

14 January 2021

The Rt. Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor,

The Budget comes at a crucial time for the UK. There is hope on the horizon. Throughout the pandemic, the Treasury has acted swiftly to provide a lifeline for the economy, businesses, and people's livelihoods. This support must continue as we endure another challenging period living with COVID-19. Continued assistance now will help lay the foundations for economic recovery in the months and years ahead. Learning from the experience of last summer, the Government must avoid the ending of support measures in a cliff-edge that is not in-step with a phased reopening of the economy and the gradual return of demand. With the UK's COVID-19 vaccine programme off to a flying start and the UK-EU trade deal secured, there are great causes for optimism as we look to the future and prepare to showcase a reinvigorated UK to the world by hosting the G7 and COP26 summits.

Businesses recognise the vital importance of national lockdowns in combating the COVID-19 health emergency, but the economic reality facing firms now is extremely challenging. After almost a year battling the pandemic, business resilience is at an all-time low. Intermittent demand has put pressure on cashflow, firms are highly leveraged and reaching borrowing limits on loans, staff absences and low morale are affecting business operations, and firms are now looking towards a spring cliff-edge in COVID-19 financial support. In December, three in ten businesses reported that cash reserves would only last for another three months, or that they had no cash reserves at all.¹

Government must now continue to act ahead of Budget to help businesses survive until the economy reopens later this year – focusing on the parts of the economy in most distress in supply chains and hardest hit sectors, including hospitality, live events and aviation. Financial support must be flexible and robust enough to help businesses plan for different scenarios and roadblocks as the economy reopens. With firms having to make tough decisions in the coming weeks, they will not wait until the Budget in March and need clarity as soon as possible.

This Budget is also an opportunity to focus on a balanced economic recovery not driven solely by consumption and government spending, stimulating much-needed business investment and tackling the systemic challenges that have held the UK back. The CBI's forecast indicates a high reliance on consumption and government spending in the economic recovery. A move to immediately spur business investment will ensure the recovery is balanced and can take advantage of the UK's post-Brexit ambition. From the productivity challenge to innovation, levelling up and hitting net-zero, businesses agree with the Government that change is needed and stand ready to help solve the key challenges facing the UK. Firms are committed to working with government to deliver on this shared ambition. Businesses are also conscious of the significant strain the economic crisis has put on the public finances. But with the economic outlook at such a precarious tipping point, now is not the time to raise taxes on business. A laser focus on policies that unlock business investment and get the economy on a sustainable path must be the priority to speed the recovery.

¹ ONS Business Impact of COVID-19 Survey: 7th January 2021

The CBI's Budget submission sets out how government can tackle these twin priorities:

Continue to manage the Covid-19 economic crisis

- Extend the Job Retention Scheme to the end of June and then commit to targeted support thereafter to avoid a cliff-edge for individuals and firms;
- Lengthen the repayment period for existing VAT deferrals from 2020 and provide further deferrals for VAT due to be paid to HMRC over the next three months;
- Remove the March cliff-edge from business rates relief and target a further business rates holiday at the hardest hit sectors and their supply chains;
- Work with local authorities to accelerate the distribution of discretionary COVID grant support so that funds are with businesses by the end of February; and
- Deliver the Pay As You Grow scheme for Bounce Back Loans, and provide further details of the CBILs successor scheme.

Stimulate business investment to put the UK back on the path to prosperity

- **Lead the world to net zero:** with the UK set to host COP-26 this year, use the Budget to drive a green and sustainable recovery. This includes committing to deliver seven new Gigafactories by 2040, reviewing fuel duty, ensuring the National Infrastructure Bank “crowds-in” investment in net zero, and investing in sustainable aviation fuels to place the UK at the forefront of low emission transport technologies.
- **Prioritise retraining and upskilling:** swift action is needed to incentivise business investment in skills by turning the Apprenticeship Levy into a Skills and Training Levy and transforming Job Centres into ‘Jobs and Skills Hubs’ to help people to retrain.
- **Incentivise investment in innovation:** maintain momentum on rapid business innovation by expanding the R&D tax credit to include capital expenditure, introduce Invest to Grow vouchers to spur business investment in productivity-enhancing technologies, and reduce match funding requirements for R&D funding to spur business innovation.
- **Deliver comprehensive reform of the business rates regime:** to support our struggling high-streets, drive essential investment in energy efficiency and level-up business investment across the UK.
- **Establish smarter economic regulation that delivers increased business investment:** Government should review how the UK can thrive in the global economy and where there are opportunities to lead internationally on regulation and taxation to support a dynamic, modern and competitive economy.

Decisive action in these areas will translate into business confidence and investment that will drive the economic recovery and level up growth across the UK.

Businesses are excited about the new economic opportunities on the horizon for the UK and are eager to work in close collaboration with government to address the continuing health and economic emergency and build a bridge to recovery.

This year, the CBI will be setting out a vision for a competitive, dynamic, and modern UK economy this decade and how to harness a global Britain ambition. We look forward to working with you and your team at the Treasury on these areas over the course of 2021.

All best wishes,



Tony Danker
Director-General



Rain Newton-Smith
Chief Economist

A Budget for a Defining Year

CBI Spring Budget 2021 Submission

The last year has been the most disruptive that many businesses have ever experienced, with COVID-19 restrictions prompting an unprecedented temporary shut-down of the economy.

After almost a year of intermittent demand, stop-start restrictions, pressure on cash reserves, and tough trading conditions, businesses are far less able to weather challenging economic conditions in 2021. Whilst GDP rebounded in Q3 2020 as lockdown measures eased², ongoing restrictions over Christmas and new national lockdowns means that business resilience has hit a new low. Firms are highly leveraged, staff absences are growing, and the cash reserves that helped businesses navigate trying conditions in 2020 are under pressure. Three in ten firms reported that in mid-December they had either less than three months' cash reserves left or no cash reserves at all – a proportion that has been creeping higher since the end of September³ and many are anticipating cash reserves to be eaten up quickly once loan and tax repayments begin in the spring. Businesses least able to maintain operations within the restrictions – from international travel, to hospitality and leisure – are at the sharp end of these challenges.

Firms are anticipating that some level of restriction is likely to remain in place through the first half of 2021 and many firms face a financial cliff-edge in the spring, when existing policy support is set to end. Firms will also continue to face a challenging economic picture in the medium term, with the CBI forecasting the unemployment rate to peak at 7.3% in mid-2021 and a return to pre-pandemic levels thereafter.

However, there is light at the end of the tunnel. The Government's support schemes have been a lifeline for firms and helped many survive so far. The UK's mass vaccination programme indicates vital and encouraging progress towards reopening the economy. And 2021 presents an opportunity for the UK to create a new model of competitiveness outside of the EU – developing an outward-looking, competitive, dynamic, and modern economy that leads the global transition to net-zero emissions and levels up regional growth across the UK. With the UK set to host both the G7 and COP26 this year, it has the potential to be the nation's finest hour yet this century.

The Government's approach to economic policy this spring must have two aims. First, to continue to stabilise firms in the turbulent headwinds of the coming months. In some cases, government will need to act ahead of March 4th to avoid a cliff-edge in support so that they can survive until restrictions lift and the economy reopens. Secondly, to take action to stimulate business investment over the medium-term to drive the UK's economic recovery and setting the stage for a transition to a low carbon, competitive, dynamic and modern economy.

Businesses are conscious of the significant strain the government's actions and the economic crisis have had on the public finances. The CBI's own forecast for the public finances shows that borrowing for this financial year alone could reach £414 billion (20% of GDP), over seven times the OBR's forecast back in March 2020.⁴ However, with the outlook for the economy at a precarious tipping point, efforts must be directed at maximising growth and job creation. Now is not the time to raise taxes. Any post-pandemic tax reforms need to be set within a clear fiscal framework and a set of specific fiscal rules to provide clarity for business, and balanced against the need to stimulate business investment and growth over the longer term.

Businesses have been very supportive of a policy making cycle that centres on a single Budget in the Autumn where policy announcements are followed by a policy consultation, the publishing of draft legislation, and proposals are then finally legislated in the next Finance Bill. The government should revert as soon as practical to this planned approach as set out in 2017⁵.

² CBI UK Economic Forecast: December 2020

³ ONS Business Impact of COVID-19 Survey: 7th January 2021

⁴ CBI UK Economic Forecast: December 2020

⁵ <https://www.gov.uk/government/publications/the-new-budget-timetable-and-the-tax-policy-making-process/the-new-budget-timetable-and-the-tax-policy-making-process>

As the UK embarks on a new path outside of the EU, the Government should review how the UK can thrive in the global economy and where there are opportunities to lead internationally on regulation and taxation to support a dynamic, modern and competitive economy.

Summary of CBI Spring Budget Measures Costings 2021 ⁶	Annual Exchequer cost ⁷
Continue to manage the COVID-19 economic crisis – ahead of the March Budget	
Job Retention Scheme	
Extend the Coronavirus Job Retention Scheme beyond April 2021 to the end of June and commit to targeted job support thereafter to avoid a cliff-edge for individuals and firms	£6bn ⁸
Move the PAYE RTI cut-off date for JRS eligibility to ensure that employees hired by firms since 31 October do not unfairly lose out on support.	£Unclear ⁹
VAT	
Further extend existing VAT payment deferrals (March to June 2020 VAT payments) so firms do not start repaying until June 2021 at the earliest. Launch new opt-in scheme for firms to repay their deferred VAT over an 11-month period to give firms time to register and provide the relevant details, and ensure the scheme reflects new VAT payment deferral timelines.	£Nil ¹⁰
Provide further deferrals for VAT due to be paid to HMRC over the next three months (January-March 2021)	£Nil ¹¹
Business Rates	
Extend the existing business rates holiday for at least a further three months to those businesses forced to close under current restrictions.	£1.3bn ¹²
Extend the scope of the existing business rates holiday to include those businesses operating within the supply chain of closed businesses and therefore facing little to no demand (e.g., linen services, food manufacturers and distributors).	£Unclear ¹³
Continue the £100m package announced in November to support airports' fixed costs for another three months, or until travel restrictions are lifted and passenger numbers begin to recover. This should include a review of the weightings used for the distribution of this support.	£100m or more
Ensure all businesses in downwards transition from 1 April 2021 move onto their new liability following the 2017 revaluation to reflect the postponement of the next revaluation and provide further support to the recovery.	£200m 2021/22 ¹⁴
Corporation Tax	
Introduce temporary extensions to tax loss carry-back reliefs for Corporation Tax	£Unclear ¹⁵

⁶ This table summarises the measures which have an impact on the public finances and therefore does not include every measures included in this submission

⁷ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package

⁸ This is based on bringing the OBR's forecast from the Winter Economy Plan on the cost of the Job Retention Scheme forward by a month, assuming the same increase in uptake is observed at the start of this lockdown and the same wind-down rate.

⁹ This cost will depend on the number of people hired in 2020 Q4 who will subsequently be furloughed, with an average cost per person furloughed of around £1000 per month.

¹⁰ Although this is a cash-flow implication rather than a direct cost, there will be a cost to the exchequer should any businesses due to make VAT repayments fail.

¹¹ See footnote above.

¹² This is based on extending the total cost for the 12-month holiday of £6.8 billion from the OBR November Economic and Fiscal Outlook for three months and adjusted for an estimated share of the rateable value of those businesses in the retail, leisure and hospitality sectors allowed to open account for.

¹³ The cost will depend on the number of businesses affected, as well as the number of businesses that apply for this exemption.

¹⁴ Based on costings from Consultation on the transitional arrangements for the 2017 business rates revaluation, Summary of Responses and Government's Response, November 2016.

¹⁵ The cost will depend on the number of businesses that have made exceptional losses, as well as the value of these losses, for which data is unavailable.

Coronavirus Loan Schemes	
Deliver <i>Pay As You Grow</i> scheme for Bounce Back Loans, including extension of loan scheme repayment terms from 6-10 years and extend capital and interest repayment holidays for six months to buy businesses valuable time. Keep window for new issuance under the CCFF scheme open until the end of June.	£Nil ¹⁶
Announce details of CBILS successor (EFG+) and ensure the new scheme can be delivered by non-bank lenders to widen the pool of firms who can access support.	£Unclear ¹⁷
Stimulate business investment and job creation that spurs a transition to a net zero, competitive, dynamic, and modern economy – at the Budget	
Reform the business rates system	
Set a path for the business rates multiplier to ensure the business rates burden is consistent with economic realities for example by continuing to freeze the UBR for the remainder of the revaluation period (2022/23).	£120m ¹⁸
Ensure the current suite of reliefs continue to be fit for purpose, addressing clear market failures and minimising economic distortions.	£1.5 to £2 billion ¹⁹
Set out a path to achieving annual revaluations by 2026.	At least £9m ²⁰
Ensure the business rates system encourages businesses to investment in commercial property.	£500m ²¹
Use existing mechanisms within the business rates system to incentivise businesses to invest in greening the existing property stock.	£75 to £100m ²²
Incentivise investment in innovation	
Introduce a time-limited ‘Invest to grow’ productivity voucher scheme to give SMEs the incentive to spend now on productivity enhancing technologies.	£1.7 to £2.8bn ²³
Build on the success of the Made Smarter North West pilot, by providing funding for scale up in three additional areas: Lincolnshire, Sheffield City region and North East/Tees Valley.	£50m

¹⁶ Costs already accounted for in Winter Economy Plan forecast

¹⁷ Depends on scheme design

¹⁸ The cost relates to the cost of freezing the UBR in 2022/23 and is based on the costing in the Spending review 2020 document. The cost of fixing the UBR at future revaluations will depend on the value of the rateable pool.

¹⁹ This cost to government will vary depending on the outcome of the revaluation and the detail of the transitional scheme but based on previous schemes this could cost in the region of £1.5 to £2 billion.

²⁰ This is based on the fall in revenue observed between 2017/18 and 2018/19 from the Valuation Office Agency (2019) Annual report and account 2018-19. While the VOA was provided with £31m additional funding for the 2023 revaluation at the 2020 Spending Review, further funding will be required to move to an 18 month AVD gap.

²¹ This cost relates to the business growth accelerator and is estimated using the same methodology as in Scotland’s Fiscal Commission report. The exact cost will depend on the specific design of the relief and the change in business behaviour it drives.

²² CBI & Avison Young (2020) – *Green Light for Investment*. This is based on the one-year relief assumed to apply to the same number of assessments that had increased over £15,000 in 2018/19 (not potentially subject to SBRR, i.e., little or no liability paid). The Rateable Value (RV) increase in 2018/19 amounted to £169m (relating to 6,700 commercial properties) and was considered a more reliable estimate than one based on rate-year 2019/20 assessments. Note that the cost does not include the additional reliefs related to a certain EPC band improvement, as it is difficult to predict how many assessments would apply for each band.

²³ This cost is based on the following assumptions: around 1.4m SMEs with employees would be most likely to take up the incentive, 50% of these use the incentive as there is also a cost to the business of take-up, the incentive drives an additional £6-10k of investment based on research by Sage “Invest for Recovery – supporting SME jobs & growth with digital adoption” 2020, with the government fronting 40% of this cost.

Create "Accelerate UK" as a new home for innovation adoption in government - new UKRI council tasked with national strategy and funding for innovation adoption that enables coherent local delivery	£150m over 3 years ²⁴
Strengthen the purpose of applied research centres like Catapults and research and technology organisations by establishing a new network of internationally competitive, locally delivered, 'Catapult Quarters'.	£200m ²⁵
Expand the R&D tax credit to include Capital Expenditure as an allowable expense and review how the R&D tax credit can be further expanded and made even more accessible to supercharge business investment in innovation.	£Unknown
Commit sufficient additional funding for the UK to associate fully in Horizon Europe for 2021- 2027	£1bn ²⁶
Prioritise jobs and skills	
Turn the Apprenticeship Levy into a Skills and Training Levy to support higher business investment in training for young people and older workers.	£0.5bn ²⁷
Use the upcoming FE White Paper to consult on the rollout of the Flexible Loan Entitlement and set out a roadmap for the future of adult skills devolution.	£Unclear
Transform 'Job Centres' into regionally led 'Jobs and Skills Hubs', with strong regional autonomy to respond to changing local job markets and align with regional and local skills initiatives.	£Unclear
Introduce individual training accounts for unemployed individuals and those with the biggest retraining needs to spend on accredited high-quality courses.	Maximum of £3.9bn ²⁸
Introduce an SME training tax credit as an incentive for these firms to invest more in training, modelled on either the SME R&D tax relief or R&D Expenditure Credit (RDEC).	£Unclear
Ensure SME skills support is a priority in Growth Hubs by providing long-term, flexible funding. This will ensure they have the capacity to design and deliver locally tailored support that reflect local business needs and align with Local Industrial Strategies and recovery plans.	£Unclear
Lead the race to net zero	

²⁴ This costing is based on Innovate UK's yearly 'Staff costs' and 'Other operating costs' in 2017/18 (~£50m), multiplied on the basis of funding the new agency for the three year spending term. Innovate UK Annual Reports and Accounts 2017/18.

²⁵ This costing is only indicative and is based on grant funding and operational costs for France's Pole de Compétitivité programme and the Milton Keynes Autodrive pilot, which received £10m of public funding. The actual cost will depend on the scope of the Catapult quarters and how many are built. Funding could be allocated from the £3bn pot for development support detailed elsewhere in the submission.

²⁶ This is based on the UK's contribution to the last EU framework programme (FP7) that ran from 2007-13. HMG has previously committed to fully participating in Horizon 2025 depending on the terms of the EU Exit agreement.

²⁷ This is based on spending on apprenticeship training and assessment by Non-Levy payers in 2018/19 of £0.5 billion net of the 5% that government already contributes as part of the apprenticeship levy scheme. The £0.5 billion is sourced from the Department for Education written questions. It therefore assumes that if levy payers use the Flexible Levy to access 100% of funds, the cost to the exchequer would be 95% of funding the apprenticeship budget for non-levy payers as they currently fund 5%. This cost would reduce depending on how much of the levy is accessed by levy payers.

²⁸ Based on prior outputs from 'UK training investment costs model, McKinsey, 2019', which finds 5 million individuals will require retraining between 2020 and 2030 at a typical direct training cost of £7,900. The cost therefore reflects a scenario where the government would fund 100% of the cost required to train these individuals and is therefore a maximum. In reality, this will be funded also by individuals and businesses too, as well as being funded through the other policy recommendations on training.

Deliver the £3bn funding committed for energy efficiency improvements in July 2020, including the Green Homes Grant announced as part of those package of measures, and the extension of the scheme confirmed in November 2020. Ensure the success of the scheme by reducing barriers that prevent SMEs from accessing the scheme effectively.	£Unclear ²⁹
Commit to a new gigafactory plan to deliver another 7 gigafactories by 2040 to enable a strong automotive sector and place the UK at the forefront of low emission transport technologies. In the first instance, this should draw on the previous £1 billion commitment, with more funding required in later years to fully deliver on the plan.	£Nil in the near term ³⁰
Publish a comprehensive national charging infrastructure strategy that clearly outlines how the £1.3 billion committed to accelerating the roll out of charging infrastructure, will be delivered across urban, rural and remote parts of the country.	£Nil ³¹
Support progress towards the 2030 phase out date for new petrol and diesel cars and vans with a progressive tax system, including a complete review into the future of fuel duty.	£Unclear
Extend the 0% company car tax (BiK) rate for zero emission vehicles. The BiK rate was down to 0% for 2020-21 but with COVID-19 the government should extend the policy since a lot of firms have not been able to utilise it. To help with zero emission vehicles' uptake further, the policy should be extended to cover the employee loans for such vehicles.	£Unclear
Support the continued development of detailed structures and mechanisms for the use of CCUS in power, transport and storage infrastructure, and industrial uses, with the aim of completing the business models in 2022. Deliver the multi-year funding confirmed at SR20 for the CCS Infrastructure Fund.	£100m ³²
Introduce a further package of investment to support the production of sustainable aviation fuels including £21m for the SAF clearing house, £50m in grants and development support for SAF technologies across technology readiness levels and £429m in government backed loan guarantees for first of a kind SAF facilities	£500m ³³
Develop a regulatory and tax regime that stimulates investment, innovation, and entrepreneurship in the UK – underpinned by effective institutions	
Create a new 'watchdog' to oversee the performance of the UK's economic regulators in delivering the strategic goals for the UK economy including innovation and net zero transition. And ensure the UK's economic regulators have a clear remit to support net zero, innovation and levelling up.	£Negligible
Accelerate delivery of long-promised immigration reforms that are vital to making it business-friendly.	£Negligible
Work in consultation with businesses to provide clarity about the National Infrastructure Bank's remit and scope, ensuring the Bank 'crowds in' private finance, can take long-term investment decisions which go beyond political cycles, and supports the UK's ambitions to hit net-zero by 2050.	£Unclear ³⁴
Commit to continued regional expansion of the British Business Bank to support SMEs across the whole of the UK in understanding and accessing finance and deliver on the UK's levelling up agenda.	£Unclear
Press ahead with reform of the railways, including the creation of a new 'Guiding Mind' arms-length body to oversee contracting, with responsibility for track and trains.	£90m

²⁹ At the 2020 Spending Review the Government committed to spending £3 billion on building allocation, with the allocation to be reviewed in the Spring.

³⁰ £1 billion has been committed in the ten-point plan to support the electrification of UK vehicles and their supply chains, including developing Gigafactories in the UK to produce the batteries. This is not expected to cover the delivery of 7

³¹ This was set out in the government's ten-point plan

³² CCS Infrastructure Fund confirmed with £1bn of funding over this Parliament (£100m in 2021-22).

³³ Recommendation from the Sustainable Aviation Report, February 2020. A £15 million competition has already been committed in the ten-point plan to support the production of sustainable aviation fuels in the UK.

³⁴ The cost will depend on the exact role and remit of the bank.

Support reform of the rail fares regulations and facilitate the testing and development of the necessary technical changes to make fare reforms a reality to ensure passengers always get the best value fares and enable the national roll out of Pay as You Go ticketing.	
Help businesses harness new trade opportunities to drive the economic recovery	
Create an independent Office for Trade Impact (OFTI) to analyse the impact of UK trade policy for businesses of different sizes, different sectors, and across the country.	£18m ³⁵
Improve the government's digital offer with a new COVID-19 Bounce-back Export Support Service, to ensure businesses in every corner of the UK have access to all the information they need in one place and can take advantage of new trade deals	£Negligible ³⁶
DIT, UKRI and BEIS, alongside regional stakeholders such as Metro Mayors, should work together to develop a compelling, global pitch setting out 'why the UK is the best place to locate and grow your R&D activity'.	£Unclear

³⁵ Based on the cost of the Australian equivalent, the [Australian Productivity Commission](#), which had a budget of AUS\$35mn in 2018/19

³⁶ This will have a small cost attached to it to develop digital offer and website, as well as additional staff resource.

Continue to manage the COVID-19 economic crisis – ahead of Budget

As businesses face new national lockdown restrictions, Q1 will continue to mean tough trading conditions for many firms as they are either forced to close or experience subdued demand. It's now clear that more comprehensive economic and social restrictions require a more comprehensive economic policy response for the duration of the crisis.

Businesses need urgent clarity on the support available in the months ahead, as they face into a financial cliff-edge in the spring. With uncertainties remaining on the length of restrictions and the economy unlikely to reopen overnight, government's continued economic response must support the economy throughout the duration of the crisis and be resilient to setbacks in the reopening. With firms set to make tough planning decisions in the coming weeks, the Budget will be too late to make these decisions. The government should use January and February to deliver policy in these areas to avoid a cliff edge and give businesses time and clarity to plan and prepare.

1. Extend the Coronavirus Job Retention Scheme until the end of June and commit to targeted job support thereafter

The Job Retention Scheme has safeguarded millions of jobs while firms have been forced to close or experienced low demand due to restrictions. While firms welcomed an extension until the end of April 2021, businesses are expecting continued restrictions and a drawn-out reopening of the economy to impact their demand beyond April. Businesses need as much certainty as possible and time to plan to avoid unnecessary redundancies. With most firms not expecting a meaningful reopening of the economy until the summer, firms will be making tough workforce decisions in the coming weeks to address the impact of the April cliff-edge on their cash-flow. Businesses now need a further extension to the Job Retention Scheme to the end of June and targeted support thereafter to provide a stable lifeline through to the summer, helping firms that need it most avoid unnecessary job losses and bridge to recovery.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost
Extend the Coronavirus Job Retention Scheme to the end of June and commit to targeted job support thereafter to avoid a cliff-edge for individuals and firms.	£6bn ³⁷
Move the PAYE RTI cut-off date for JRS eligibility to ensure that employees hired by firms since 31 October do not unfairly lose out on support.	£Unclear ³⁸

2. Extend VAT payment deferrals

VAT payment deferrals have been an effective tool to bolster businesses' cashflow during the pandemic, with around £30bn of VAT deferred by firms between March and June 2020. However, with repayments set to start in spring 2021 whilst restrictions are ongoing and economic activity remains dampened, repayments will have a significant impact on firms' already-strained cash reserves. Allowing an extended repayment period for already deferred VAT bills will give businesses a much-needed cash boost in coping with the ongoing restrictions. In addition, firms should be given the option to defer VAT bills due between January and March for 12 months, giving them increased flexibility over managing their cashflow at a time of continued uncertainty.

³⁷ This is based on bringing the OBR's forecast from the Winter Economy Plan on the cost of the Job Retention Scheme forward by a month, assuming the same increase in uptake is observed at the start of this lockdown and the same wind-down rate.

³⁸ This cost will depend on the number of people hired in 2020 Q4 who will subsequently be furloughed, with an average cost per person furloughed of around £1000 per month.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ³⁹
Further extend existing VAT payment deferrals (March to June 2020 VAT payments) so firms do not start repaying until June 2021 at the earliest. Launch new opt-in scheme for firms to repay their deferred VAT over an 11-month period to give firms time to register and provide the relevant details, and ensure the scheme reflects new VAT payment deferral timelines.	£Nil ⁴⁰
Provide further deferrals for VAT due to be paid to HMRC over the next three months (January-March 2021).	£Nil ⁴¹

3. Remove the business rates cliff edge in March 2021 and target further business rates holiday to the hardest hit sectors and their supply chains

Some of the hardest-hit parts of the economy, including hospitality and leisure, are facing a business rates cliff edge at the end of March 2021, where they will move from paying no business rates to 100% of their previous business rates bill. Extending business rates relief for the most distressed sectors, including those that will see a lag in demand or suppressed demand as the economy slowly reopens, will be vital to help firms manage their cashflow and survive.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁴²
Extend the existing business rates holiday for at least a further three months (April, May and June) to those businesses forced to close under current restrictions. This should be kept under review to reflect the future path of the virus and subsequent restrictions.	£1.3bn ⁴³
Extend the scope of the existing business rates holiday to include those businesses operating within the supply chain of closed businesses and therefore facing little to no demand (e.g., linen services, food manufacturers and distributors). This should be accessible immediately and, to support this, the government should provide clear guidance to local authorities setting out the circumstances under which the exemption should be granted. Supply chain businesses could be identified through a test that determines the impact of business closures on their revenue.	£Unclear ⁴⁴
Continue the £100m package announced in November to support airports' fixed costs for another three months, or until travel restrictions are lifted and passenger numbers begin to recover. This should include a review of the weightings used for the distribution of this support, to account for the size of fixed costs, increasing the £8 million cap for larger airports to cover a larger proportion of these airports fixed costs.	£100m or more

³⁹ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁴⁰ Although this is a cash-flow implication rather than a direct cost, there will be a cost to the exchequer should any businesses due to make VAT repayments fail.

⁴¹ See footnote 9.

⁴² Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁴³ This is based on extending the total cost for the 12-month holiday of £6.8 billion from the OBR November Economic and Fiscal Outlook for three months and adjusted for an estimated share of the rateable value those businesses in the retail, leisure and hospitality sectors allowed to open account for.

⁴⁴ The cost will depend on the number of businesses affected, as well as the number of businesses that apply for this exemption.

Ensure all businesses in downwards transition from 1 April 2021 move onto their new liability following the 2017 revaluation to reflect the postponement of the next revaluation and provide further support to the recovery.	£200m 2021/22 ⁴⁵
Government should urgently issue guidance to local authorities on the distribution of discretionary grants with the objective of funds being distributed by end of February 2021.	£Nil

4. Introduce extended loss carry-backs for all businesses

In response to the financial crisis, in 2009 the government allowed an extended carry-back for losses made by businesses within a defined 'crisis' period (see Finance Act 2009, Schedule 6). A new extension to the loss regime should now be implemented, which can be based on the experiences and framework from the 2009 legislation, with appropriate amendments to take account of the differing nature of the current crisis and to appropriately define the 'crisis' period. Additionally, government should enable businesses to claim relief based on draft accounts, to allow affected businesses to receive much needed cash as soon as possible. This measure directly assists businesses who have made exceptional losses due to these combined economic impacts. The £50k income tax loss relief cap and the £5m corporate tax brought-forward loss relief cap should also be temporarily lifted in recognition of these unprecedented circumstances.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁴⁶
Introduce temporary extensions to tax loss carry-back reliefs for Corporation Tax and temporarily lift the Income Tax and Corporation Tax Loss Relief caps.	£Unclear ⁴⁷

5. Deliver 'Pay As You Grow' Scheme to smooth businesses' Coronavirus Loan repayments and launch a CBILS successor scheme to drive growth

The government's coronavirus loan support schemes have been a lifeline for firms as they have navigated a year of challenging trading conditions. However, with many firms now highly leveraged, particularly in acutely impacted sectors and challenging economic conditions continuing, many businesses are unable to take on more debt. Government's focus must continue to ensure no cliff edges in the availability of critical schemes, buying time for demand to return, so that businesses are not repaying loans whilst restrictions continue and demand remains low with income near zero for some.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁴⁸
Deliver <i>Pay As You Grow</i> scheme for Bounce Back Loan Scheme, including extension of loan scheme repayment terms from 6-10 years and extend capital and interest repayment holidays for six months to buy businesses valuable time. Keep window for new issuance under the CCFE scheme open until the end of June.	£Nil

⁴⁵ Based on costings from Consultation on the transitional arrangements for the 2017 business rates revaluation, Summary of Responses and Government's Response, November 2016.

⁴⁶ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁴⁷ The cost will depend on the number of businesses that have made exceptional losses, as well as the value of these losses, for which data is unavailable.

⁴⁸ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

Announce details of CBILS successor (EFG+) and ensure new scheme can be delivered by non-bank lenders to widen the pool of firms who can access support. The new finance scheme will bridge the gap between the pandemic and normal market conditions. These successor loan schemes must be ambitious, flexible and responsive to the needs of the economy.	£Nil
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Stimulate business investment and job creation that spurs a transition to a net zero, competitive, dynamic, and modern economy

Business investment will be crucial in the medium term to stimulate the UK's economic recovery from the pandemic. Over the last four decades, business investment in the UK has seen a persistent decline as a proportion of GDP, deteriorating from a peak of 14.7% of GDP in 1989 to a low of 8.9% in Q3 2020, putting the UK's performance firmly at the bottom of the G7 ranking.⁴⁹ And the pandemic has only exacerbated this decline. Despite the pandemic hitting many economies around the world, business investment has been hit harder in the UK than our international counterparts, with the UK seeing a decline of 20% between Q4 2019 and Q3 2020, the highest drop of all G7 economies, the next largest being seen in Canada (-12%), while the US and France saw a decline of 5%.

However, after years of political uncertainty, an increasingly clear direction in public policy – provided by the end of the EU transition period and the government's Ten Point Plan for a Green Industrial Revolution, provides both new opportunities and confidence for business investment in the UK. With firms continuing to face challenging economic conditions, the role of public policy in stimulating business investment is clear, and crucial. Government must act – for example on regulation and tax – to ensure businesses are able to make the case to invest in the near and medium term, which will stimulate growth. Government can create the right conditions for investment at this Budget and set the stage for sustainable economic growth in the long-term, so that companies can invest, innovate, and adapt.

1. Urgently reform the business rates system

While businesses recognise that business rates are an important source of government revenue, there is now a comprehensive rationale for business rates reform. In the absence of fundamental reform businesses rates will continue to damage the prospects of our high-streets, so vital for vibrant and flourishing local communities, hold back critical investment in energy efficiency and investment in regions across England.

The current tax burden over 50% means that the UK now has the highest rates of taxation on commercial property in the G7. In the UK property tax as a proportion of GDP is 4% compared to 1% in Germany.⁵⁰ This makes the UK a far less attractive destination for inward investment, where that investment includes the acquisition of commercial property.

More broadly business investment in commercial property is a critical driver of the UK's overall performance on business investment. With business investment increasingly lagging behind our international peers, action must be taken now to reverse this worrying trend. The CBI hears regularly from its members that the burden of business rates acts as a barrier to investing in new sites (from shops to warehousing and manufacturing) and fixed plant and machinery with the potential to increase business productivity or output. This is stunting investment and growth across the UK, impeding the levelling up agenda in our regions that are in desperate need of investment.

Investment in commercial property is also vital for achieving our net zero ambitions. With buildings making up around 40% of the UK's total carbon footprint and 80% of the property stock in 2050

⁴⁹ Oxford Economics, 13th October 2020 update.

⁵⁰ OECD Revenue Statistics, 2019

estimated to already be built, investment in retrofitting the existing stock of commercial properties will be a critical part of meeting the net-zero target.^{51,52}

Business welcomes the government’s decision at the 2020 Spending Review to freeze the UBR in 2021/22 as a critical first step in ensuring the business rates burden does not increase further.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁵³
<p>Set a path for the business rates multiplier to ensure the business rates burden is consistent with economic realities through the following actions:</p> <ul style="list-style-type: none"> • Continue to freeze the UBR for the remainder of the revaluation period (2022/23). • For future revaluations, the government should fix the UBR at a lower and more sustainable rate so that any business rates revenue growth relates to growth in rental values. • Maintain consistency across local authorities by keeping as single multiplier, differentiated only as the small business multiplier and the standard multiplier, without further breakdowns. 	<p>£120m⁵⁴</p>
<p>Ensure the current suite of reliefs continue to be fit for purpose, addressing clear market failures and minimising economic distortions through the following:</p> <ul style="list-style-type: none"> • Review the current suite of reliefs available to ensure they are correcting clear market failures and represent good value for money, including the interaction of partly occupied relief and empty property relief and the circumstances under which partly occupied relief is granted, to ensure timely access to reliefs when these are needed. • Remove transitional arrangements for properties whose rateable value decreases following a revaluation, so the business rates bill of those properties reflects the true rateable value; while upwards transitional relief should be maintained to allow a smooth transition to a new higher business rates bill for those properties. • While revaluations occur less frequently than annually, consult on alternatives to transitional arrangements that support those businesses facing a sudden increase in their business rates bill, while allowing those facing a decrease to move to that new bill immediately. • Extend the scope of the Fibre Rates Relief to include other gigabit-capable technologies and extend the relief beyond 2022 to better align with the build timeframes and ensure delivery on the government’s rollout target. Longer-term, the government should look to align this policy to that in Scotland, where the relief applies until 2029. • Standardise discretionary reliefs across England so there is a consistency in approach. • Introduce a strict set of guidelines setting out in what circumstances local authorities should grant partly occupied relief. This should be revenue neutral to local authorities such that any relief is reimbursed by central government. Provide clarity to businesses on the replacement of EU State Aid regulations and guidance to local authorities on how these should be adhered to in granting out discretionary reliefs. • Introduce a simple system, along the lines of that for council taxpayers, to allow businesses to challenge the mandatory and discretionary relief decisions of local authorities through the Valuation Tribunal. 	<p>£1.5 to £2 billion⁵⁵</p>

⁵¹ House of Commons Business, Energy and Industrial Strategy Select Committee, Energy efficiency: building towards net-zero, July 2019.

⁵² Committee on Climate Change, UK housing: Fit for the future?, February 2019

⁵³ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁵⁴ The cost relates to the cost of freezing the UBR in 2022/23 and is based on the costing in the Spending review 2020 document. The cost of fixing the UBR at future revaluations will depend on the value of the rateable pool.

⁵⁵ This cost to government will vary depending on the outcome of the revaluation and the detail of the transitional scheme but based on previous schemes this could cost in the region of £1.5 to £2 billion.

<p>Set out a path to achieving annual revaluations by 2026, by taking the following steps:</p> <ul style="list-style-type: none"> • Delay the valuation date to 1st October 2021 to shorten the period between the antecedent valuation date (AVD) and the start of the next revaluation period to ensure the tax more accurately reflects the economic situation and allow a more stable property rental market post-COVID-19. This will require additional resourcing for the VOA. • If annual revaluations following the 2023 revaluation are not achievable, then this could then be followed by a 2-yearly revaluation and a 12-month AVD gap; • Then move to annual revaluations in 2026. 	<p>At least £9m⁵⁶</p>
<p>Ensure the business rates system encourages businesses to investment in commercial property by the following actions:</p> <ul style="list-style-type: none"> • Introduce a similar measure to Scotland’s Business Growth Accelerator that enables new properties or improvements to existing properties to receive a holiday from business rates payments for a specified period; this should include new investments in modern equivalent assets. • Review the P&M regulations to ensure they are relevant for the 21st century, with a statutory commitment to keep this under regular review to ensure it keeps pace with a changing economy and advancements in technology. 	<p>£500m⁵⁷</p>
<p>Use existing mechanisms within the business rates system to incentivise businesses to invest in greening the existing property stock by:</p> <ul style="list-style-type: none"> • Where property improvements result in an improvement in the property’s EPC, those properties should benefit from an additional business rates exemption (in addition to the general exemption proposed earlier) to encourage businesses to reduce the carbon footprint of their buildings; this should include investment in electric charging points for electric vehicles. For this to be effective, implementation of the 2020 Action Plan to reform EPCs must occur in parallel. To reflect the scale of the improvement, we propose a period of 6 months exemption for 1 band improvement, 12 months for 2 bands, and 2 years for 3 bands. • Exempt certain existing P&M and new technologies that directly link to the ‘green’ agenda (including solar PV and heat pumps) from the P&M regulations to help stimulate investment in the green economy. 	<p>£75-£100m⁵⁸</p>
<p>Increase the transparency and efficiency of the administrative processes associated with business rates by:</p> <ul style="list-style-type: none"> • The “check, challenge, appeal” system should include a workable VOA portal and business rates valuations should be transparent, with the evidence upon which values are based being made available to rate payers. Review similar models implemented elsewhere in the world to best consider how to introduce greater transparency in this process. Introduce a transition period for the implementation of a centralised billing system from the announcement to the date the business should start to be compliant with the new processes. • Provide more lenient penalties in this transition period while businesses learn the new way of billing. 	<p>£Nil</p>

⁵⁶ This is based on the fall in revenue observed between 2017/18 and 2018/19 from the Valuation Office Agency (2019) Annual report and account 2018-19. While the VOA was provided with £31m additional funding for the 2023 revaluation at the 2020 Spending Review, further funding will be required to move to an 18 month AVD gap.

⁵⁷ This cost relates to the business growth accelerator and is estimated using the same methodology as in Scotland’s Fiscal Commission report. The exact cost will depend on the specific design of the relief and the change in business behaviour it drives.

⁵⁸ CBI & Avison Young (2020) – *Green Light for Investment*. This is based on the one-year relief assumed to apply to the same number of assessments that had increased over £15,000 in 2018/19 (not potentially subject to SBRR, i.e., little or no liability paid). The Rateable Value (RV) increase in 2018/19 amounted to £169m (relating to 6,700 commercial properties) and was considered a more reliable estimate than one based on rate-year 2019/20 assessments. Note that the cost does not include the additional reliefs related to a certain EPC band improvement, as it is difficult to predict how many assessments would apply for each band.

2. Incentivise investment in innovation

Rapid innovation has helped the UK address both the health and economic challenges of COVID-19, from ventilator and vaccine development to businesses adopting digital technologies at pace to survive. More businesses have embraced digital basics, with the vast majority applying readily available solutions such as video conferencing and cloud computing. Under a new national lockdown, adoption of digital technologies will be crucial for many businesses' survival.

With renewed appetite and appreciation for the value of innovation as well as the UK's world-leading capabilities, technology adoption and innovation will also play a central role in the UK's economic recovery, from supporting business continuity and enhancing productivity, to developing solutions to business and societal challenges and attracting inward investment.

Previous CBI research has shown that greater business take-up of tried-and-tested technologies could add over £100bn to UK GVA.⁵⁹ Accelerating adoption would also help maximise returns on raised public R&D investment for example by growing the market for innovation in the UK making it a more attractive place for other businesses to invest, develop and bring to market products and services.

But the driving force for innovation is stalling, firms are struggling with the cash, capacity and capability to innovate. Recent Sage research found that two-thirds of SMEs want to invest more in technology, but half say they do not have the cash to do so. As a result, SMEs expect to only make 41% of the investment in technology they feel they need⁶⁰. This can be compounded by insufficient expertise and management capability to make the most of their investments, for example the CBI Tech Tracker 2020 survey showed that even though 61% of companies who responded had invested in data analytics technology, fewer than half of respondents (43%) felt satisfied with their ability to maximise value from data.⁶¹ While a recent CBI survey reported that 28% of respondent firms intend to reduce investment in R&D due to the pandemic⁶².

To support technology adoption and incentivise business investment in innovation in the near and medium term, government should:

CBI recommendation	Annual exchequer cost ⁶³
Stimulate and simplify support for business innovation adoption	
Introduce a time-limited 'Invest to grow' productivity voucher scheme to give SMEs the incentive to spend now on productivity enhancing technologies. <ul style="list-style-type: none"> • Learning from the mechanism of Eat Out to Help Out scheme, the government should create and fund a voucher scheme for SMEs to access technology at a discount. • Reflecting funding and time constraints, this would be based on a principle that the administration for running the scheme sits with the technology suppliers, with discounts fully passed through to SME consumers. • It should cover capital investment in software and other technologies but also subscriptions such as software as a service (e.g., cloud computing). 	£1.7 to £2.8bn ⁶⁴

⁵⁹ CBI (2017) From Ostrich to Maggie

⁶⁰ Sage, "Invest for Recovery – supporting SME jobs & growth with digital adoption", 2020

⁶¹ CBI (2020) Tech Tracker 2020 – The Innovation Imperative

⁶² CBI survey conducted in October 2020, How has the COVID-19 pandemic changed your company's plans for investment in research and development (R&D)?" Response rates: 16% Increasing planned investment, 38% no change, 28% decreasing and 18% NA (does not invest in R&D)

⁶³ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁶⁴ This cost is based on the following assumptions: around 1.4m SMEs with employees would be most likely to take up the incentive, 50% of these use the incentive as there is also a cost to the business of take-up, the incentive drives an additional £6-10k of investment based on research by Sage "Invest for Recovery – supporting SME jobs & growth with digital adoption" 2020, with the government fronting 40% of this cost.

<ul style="list-style-type: none"> For greatest long-term effect, it should be complemented by other policies that help SMEs to use technology effectively when it is adopted, such as access to advice). 	
<p>Ensure Be the Business has the resources to help businesses with leadership and management capability and innovation adoption to respond to the crisis:</p> <ul style="list-style-type: none"> Be the Business can play an important role in helping businesses have the capability to make the most of new investments in technology and innovation – including those made within the ‘Invest to grow’ scheme. It must be given sustained resource to do this. Sustain Be the Business’s Budget at £10m to provide continued support on leadership and management capability and tech adoption for SMEs. 	£Nil ⁶⁵
<p>Build on the success of the Made Smarter North West pilot, by providing funding for scale up in three additional areas:</p> <ul style="list-style-type: none"> Lincolnshire (EM): to transform the productivity of food and beverage production. At 24% East Mids. has the highest proportion of manufacturing jobs and highest manufacturing share of GVA of all English regions but has lowest productivity per hour and per job. Sheffield City Region: to help boost competitiveness of key sectors including aero, auto and steel. Yorkshire & Humber has 2nd lowest productivity per job and per hour of all regions; highest proportion of SMEs manufacturers; highest manufacturing exports. North East/ Tees Valley: to give a much-needed boost to manufacturing worker and job productivity given the importance of manufacturing jobs and exports to the region. Manufacturing productivity is amongst the lowest; high manufacturing share of jobs. 	£50m
<p>Create “Accelerate UK” as a new home for innovation adoption in government - new UKRI council tasked with national strategy and funding for innovation adoption that enables coherent local delivery.</p> <ul style="list-style-type: none"> Existing support for innovation adoption is less than the sum of its parts, lacking coherent strategy, scale or visibility with business. Current public support for innovation adoption sits between BEIS, DCMS, MHCLG and UKRI. An additional challenge is that a large proportion of funding and support for adoption has been delivered through EU funding mechanisms. This further disruption adds weight to now being the time to act. Accelerate UK would encompass strategy and support for adoption of tried and tested innovation as well as emerging tech. Its creation would signal the importance of innovation adoption, addressing a policy blind spot and the missing component needed for an end-to-end research and innovation system. 	£150m over 3 years ⁶⁶
Boost business investment in R&D	
<p>The UK government should set out a clear vision for an innovation-led economy giving businesses clarity on the direction of travel and confidence to invest in the UK. This should be accompanied by a comprehensive R&D plan that sets out details of next steps of the R&D roadmap that was published in July 2020, including details of increased support and funding for development, commercialisation and adoption, including through Innovate UK.</p>	£Nil

⁶⁵ The government should use the £50.7m funds allocated for business support programmes for SMEs at the 2020 Comprehensive Spending Review

⁶⁶ This costing is based on Innovate UK’s yearly ‘Staff costs’ and ‘Other operating costs’ in 2017/18 (~£50m), multiplied on the basis of funding the new agency for the three-year spending term. Innovate UK Annual Reports and Accounts 2017/18.

<p>Strengthen the purpose of applied research centres like Catapults and research and technology organisations by establishing a new network of internationally competitive, locally delivered, 'Catapult Quarters'.</p> <ul style="list-style-type: none"> • Quarters would be setup around anchor institutions like Catapult centres and RTOs and aim to create RTO centred industrial clusters delivering benefits to regional growth. • Incentivise co-location, collaboration and innovative activity through a targeted support package, business support, knowledge transfer services, grant funding for collaborative R&D projects and access to special regulatory environments. • With clear branding and marketing, Quarters would aim to create 'poles' for regional innovation capabilities - encouraging businesses to root activities in the area, attracting international investment and accelerating the development of innovative clusters across the country. 	£200m ⁶⁷
<p>Expand the R&D tax credit to include Capital Expenditure as an allowable expense and further review how the R&D tax credit can be further expanded and be made even more accessible, to supercharge business investment in innovation.</p>	£Unknown
<p>Reduce match funding requirements for competitively won R&D funding to spur business innovation investment and support retention of high-quality R&D jobs and activity in the UK.</p> <ul style="list-style-type: none"> • The level of match funding requirements of R&D funding calls can be a prohibitive barrier for business participation - particularly for small and mid-size businesses. • For many businesses, in the current climate match funding requirements are even harder to meet or to justify. Reducing match funding requirements would, for example, make challenge calls more attractive to industry and would serve as a valuable way to support businesses to invest at a time when many are facing financial pressures and cash constraints as a result of COVID-19. 	£Nil
<p>Commit sufficient additional funding for the UK to associate fully in Horizon Europe for 2021- 2027.</p>	£1bn ⁶⁸

3. Prioritise skills and job creation

Before the pandemic, CBI and McKinsey research found that the UK needed to change its approach to investment in training to support jobs, with an additional £130bn needed to reskill 90% of the workforce by 2030.⁶⁹ Almost everyone will need to develop or enhance their skillsets in core areas, including 21 million people needing some form of basic skills training and 15 million having to build or enhance their leadership and management skills. The case for reskilling is now even clearer as the pandemic continues to hit the labour market with unprecedented severity. Growing skills gaps and job shortages are impacting the poorest people and regions the hardest, as well as young people. Businesses are doing all they can to increase investment in training, but many are facing acute financial pressures. The government has a crucial role to support a jobs-rich recovery and create the

⁶⁷ This costing is only indicative and is based on grant funding and operational costs for France's Pole de Compétitivité programme and the Milton Keynes Autodrive pilot, which received £10m of public funding. The actual cost will depend on the scope of the Catapult quarters and how many are built. Funding could be allocated from the £3bn pot for development support detailed elsewhere in the submission.

⁶⁸ This is based on the UK's contribution to the last EU framework programme (FP7) that ran from 2007-13. HMG has previously committed to fully participating in Horizon 2025 depending on the terms of the EU Exit agreement.

⁶⁹ Learning for Life - Funding a world-class adult education system, CBI, 2020

right conditions for businesses to increase investment in training. These actions will spread opportunity as the recovery takes hold.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁷⁰
<p>Turn the Apprenticeship Levy into a Skills and Training Levy which allows firms to invest in other forms of high-quality training to support higher business investment in training for young people and older workers.</p> <ul style="list-style-type: none"> • The Apprenticeship Levy was introduced in 2017 and intended to help increase business investment in training, but many firms' utilisation rates of Levy funds remain low, due to the restrictive nature of how the funds can be spent. • Government should allow firms to spend Levy funds on a wider range of training that meets their needs and helps more individuals to update their skills, supporting career and salary progression. • A reformed Levy should fund a wider range of accredited high-quality training including short modular courses, pre-apprenticeship programmes, product training, professional courses, and soft skills training, with qualifying training regulated by the Institute for Apprenticeships & Technical Education (IfATE) and the Office for Students (OfS). 	£0.5bn ⁷¹
<p>Transform 'Job Centres' into regionally led 'Jobs and Skills Hubs', with strong regional autonomy to respond to changing local job markets and align with regional and local skills initiatives. These Hubs should provide the long-term unemployed and workers who have lost their jobs in the pandemic with a broad range of personalised support. Individuals would be able to use these 'one-stop-shops' to access broader support, including skills audits, careers advice, support with digital resources and an online skills portal information on training and job opportunities in their local area.</p>	£Unclear
<p>Use the upcoming FE White Paper to consult on the rollout of the Flexible Loan Entitlement.</p> <ul style="list-style-type: none"> • Government should set out a roadmap for the future of adult skills devolution, working with employers and providers to stimulate increased adult demand for new training opportunities and develop more flexible and bitesize provision that meets emerging skills needs. 	£Unclear
<p>Introduce individual training accounts for unemployed individuals and those with the biggest retraining needs to spend on accredited courses.</p> <ul style="list-style-type: none"> • The accounts would be linked to the new Jobs & Skills Hubs, and available to unemployed individuals and those with the biggest retraining needs to spend on approved courses. Individuals would have their accounts topped up by government up to an annual cap, with financial participation required by some individuals on a sliding scale for the total costs of training. • Government should consult on which individuals should be targeted specifically and how the accounts should be delivered against a set of core design principles, including being performance-based, learning from international examples where similar schemes have worked effectively. 	No more than £3.9bn ⁷²

⁷⁰ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁷¹ This is based on spending on apprenticeship training and assessment by Non-Levy payers in 2018/19 of £0.5 billion net of the 5% that government already contributes as part of the apprenticeship levy scheme. The £0.5 billion is sourced from the Department for Education written questions. It therefore assumes that if levy payers use the Flexible Levy to access 100% of funds, the cost to the exchequer would be 95% of funding the apprenticeship budget for non-levy payers as they currently fund 5%. This cost would reduce depending on how much of the levy is accessed by levy payers.

⁷² Based on prior outputs from 'UK training investment costs model, McKinsey, 2019', which finds 5 million individuals will require retraining between 2020 and 2030 at a typical direct training cost of £7,900. The cost therefore reflects a scenario where the government would fund 100% of the cost required to train these individuals and is therefore a maximum. In reality, this will be funded also by individuals and businesses too, as well as being funded through the other policy recommendations on training and is therefore expected to be lower than this.

Introduce an SME training tax credit as an incentive for firms to invest more in training, modelled on the SME R&D tax relief or R&D Expenditure Credit (RDEC). The credit would be modelled either on the existing SME R&D tax relief, or instead on the successful R&D Expenditure Credit (RDEC) (adapted and simplified to be appropriate to SME training budgets).	£Unclear
Ensure SME skills support is a priority in Growth Hubs by providing long-term, flexible funding. This will ensure they have the capacity to design and deliver locally tailored support that reflect local business needs, and align with Local Industrial Strategies and recovery plans.	£Unclear

4. Lead the race to net zero

The biggest opportunity for an outward-looking Britain lies in leading the world in the race to net-zero. First mover advantage on climate change is an economic prize on top of a social one and, as the UK economy starts to recover from the pandemic, government should continue to play a vital role in directing business investment to double-down on the UK's green economy ambition.

This Budget must cement the fiscal framework to deliver the UK's global ambition on net-zero, ahead of COP26. Building on the welcome commitments in the 'Ten Point Plan for a Green Industrial Revolution', there are several opportunities to enhance a green and sustainable recovery from the pandemic and make further progress towards achieving the net-zero emissions target.

The CBI is therefore calling on government to:

CBI recommendation	Annual exchequer cost ⁷³
Greener Buildings	
Deliver the £3bn funding committed for energy efficiency improvements in July 2020, including the Green Homes Grant announced as part of those package of measures, and the extension of the scheme confirmed in November 2020. Ensure the success of the scheme by reducing barriers that prevent SMEs from accessing the scheme effectively.	£Unclear ⁷⁴
Provide clarity on the next steps for the Public Sector Decarbonisation Scheme and Social Housing Decarbonisation Fund.	£Nil
Accelerating the shift to zero emission vehicles	
Commit to a new gigafactory plan to deliver another 7 gigafactories by 2040 to enable a strong automotive sector and place the UK at the forefront of low emission transport technologies. In the first instance, this should draw on the previous £1 billion commitment, with more funding required in later years to fully deliver on the plan.	£Nil in the near term ⁷⁵
Publish a comprehensive national charging infrastructure strategy that clearly outlines how the £1.3 billion committed to accelerating the roll out of charging infrastructure, will be delivered across urban, rural and remote parts of the country.	£Nil ⁷⁶
Support progress towards the 2030 phase out date for new petrol and diesel cars and vans with a progressive tax system that uses real world data to incentivise low emission driving, and more importantly, encourages the	£Unclear

⁷³ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁷⁴ At the 2020 Spending Review the Government committed to spending £3 billion on building allocation, with the allocation to be reviewed in the Spring.

⁷⁵ £1 billion has been committed in the ten-point plan to support the electrification of UK vehicles and their supply chains, including developing Gigafactories in the UK to produce the batteries. This is not expected to cover the delivery of 7

⁷⁶ This was set out in the government's ten-point plan

purchase of the right vehicles for the right journeys. To help achieve this, a complete review into the future of fuel duty must be conducted.	
Extend the 0% company car tax (BiK) rate for zero emission vehicles. The BiK rate was down to 0% for 2020-21 but with COVID-19 the government should extend the policy since a lot of firms have not been able to utilise it. To help with zero emission vehicles' uptake further, the policy should be extended to cover the employee loans for such vehicles.	£Unclear
Driving the growth of low-carbon hydrogen	
Introduce a variant of the Contracts for Difference (CfD) auction, with a variable cost for the production of hydrogen and a fixed payment to cover the CAPEX cost, with such auctioning based on different 'pots' for 'green' and 'blue' hydrogen production, reflecting their respective long term cost reduction pathways.	£Nil
Investing in Carbon Capture, Usage and Storage	
Support the continued development of detailed structures and mechanisms for the use of CCUS in power, transport and storage infrastructure, and industrial uses, with the aim of completing the business models in 2022. Deliver the multi-year funding confirmed at SR20 for the CCS Infrastructure Fund.	£100m ⁷⁷
Delivering new and advanced nuclear power	
Continue to develop a RAB finance model for new nuclear power in the UK, alongside the potential role of government finance to deliver a final investment in a large-scale nuclear power station.	£Nil
Jet Zero	
Introduce a further package of investment to support the production of sustainable aviation fuels including £21m for the SAF clearing house, £50m in grants and development support for SAF technologies across technology readiness levels and £429m in government backed loan guarantees for first of a kind SAF facilities	£500m ⁷⁸

5. Develop a regulatory and tax regime that stimulates investment, innovation, and entrepreneurship in the UK – underpinned by effective institutions

Regulation and taxation can be effective tools to create a dynamic, competitive, and modern economy. 2021 is an opportunity to set a new strategic framework for UK regulation and taxation that keeps the UK globally competitive and supports entrepreneurship, investment and sustainable economic growth by sending the right signals to bolster business confidence. The delivery of the COVID-19 vaccines demonstrates the potential of an agile regulatory regime in driving forward the UK's policy priorities and allowing the UK to benefit from innovation more quickly. The regulatory and tax system should now be used to drive forward other policy ambitions – on levelling up regional economic growth, unlocking business investment and reaching net-zero emissions – to create a new form of UK competitiveness on the global stage.

More must be done to ensure the UK's economic regulatory regime supports the surge of investment required to meet the UK's strategic goals. The world has changed since the UK's economic regulators were created in the 1980s and 1990s. Increasingly, businesses operate across multiple sectors and thus are under the purview of several regulators, whilst the number of businesses in regulated industries has increased dramatically. However, no single department or parliamentary body currently has holistic oversight of the UK's economic regulators which creates a disjointed regulatory landscape for firms to navigate. The current regulatory system has also focused too much on short-term price outcomes for consumers rather than the quality of outcomes and long-term investment. Evidence shows that regulatory actions focused on the short-term can result in underinvestment and negative consumer outcomes, for example the energy price cap. Evidence also shows that consumer views on

⁷⁷ CCS Infrastructure Fund confirmed with £1bn of funding over this Parliament (£100m in 2021-22).

⁷⁸ Recommendation from the Sustainable Aviation Report, February 2020. A £15 million competition has already been committed in the ten-point plan to support the production of sustainable aviation fuels in the UK.

the role of regulators are changing, with consumers identifying climate change action as a key concern in regulated industries. To meet the 2050 target, action needs to be taken now and regulators must support business investment to achieve this. With £9bn of investment needed in the power sector alone to meet net zero by 2050, a step-change in approach is required by economic regulators. This involves a new approach to price controls and greater scrutiny of the regulatory regime. Just as privatisation in the 1980s spurred a wave of investment, a new approach is required now to meet the UK's net zero and digital ambitions.

As the UK leaves the EU, develops its own independent trade policy and negotiates new trade agreements, it must also ensure that it remains a global leader in regulatory standards and influences international standards at a multilateral level through international organisations. This is a particular priority for emerging technologies including in AI innovations and deployment that are likely to drive the UK's future growth. It is therefore vital that across UK government there is clear regulatory coordination between the multiple regulatory bodies in the UK and effective cooperation mechanisms with trading partners globally.

The Government should review how the UK can thrive in the global economy and where there are opportunities to lead internationally on regulation and taxation to support a dynamic, modern and competitive economy. There is an opportunity for regulation to move away from criteria focused on lowest cost, ensuring the UK harnesses the power of public spending to deliver on its ultimate objectives of levelling up across the country and hitting net-zero carbon.

The CBI is therefore calling on the government to:

CBI recommendation	Annual exchequer cost⁷⁹
Opportunities to lead on regulation	
<p>Ensure the UK's economic regulators have a clear remit to support net zero, innovation and levelling up. This would balance the need to support long-term investment alongside short-term consumer affordability.</p> <ul style="list-style-type: none"> Regulators should expand their toolkit beyond price controls. The use of price controls can lead to underinvestment and may not deliver price stability for consumers in the longer term. To deliver the transformative investment required, regulators must explore better alternatives in achieving desired long-term infrastructure needs. To achieve this, the government should launch a call for evidence on the broader tools available to achieve these vital investment ambitions. 	£Nil
<p>Create a new 'watchdog' to oversee the performance of the UK's economic regulators in delivering joined-up strategic goals for the UK economy including innovation and net zero transition. This could take the form of an expanded role for the National Infrastructure Commission monitoring coherence between economic regulators. Give the BEIS select committee responsibility for scrutinising the UK's overall approach to regulation.</p>	£Negligible
<p>Introduce an overarching Digital Regulation Strategy to solidify the UK's position as a global digital powerhouse and ensure regulators with digital remits are appropriately resourced. Regulatory fragmentation is putting this at risk, with new regulation on content liability, data protection, digital competition, and a new digital services tax will all be delivered by different departments and regulators.</p>	£Nil
<p>Strengthening the UK's place as a competitive and innovative place to do business will require a joined-up and coherent strategy on international regulatory coordination. This can be achieved by focusing on the following principles:</p> <ul style="list-style-type: none"> A clear architecture of business consultation on international regulatory coordination across government Clarity on the role of different ministries to ensure regulatory cooperation supports wider government objectives and global Britain 	£Nil

⁷⁹ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

<ul style="list-style-type: none"> • Regulatory consistency on an international basis, with the UK continuing to set high standards in domestic regulation and considering the wider international compatibility of UK regulation when designing new UK regulation. Where this generates the most value for the UK economy and aligns with other UK policy ambitions. • The strategy could broaden the remits of regulators and will need to be underpinned by sufficient resource so that the UK's world-class regulators have the time and space to engage in international dialogue while delivering a busy domestic agenda. 	
<p>Accelerate delivery of long-promised immigration reforms that are vital to making it business-friendly, as thousands of employers get to grips with the new point-based immigration system. These include radically simplifying sponsorship requirements, making it a digital by default system and putting an end to unnecessary reporting requirements.</p>	£Negligible
<p>Deliver on ambitious plans to overhaul how public sector contracts are regulated, with the aim of boosting competition and driving innovation and efficiency. Building on the proposals in the Procurement Green Paper, measures should include:</p> <ul style="list-style-type: none"> • Immediate publication of a new National Procurement Policy Statement • Fair acknowledgement of past performance of suppliers - both positive and negative • A continued focus on improving commercial capability and industry engagement 	£Nil
<p>The Government must set out a coherent framework for the future of competition policy in the UK. This must include details on how the regime will operate in the new environment outside of the EU. For example, on cross-border multinational corporations on issues such as state aid, there must be communication between UK and EU competition regimes.</p> <p>There must also be an understanding of the limitations of competition policy. For instance, where competitive markets may not be delivering equitable outcomes, the regulatory framework, rather than the competition regime itself, should be assessed first.</p>	£Nil
<p>Press ahead with reform of the railways, including the creation of a new 'Guiding Mind' arms-length body to oversee contracting, with responsibility for track and trains.</p> <p>Support reform of the rail fares regulations and facilitate the testing and development of the necessary technical changes to make fare reforms a reality to ensure passengers always get the best value fares and enable the national roll out of Pay as You Go ticketing.</p>	£90m
Ensuring the tax system supports a competitive, dynamic economy	
<p>The government should use 2021 to develop and publish a strategic tax roadmap for the UK's post-pandemic tax system, learning from the success of the 2010 corporate tax roadmap. This should commit to specific rates of taxation for the remainder of this parliament in some areas (e.g., Corporation Tax) as well as providing an indication of the government's reform priorities. Further, Government should, within the roadmap, lay out the broad principles which it considers underpin the strategy for the future UK tax system and in particular how it expects the tax system to be used as a lever to achieve policy aims such as net zero, levelling up and others.</p> <p>This would allow businesses to better plan and engage constructively on tax reform as part of a return to the normal fiscal event cycle, as well as providing a strong reference point for considering the usefulness and strategic value of either existing tax provisions or indeed proposals for new ones.</p>	£Nil
<p>Conduct a comprehensive review of financial services taxation to provide a consistent and clear framework to support a globally competitive sector that enables growth across the whole economy.</p>	£Nil

The Government should review how the tax system supports and incentivises entrepreneurship in a dynamic, modern and competitive economy. This should support firms' long-term growth ambitions by committing to creating a tax environment that enables small and medium sized businesses to make long-term investments, including a review of the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trust (VCT) Relief.	£Nil
Developing effective institutions to drive investment	
<p>Following the announcement of the creation of a National Infrastructure Bank, the government must now work in consultation with businesses to provide clarity about the bank's remit and scope:</p> <ul style="list-style-type: none"> • Ensure the Bank 'crowds in' rather than 'crowds out' private finance, through mandating it to operate at the riskier margins of the market, with a particular focus on providing initial funding in sectors and emerging technologies which may not yet be able to attract private finance. The Bank should also look to focus on direct lending and providing guarantees as is currently provided by the Infrastructure & Projects Authority (either full wrapped guarantees or first loss guarantees). This type of lending optimises financing costs, provides value for money to the public sector and gives confidence to lenders to invest in different stages of the project. • Give the new Infrastructure Bank the ability to take long-term investment decisions which go beyond political cycles. This could be achieved by it being set up as an Arms-Length Body. • Ensure the Bank plays a role in supporting the UK's ambitions to hit net-zero by 2050 by making it outcome-focused, with clear sectoral goals, such as financing low-carbon power generation, retrofitting buildings, or delivering electric vehicle charging infrastructure. 	£Unclear ⁸⁰
Commit to continued regional expansion of the British Business Bank to support SMEs across the whole of the UK in understanding and accessing finance and deliver on the UK's levelling up agenda.	£Unclear

6. Help businesses harness new trade opportunities to drive the economic recovery

The UK has a unique opportunity to relaunch itself on the world stage in 2021, with the Presidency of the G7, hosting COP-26, and utilising a newly independent trade policy. Embracing these opportunities can mean significant benefits at home. The UK business community stands ready to support, and the CBI's Presidency of the B7 (group of international business associations) will demonstrate where business can step up to address global challenges.

At the G7, the UK government must show ambition and tackle issues such as reform of the WTO, global cooperation in health, and lay the foundations for COP-26 with the climate agenda. With an independent trade policy, the whole of Whitehall should recognise trade and international investment as vital tools to build a sustainable economic recovery in all regions of the UK, by providing firms with new sources of revenue and growth. The UK's trade agenda can allow government and business to work together to maximise opportunities worldwide, in turn fuelling prosperity and raised living standards at home. Many of the foundations have been laid through an ambitious agenda to negotiate numerous trade deals, through Export and Investment Strategies, and through the UK taking up an independent seat at the World Trade Organization (WTO). The significant increase in the size of the Department for International Trade (DIT) has been noticed and demonstrates the UK's commitment to opening opportunities for business worldwide. As DIT renegotiates continuity agreements with the likes of Canada and Mexico and strikes FTAs with new partners such as the US, Australia, and New

⁸⁰ The cost will depend on the exact role and remit of the bank.

Zealand, following through and putting significant focus on promoting these trade deals around the UK is vital.

Increasing the focus on international trade and investment across Whitehall will enable the UK to thrive on the world stage. That means improving the digital offer to support businesses, strengthening analysis of the impact of the trade agenda, and promoting the UK as a great place to invest.

The CBI is calling on the government to:

CBI recommendation	Annual exchequer cost ⁸¹
Create an independent Office for Trade Impact (OFTI) such as in Australia, Sweden, and the US. This body would be arm's length of government with a remit of analysing the impact of UK trade policy for businesses of different sizes, different sectors, and across the country. Ensuring every region of the UK benefits from new trade deals is critical for levelling up and would be a key function of the OFTI. The direction and integrity of future UK trade policy would be strengthened with independent and impartial oversight. UK firms historically use trade deals less than EU counterparts.	£18m ⁸²
The government's digital offer needs to improve with a new COVID-19 Bounce-Back Export Support Service, to ensure businesses in every corner of the UK have access to all the information they need in one place and can take advantage of new trade deals. Trade can be a key driver of COVID-19 recovery, but the process must be made as simple as possible as business time/resource is stretched at the best of times and international travel is currently restricted. To enable SMEs to embrace the Global Britain agenda, providing market research, information on export finance, details of trade shows/missions, and key government/external contacts, can help the UK achieve its exporting potential.	£Negligible ⁸³
National government should work in lockstep with LEPs, Growth Hubs, and Combined Authorities on the international trade agenda, aligning the UK's newly independent trade policy with measures to ensure businesses are aware, and take advantage of new opportunities. DIT's recent support measures, including funding to support SMEs grow overseas trading, 64 new regional Trade Advisors and new regional Export Academies, should be embedded within well-resourced LEPs and Growth Hubs. This will ensure businesses have a one-stop shop for all business support needs, which should include identifying local and regional exporting champions to act as mentors for businesses who are considering exporting, as well as programmes of support to help businesses grow international sales online, identify market opportunities, develop an exporting plan, and manage risk.	£Nil
DIT, UKRI and BEIS, alongside regional stakeholders such as Metro Mayors, should work together to develop a compelling, global pitch setting out 'why the UK is the best place to locate and grow your R&D activity'. This should include strategic inclusion in trade deals and the development of an online portal targeted at international investors showcasing the range of funding, facilities and infrastructure available across the UK. To deliver this, adequate capital funding should be made available through the GREAT campaign.	£Unclear

⁸¹ Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

⁸² Based on the cost of the Australian equivalent, the [Australian Productivity Commission](#), which had a budget of AUS\$35mn in 2018/19

⁸³ This will have a small cost attached to it to develop digital offer and website, as well as additional staff resource.