



James Murray MP
House of Commons
London
SW1A 0AA

28 January 2022

Dear James,

FINANCE BILL 2021-22: GOVERNMENT AMENDMENTS

I am writing to inform you of a further proposed new clause to the current Finance Bill.

New Clause and Schedule: Public Interest Business Protection Tax

This New Clause and Schedule introduce a new Public Interest Business Protection Tax.

Currently, it is possible for an energy business to derive value from a valuable financial asset for its own benefit and the benefit of its shareholders, while leaving its energy supply business to fail, or increasing the costs of a failure.

The costs of this failure would then be picked up by the taxpayer as it would trigger a government funded Special Administration Regime or the Supplier Of Last Resort scheme.

Ofgem is consulting on a range of regulatory actions it proposes to take to ensure the right protections are in place in these circumstances.

However, it would be unacceptable for government to allow business owners to profit from engineering this kind of outcome in the interim, at great and direct expense to the taxpayer.

The government judges that it is therefore necessary to impose a tax to deter this action, and to recoup some of the costs in the event an energy supplier is put into administration in these circumstances.

This will apply in circumstances where certain assets are separated from the regulated energy business they had been held in connection with, and where the energy supply business enters special measures on or after 28 January 2022 and before 28 January 2023.



The tax will apply to the value of assets that are held in connection with a licensed energy supply business, where the assets in scope of the tax exceed £100 million, including those held by connected persons. This is to ensure that the tax would only capture the very largest energy businesses.

The tax will apply at a rate of 75% to both act as an effective deterrent against actions which are not in the public interest, and to recoup a substantial proportion of the costs that would otherwise fall to government under special administration measures, in the event that such action was taken.

It is our hope and our expectation that no business would pursue such action, and that the tax will not be charged. This tax is temporary and it will be removed once the necessary regulatory changes have been made and the tax is no longer needed.

Part 1 sets out the circumstances in which the tax charge will be incurred, and the basis for calculating the charge. Part 2 sets out provisions for applying the tax charge to companies under common ownership or investors. Part 3 sets out provisions for administration of the tax, and Part 4 makes additional provisions for the functioning of the tax.

I am depositing a copy of this letter in the Library of the House. The relevant Explanatory Notes and the Note on Resolution are available on the Finance Bill 2021-22 GOV.UK webpage.

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Frazer".

THE RT HON LUCY FRAZER QC MP