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As candidates to be the next Prime Minister, we urge you to develop serious, credible and bold plans for growth. We all know the serious challenges that the country faces today – its people and its business community: eye-watering inflation putting households and enterprises under real pressure; firms unable to find the skills and talent they need in a super-tight labour market; and global supply chains remaining disrupted, not least by the tragic events in Ukraine.

We are currently set for just 1% growth in 2023 and to continue to languish at the bottom of the G7 table on business investment. It won't take much to tip us into a recession and were that to pass it would prolong the cost-of-living crisis.

But the UK is also caught in a longer-term trap of low growth. Higher productivity is the only sustainable way to achieve higher standards of living and tackle the fiscal challenges of an aging population and decarbonisation while lower the UK's high tax burden.

Sustainable economic growth must be at the heart of your manifestos. Without it, leadership ambitions cannot be met nor those of the British people and businesses.

There are two implications for candidates:

1. **There must be a plan for growth**

The next Prime Minister must have a plan for growth that dominates policymaking across every government department. This is not exclusively a matter for the next Chancellor – the policies of virtually every department impact growth and only a broad plan, managed by a strong Prime Minister can be effective.

Today, to support your programmes, the CBI is releasing our own plan to build confidence, attract investment and get the UK growing again. It is based on deep economic analysis and engagement with thousands of firms across the country and in every sector in recent months. It's called ***How Britain grows again: An economic plan for the UK***. It includes practical actions for quick wins that will make a real difference and help us on the way to £700bn worth of prizes for UK firms in the decade ahead. Crucially, we set out how these can be achieved, with Government and business working in partnership. There are prizes on offer through decarbonisation, innovation, trade, thriving regions, labour and health. And those prizes can be realised if Government pulls on four key growth levers: **smart taxation to unlock investment; building a workforce for the future; delivering catalytic public investment and making markets to outcompete the world.**

2. **Tax changes must trigger business investment, not fuel inflation**

One of these levers – tax – is attracting more attention than the others and we would urge candidates to show how growth policy is about more than this.

As for tax, our nation's longstanding poor performance on business investment must be tackled, especially with the Super Deduction ending next April. This should be the overriding objective of tax policy now. Growth that relies on only government or household consumption is doomed to fail, especially at a time of rising inflation and high debt. Investment targeted business tax measures avoid significant inflation risk as they seek to materialise into economic activity over the year ahead and beyond, rather than right now in the midst of inflation. They ensure that any downturn we face is short and shallow and that inflation-driven pay rises are replaced by sustainable, productivity-driven ones. In our view therefore, the priorities for business taxation are:

- a. **A permanent successor to the Super Deduction** - to directly and concretely target investment actions by firms. We propose a permanent investment deduction providing an immediate 100% tax deduction for capital spending, bringing more investment into the UK and boosting the level of business investment by £40bn a year.
- b. **Fundamental and urgent reform of the Business Rates system** - Business Rates are the most punitive business taxes in the UK today. They act as a tax on investment, lead to higher prices on the high street and leave communities across the country with high streets in decline. We propose starting with a freeze to the Uniform Business Rate and allowing firms to instantly benefit from falls in property values, by removing downward transition.
- c. **A globally competitive and effective tax regime** – the sharp hike in the headline corporation tax rate was never intended to come in as growth weakens. Whilst the timing and rate of any increase should be revisited, firms look at the combination of all business taxes that apply. This effective tax rate includes property taxes (business rates), payroll taxes (national insurance), income taxes (corporation tax) and specific tax surcharges that apply in different sectors. Candidates need to consider these together.

In the meantime, as the leadership contest plays out, growth can't be put on hold for two months. We cannot afford to get stuck in limbo with few decisions being taken and little action seen. Business confidence is falling, exacerbated by a sense of drift and the politicisation of economic policy. The summer therefore needs realistic government actions that bolster confidence. The wheels of government must keep turning - get a full government team back in place to move essential legislation forward before recess; announce a successor to the Recovery Loan Scheme; cut approval times for new offshore wind farms from four years to one; clarify status of key projects, such as the planned investment commitments to the Ox-Cam Arc; and get going on a new Shortage Occupations List. I write to you on behalf of 190,000 business – small, medium and large, in every sector and corner of the country. We, as ever, believe the UK has great strengths which we can build on together. We can boost confidence. We can reignite a UK growth story and unlock investment. We can seize the moment. We look forward to working together with the new Prime Minister and Cabinet in true partnership towards this endeavour.

Yours sincerely,



Tony Danker, CBI Director-General