government has also published the Net Zero Review exploring the key issues and trade-offs as the UK decarbonises.

Taxes fund key public services, including hospitals and schools, and in addition can be used to incentivise behaviour change, including change which supports the government's environmental objectives. For example, Landfill Tax has contributed to a 90% decrease in local authority waste being sent to landfill since 2000. Tax policy decisions are taken in the round at fiscal events and the government balances environmental objectives against other objectives, for example taking account of the impact on the cost of living. In the context of Net Zero, as the Net Zero Review stated, if there is to be additional public spending, the government may need to consider changes to existing taxes and new sources of revenue throughout the transition in order to deliver net zero sustainably, and consistently with the government's fiscal principles.

The government has also set out long term intentions in relation to tax and environmental goals. These include the Prime Minister's Green 10 Point Plan, which noted that the government will need to ensure that the tax system encourages the uptake of EVs and that revenue from motoring taxes keeps pace with this change. Earlier today the government also launched a call for evidence on aspects of Landfill Tax in England and Northern Ireland, to make sure the tax continues to support the government's ambitious environmental objectives.

Roadmaps on tax can offer certainty to business and individuals to support future planning. However, it is not always appropriate for the government to pre-announce tax reforms given the issues caused by forestalling activity and wider market uncertainty. The Net Zero Strategy notes that there is a great deal of uncertainty inherent in any modelling as far into the future as 2050, which is highly sensitive to economic, societal, and technological developments. Given this, a tax roadmap could ultimately give a false sense of certainty.

The government fully understands the importance of public engagement on tax policy and strategy. Any changes to tax policy are typically announced at fiscal events so that they can also be considered within the context of the tax system more broadly. In addition, where possible the government holds consultations on major tax reforms to support understanding of these measures. The government also incorporated a climate assessment in all relevant Tax Information and Impact Notes (TIINs) for measures at Autumn Budget and will continue to do so in future TIINs. For example, the TIIN for the new Plastic Packaging Tax incorporates an assessment of anticipated carbon savings.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Helen Whately', with a large, sweeping flourish at the end.

Helen Whately
Exchequer Secretary to the Treasury