

THE BRITISH CHAMBERS OF COMMERCE

Submission to the 2020 Budget

The priority in Budget 2020 must be to take swift and tangible steps to inject momentum and confidence into the UK economy with measures aimed at boosting growth and productivity across the whole of the UK. Addressing skills shortages, achieving the transition to net zero emissions and fixing the chronic underinvestment in infrastructure are vital to help drive economic growth in every region and nation of the UK over the long-term. The British Chambers of Commerce therefore proposes action in two key areas:

1. Supporting businesses to boost growth and productivity

Key asks:

- **A moratorium on all policy measures that increase business costs for the life of this parliament (excluding only evidence-based changes to the National Living Wage)** - to provide businesses with the urgently needed headroom to manage cashflow, reduce administrative costs and invest in growing their business and the wider economy.
- **Launch a review of the business rates system in England** – including abandoning the goal of fiscal neutrality for the reforms. This would give policymakers sufficient headroom to bring about fundamental change. As an interim measure providing a 12-month delay before rates are applied in England and Wales to a new build property or before rates are increased when an existing property is expanded or improved.
- **Two-year extension to the £1 million Annual Investment Allowance (AIA)** - provide a major incentive for firms to crowd in investment, with firms continuing to report that AIA is a crucial tool which gives them the confidence to push ahead with investments.
- **Extend support for customs intermediaries** - help to ensure that this process of change is as smooth as possible for firms trading goods, both with the EU and across the world.

Evidence:

- Over a third (**35%**) of businesses said that that they are likely to reduce or cancel investment over the next year, following the most recent increase in business rates.
- Over a third (**34%**) of businesses intended to use at least part of the £1 million Annual Investment Allowance over the next two years.

Quotes from businesses

- "Business rates has had a big impact, the increase from paying approximately £35,000 per annum to over £65,000 has had a huge impression on our figures. The jump was too high and too sudden." (*Accommodation/hospitality/catering firm, small size, Fife*)
- "Business rates is a tax that restricts growth more than any other as it reduces the ability to invest in larger premises. When trying to project then excessive business rates limit the size of the premise that you can move too." (*Wholesaler/retailer, small, Staffordshire*)
- "The 1 million AIA shall assist us with our continued business growth strategy - it is very much welcomed." (*medium primary industry firm, West Cheshire & North Wales*)
- "I purchased new farm equipment as a result of the AIA so that is supportive to the economy as a whole, as well as to our business." (*micro agricultural firm, Lincs*)

2. Unleash the untapped potential of the UK economy

Key asks:

Infrastructure

- **Reaffirm commitment to major projects - including delivering the full geographical footprint of HS2 without further delay** - and ensure significant progress is made on other major infrastructure projects.
- **Commit funding to get local roads back up to scratch quickly** - support business productivity and economic growth in the regions and nations across the UK as well as attempts to reduce emissions by breaking the cycle of inadequate investment in this vital but often overlooked infrastructure asset.

Net zero emissions

- **Commit to a clear UK energy strategy** - together with business communities, government should build a plan for how we will work across the four nations to reach net-zero by 2050.
- **Commit to reduced vat rates for 'energy-saving materials'** - include reversing the recent increase in the VAT rate on the installation of all wind and water turbines. Redefining energy efficiency as social policy should be considered to allow the reduced rate.

People

- **Increase the flexibility of the Apprenticeship Levy** - Evolve the Apprenticeship Levy into a training levy and enable employers to draw down Levy funding for all forms of accredited training.
- **Reinstate the £1.5 billion of government funding** that was withdrawn from the apprenticeship budget at the outset of the Levy.

Evidence/Context:

- **39%** of firms don't believe that UK's rail network meets their needs in accessing new and existing customers, suppliers and employers, and **68%** regard the UK road network as less reliable than five years ago. *(BCC's 2018 Infrastructure Survey)*
- In 2019, **24%** of were planning to take on apprentices and nearly a third of respondents had done so since 2017. **10%** had attempted to use apprenticeships but faced too many barriers and **40%** had no plans to use apprenticeships at all. *(BCC's 2019 Workforce Survey)*