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24 June 2020

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

JULY ECONOMIC STATEMENT SUBMISSION FROM THE BRITISH CHAMBERS OF COMMERCE

Dear Chancellor,

I write today on behalf of the British Chambers of Commerce, our global Chamber Network and Chamber business communities across the UK, to firstly thank you for the steps that have been taken by you, and colleagues across Whitehall, to support UK business during the initial phase of the pandemic. Many of the measures introduced have provided a lifeline to businesses and employees across the UK.

However, a significant further fiscal intervention is now required. We urge you to use your July economic statement to take bold steps now – not in the autumn, which would be too late for many parts of the economy. Significant supply- and demand-side measures are needed immediately to boost business and consumer confidence. Other countries are acting quickly, putting in place substantial tax cuts, investment incentives, job creation programmes and infrastructure upgrades. They are getting ahead of the damage. The UK risks falling behind. Any intervention over the coming weeks must be big and ambitious – or it will not have the desired effect.

As restrictions ease, it is vital that the Government delivers and communicates a clearer road map for de-escalation. Current decision-making appears ad hoc and is causing real uncertainty and unease within our business communities. Businesses are having to make major decisions based on imprecise and unclear information – and urgently require a single, understood and evidence-based roadmap for the reopening of the economy, transport networks and local services. Schools and childcare are particularly critical, given the evidence that continued disruption has a disproportionate impact on women and many BAME communities. The delivery of a full test and trace programme is also crucial, particularly to ensure that any future wave of Coronavirus infection can be managed with a lesser impact on the economy than the first. As always, the Chamber network will continue to work constructively with Governments across the UK to plan a coherent path forward.

The scale of the economic challenge now facing the UK is unprecedented. The BCC's latest Quarterly Economic Survey – the UK's largest and most authoritative private-sector business survey, to be published on 1st July – demonstrates that most indicators of economic health dropped to record lows in the second quarter. Significantly, forward-looking indicators such as orders, recruitment, business confidence and investment intentions have declined to historic lows, suggesting that a strong economic revival will require ambitious, concerted and swift Government action in the coming weeks to provide significant further stimulus.

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While a 'V' shape recovery currently looks unlikely, much can still be done to limit the economic scarring, avoid a prolonged downturn, and kickstart recovery – but it needs to be done quickly. The recuperation of the UK economy depends on the return of business, staff and consumer confidence. This is an important moment that could come to define the success or failure of the UK's 'new normal' – and we must get it right.

Against this backdrop, we believe that the priority for the <u>July Economic Statement must be to take bold and substantial action now to inject momentum and confidence back into the UK economy with measures aimed at delivering an economic recovery across the whole of the UK.</u> Simply waiting for an Autumn Budget to take decisive action risks deepening the long-term damage. We have provided a range of options which could deliver immediate stimulus and support to help our business communities restart, rebuild and renew.

Our top recommendations are:

- Extend key loan and grant schemes and rates reliefs to help more businesses survive and adapt
- Substantial reductions in Employer's National Insurance Contributions to support jobs
- Major new support for youth Apprenticeships and work experience
- Incentives for businesses to invest in productivity, people and carbon reduction
- Demand stimulus, e.g. via targeted 'restart vouchers' for all UK households or a cut to VAT
- Streamlining regulatory processes to make life easier for businesses without compromising safety or the environment

We have purposely targeted our proposals on the short- and medium-term implications of the Coronavirus pandemic for the economy and jobs. We recognise that the cost of some of these interventions is very significant – but so, too, is the unprecedented challenge we now face.

We hope our proposals are useful as you finalise your thinking over the coming days, and I would be very happy to meet with you and your ministerial team to discuss further if helpful.

If you have any queries regarding these proposals please contact Adam Szpala, Campaigns & Public Affairs Officer at the BCC, on 07961 138 964 or a.szpala@britishchambers.org.uk.
Yours sincerely,

Dr Adam Marshall
Director General

CC: The Rt Hon Alok Sharma MP, Secretary of State for Business, Energy and Industrial Strategy
The Rt Hon Gavin Williamson CBE MP, Secretary of State for Education
The Rt Hon Thérèse Coffey MP, Secretary of State for Work and Pensions
The Rt Hon Grant Shapps MP, Secretary of State for Transport
The Rt Hon Robert Jenrick MP, Secretary of State for Housing, Communities & Local Government
The Rt Hon Steve Barclay MP, Chief Secretary to the Treasury
The Rt Hon Jesse Norman MP, Financial Secretary to the Treasury
John Glen MP, Economic Secretary to the Treasury
Kemi Badenoch MP, Exchequer Secretary to the Treasury

British Chambers of Commerce

THE BRITISH CHAMBERS OF COMMERCE

MEASURES TO RESTART, REBUILD AND RENEW THE ECONOMY (JULY 2020 ECONOMIC STATEMENT)

As we set out when we wrote to the Prime Minister on 1 May, we appreciate that the Government has acted quickly to provide support to businesses through these difficult times. Beginning with the budget in March, HM Government has acted at speed and scale. However, a significant further fiscal intervention is now required.

This is a time to be bold. Our proposals would cut employment costs, stimulate demand, boost investment and promote greater economic resilience.

Government should not shy away from sustaining high levels of public spending in the short-to-medium term in order to restart and renew the economy. Tax rises, both for individuals and for businesses, must also be avoided over the coming years to enable a strong recovery to take root. We reaffirm our belief that at this unique moment in economic history, an expansionary fiscal policy, including a commitment to transformative infrastructure investment, is needed to jump-start the economy and generate the returns that will help to pay down the national debt in the longer term.

We see the journey ahead as having three phases:

- Restart: a phased reopening of the economy
- Rebuild: building resilience for firms and households
- Renew: returning to prosperity and growth.

The ideas we present draw on the experience of Chamber business communities throughout the UK and around the world – including those in countries that are easing their lockdowns and have supported members through other major crises.

Modelling

Given the significant uncertainty around exactly how severe the shock will be to the economy, and the limited time available, we have not fully modelled all of these options in detail. Where possible, we have provided indicative figures. Once you have considered the below, we would be pleased to discuss our suggestions in detail with officials to consider any relevant assumptions or refinements.

But our overall analysis is clear – the costs of not acting decisively and ambitiously will be many times greater than the costs of taking the steps our business communities need now.

1. Offsetting the supply shock

- **CLOSING GAPS IN GOVERNMENT SUPPORT**

A mini Future Fund to support early stage start-ups

While the launch of the Future Fund was welcome, elements of the eligibility criteria, including the requirement to have raised £250k of private investment, are too high a bar for many early stage start-ups. A 'mini', simpler version of the Future Fund - as BBLS is equivalent to CBILS - for small finance requirements (below £125k) should be launched to support such firms. Under such a scheme the pre-investment bar would be reduced to £100k and the need for match funding removed to release money quickly. Our view is that the fund could be smaller than the £500 million earmarked for the Future Fund, given the smaller amounts in question. If the number of companies accepted onto the scheme was the same as for the Future Fund, and the awards half as much, then the total amount needed would be £250 million.

DIRECT EXCHEQUER COST – POTENTIALLY LIMITED, THE AMOUNT OF THE £250 MILLION CONTINGENT LIABILITY WHICH WOULD CRYSTALISE AS A LOSS WOULD DEPEND ON REPAYMENT RATES.

Expand the discretionary fund to support local businesses falling through the gaps

In many areas of England, the discretionary fund provided to Local Authorities has been exhausted, creating an effective 'postcode lottery' for support. Our members believe that the size of the discretionary fund should be increased to ensure that all local authorities have sufficient funding to support all eligible businesses identified by BEIS. Local authorities would need to demonstrate they have an oversubscription of eligible businesses to access additional funding.

If there emerges a major discrepancy between the levels of grants being given to trading businesses between Local Authorities, additional funding should be given to ensure businesses receiving low levels of grant are topped up if they can demonstrate significant financial distress.

Expanding the fund would also provide much needed reassurance that support could be immediately available for firms in the event of a localised lockdown.

EXCHEQUER COST – WILL DEPEND ON THE SCALE OF THE SUBSCRIPTION.

Expand income protection support for directors of limited companies

While there is welcome support for staff, and some self-employed, many directors that have set up their business as a limited company have fallen into the gap between the Coronavirus Job Retention Scheme (CJRS) and Self-employment Income Support Scheme (SEISS) because they take only a minimal salary and instead largely rely on company dividends for their income. The Association of Independent Professionals and the Self-Employed (IPSE) estimated that there may be around 710,000 individuals impacted.

The BCC therefore calls for the Coronavirus Job Retention Scheme (CJRS) or the Self-employment Income Support Scheme (SEISS) to be extended to cover company dividends as well as PAYE salary. While our members understand the technical challenges, BCC has submitted a proposal to HM Treasury with a number of practical solutions to deal with the technical barriers to extending income support for owner/directors of limited companies.

Under our proposal, directors would need to make manual claims, clearly evidencing from formal financial accounts of declared dividends, and if necessary, any share splits. Personal self-assessment forms, CT600 forms, company dividend vouchers, board minutes, or certified accountants' records could all be used to support claims and, where possible, cross-checked with real-time information submitted by accountants to HMRC. Additional information considerations may be needed for micro-entities.

In line with a number of the other Government support measures, the owner/director should be able to self-declare with HMRC adopting a "pay first, check later" to accelerate the process. HMRC should have the right to retrospectively audit any claimants to the scheme, with scope to claw back amounts claimed fraudulently or in error.
We also support the Treasury Select Committee call for an urgent review to see how it can extend support to those newly self-employed who are unable to benefit from the SEISS.

Enhance Coronavirus Business Interruption Loan scheme (CBILS)
For those able to access CBILS in time, the finance it has provided may have been instrumental in preventing insolvency or closure. In practice, however, delivery is patchy. The Government's latest figures show that only just over half of all applications are approved. Businesses tell us there are some holes in the design of the intervention which should be 'plugged' to support more viable businesses. Our key concern is that considering and agreeing to applications is simply too slow and uncertain.

First, CBILS would benefit from a more standardised approach, replicating the template for BBLS. There should be a simple and clear viability test that is standardised across all accredited lenders, as the current approach remains too much of a subjective judgement call. This is unhelpful for business and causes unnecessary delays and uncertainty when business confidence is key. We would also like to see the major banks publicly commit to provide overdraft facilities under CBILS, which can be extremely helpful to a business faced with an immediate and significant loss of cashflow.

Second, there should be a standardised, and proportionate, interest rate charged on CBILs facilities, after the initial 12 month interest-free period. This will give businesses much greater certainty over their long-term liabilities, enabling them to plan properly.

Third, many companies with private equity funding continue to be rejected as "undertakings in difficulty" because they were acquired using a leveraged buyout structure or with growth capital. From reports, this appears to be a problem in some, but not all, areas covered by the EU State Aid rules. The EU has recently signalled that it intends to adopt a more pragmatic approach, although details have not yet been provided. We understand that this is not entirely within HM Treasury's gift, but ask for you to work towards the most permissive approach possible, as quickly as possible.

DIRECT EXCHEQUER COST – POTENTIALLY LIMITED CONTINGENT LIABILITY, DEPENDING ON REPAYMENT RATES.

Length of CBILS/BBLS support for Businesses

We understand that business support mechanisms such as CBILS and BBLS cannot be open-ended, and that definite dates can help businesses to plan for the future. But we are concerned that some of the time limits for support do not properly align with many evidence-based analyses of the impact of the current crisis. The OECD's work, for example, highlights that unemployment is likely to remain very high into late 2021, with strongly negative impacts on demand for firms' goods and services. We anticipate cyclical 'cash crunches' for our members throughout that period, and suggest that the existing schemes should be reviewed and, where gaps are identified, extended to cater for these impacts.

There are two areas we wish to highlight in particular. First, both CBILS and BBLS are scheduled to close for new applications in the autumn, creating a potential ‘cliff edge’ for businesses in need of finance. That date appears arbitrary to us, particularly as we anticipate economic conditions worsening and with the potential impact of other schemes ending (particularly CJRS) not properly understood. The Government should commit now to maintaining the CBILS and BBLS schemes beyond the current September and November review dates, respectively. As we anticipate ‘waves’ of cash flow problems over the coming months, with different businesses needing additional working capital at different times, keeping the schemes open and available will be vital.

Second, the Government should reconsider the length of the capital repayment holidays currently in place for CBILS and BBLS loans. The current 12-month period could be extended to at least 18 months to give businesses breathing space and a better chance to rebuild revenue streams before repayments commence.

DIRECT EXCHEQUER COST – DEPENDENT ON SCALE OF CONTINGENT LIABILITIES AND ANY EXTENSION OF INTEREST-FREE PERIODS.

- **EXTEND GOVERNMENT SUPPORT FOR THE HARDEST HIT SECTORS**

Adaptation grants to all small businesses in the hardest hit sectors

There are a number of sectors of the economy which, by their nature, have experienced a stronger shock than others. Examples include: firms that have been stopped from re-opening for longer due to public health requirements, those that cannot rely on employees working from home, and those that cannot sell to customers remotely. Such sectors include retail, hospitality, tourism and leisure, and key areas of the transport (e.g. airports) and manufacturing (e.g. civil aviation) sectors. At the time of writing, a number of sectors still have no clarity as to when they will be allowed to reopen, despite the recent easing of lockdown measures.

Equally, SMEs within these sectors may face severe cash flow problems as they seek to adjust their premises to the ‘new normal’ conditions (e.g. social distancing, PPE provision, consumer or worker confidence in remaining safe).

We believe there is a good case for creating a new grant scheme to support SMEs seeking to re-establish operations, in sectors which meet defined criteria. A new scheme of grants (which could be at the £25,000 level as per previous schemes) could be linked to the adaptations that a company needs to make in order to open successfully and sustainably. We would want to see such a scheme operating UK-wide, with collaboration between the UK Government and devolved Governments to ensure a similar level of support across all four nations.

This additional support should be provided irrespective of whether the business is the direct business rate payer (which would avoid some of the difficulties seen in the first-generation grant schemes, where firms in shared and serviced workspaces were initially excluded).

Should Ministers wish to take this model forward, we stand ready to assist with developing the relevant sectoral criteria and costings.

Extend business rate relief to additional hard-hit sectors

The 100% Business Rates discount to all businesses (irrespective of rateable value) in the retail, hospitality and leisure sectors in England for 2020-21 should be extended to all businesses in the hardest hit sectors and their direct supply chains (see above).

These changes should be made on a sectoral and supply chain basis. Airports in England and Wales and the businesses operating within them should, for example, also be given a 12-month waiver on business rates, mirroring the welcome action taken in Scotland and Northern Ireland.

- **SUPPORT YOUNG PEOPLE AND OTHERS IN THE LABOUR MARKET**

Cut employment costs to support job retention and recruitment

BCC research, in line with other assessments, indicates that a significant number of jobs will be made redundant in the months ahead as businesses struggle to rebuild cash flow and demand. Prior to the pandemic, our 2019 Workforce Survey revealed that nearly three quarters (72%) of employers had seen the cumulative cost burden of employment increase as a result of one or more costs relating to recruitment, staff training, statutory sick pay and mandatory reporting. Put bluntly, even before the pandemic, businesses were concerned about the cost of maintaining or increasing their workforce. Current conditions have made it imperative that swift action is taken to remedy this.

The most immediate route to safeguard jobs, and to help create new employment opportunities, is a significant reduction in employers' National Insurance contributions, drawing on the large range of academic literature and real-world data which shows the positive impact on employment rates of reducing non-wage labour costs.

We propose an approach based on two sets of changes: the first aimed at SMEs, the second all businesses (including SMEs). For SMEs, we propose a significant expansion of the Employment Allowance, which currently stands at £4,000. Increasing that amount to £20,000 would provide a very significant support for employers and employment, at an annual cost of around £7 billion. This change could be made initially for 18 months, to be reviewed and potentially extended (with notice) based on the prevailing economic conditions.

For all businesses, the threshold for payment of employers' National Insurance contributions could be increased. Moving from the current £8,788 to £12,500 (aligned with the income tax personal allowance) would save businesses around £500 per job at an annual cost of £13 billion. Given the larger scale of this intervention, this move could initially last for 18 months subject to further review depending on the economic circumstances of the time.

Taken together, these measures would protect existing employees and new hires across all sectors of the economy and support subsequent competitiveness.

Changing National Insurance contributions should be supported by the introduction of a moratorium on any additional employment costs for the remainder of the parliament.

Support to upskill and reskill to help people back into the labour market

To help those closest to the labour market get back into work quickly, enhance and scale up existing programmes that are already working well across England (as well as those in the devolved regions and nations), and encourage place-based targeting of resources. There must be an immediate ramping up of support that includes pre-employment training, one-to-one coaching and additional specialist support, where needed. Rapid bite-size training and re-skilling opportunities are needed to help people and businesses benefit from new opportunities in the changing workplace. There should be a particular focus on easing the path of employment through to those sectors that are growing, particularly the tech and digital sectors and the clean energy sector.

Ministers should consider ways to fund access to bite-size, rapid training courses that help people to upskill and reskill quickly for job opportunities in the changing workplace and help businesses with highly skilled people pivot to engage in new products and services.

By using existing providers, including relevant Chambers of Commerce, who would expand the scale of their offer, this could be done quickly and would draw upon a keen understanding of local needs.

The Association of Employment and Learning Providers has estimated an additional annual fund of £5bn is required to boost the Adult Education Budget and provide the relevant training programmes in England.

Youth Apprenticeship and Work Experience support

Evidence from across the Chamber Network indicates that many furloughed apprentices have been able to continue training and complete their studies. However, Chambers report that the number of apprenticeship starts is down by as much as 80% in some regions and there are very few apprenticeship vacancies being advertised for school and college leavers in September. Employer uncertainty about the economy, their ability to rebuild and grow the business and the lack of staff to act as workplace mentors, means that many employers are currently reluctant to take on the responsibility of new apprentices. The risk of scarring to young people and local labour markets is a huge business concern.

To incentivise greater take up of 16-24 year olds apprenticeships in non-levy paying SMEs, the Government should:

- pay the full cost of the off-the-job training for 18-24-year olds entering the workplace (eliminating the 5% employer contribution). We estimate that a minimum of £1.5bn is required to supplement the apprenticeship levy budget to protect SME apprenticeships;
- enable the frontloading of off–the-job training to give firms more time to recover and ensure young people have greater knowledge and awareness when entering the workplace; and
- provide a wage subsidy for 16-24-year olds to help SMEs meet the costs of employing apprentices over the next two years. We believe that employers would be incentivised to create more apprenticeships in the current climate if the cost of doing so was substantially reduced, and wages are the single highest portion of those costs. A local scheme in Teeside has provided this support for 100 apprentices at the full wage cost in the first six months and 50% for the remainder, up to a maximum of 2 years.

  The Association of Employment and Learning Providers estimated that a 50% contribution to the minimum wage costs of 100,000 apprentices aged 16-18 would cost approximately £378m per year and £3.2bn for 400,000 apprentices age 19-24.

  A two-year subsidy would therefore cost approximately £7bn. HM Government should work with the devolved administrations to explore how an analogous wage subsidy for young apprentices could incentivise apprenticeship job creation.

Separately, the Government should increase flexibility in the use of the apprenticeship levy for larger firms.

Crucially, to support business investment in reskilling the workforce, the Annual Investment Allowance (AIA) should be broadened to allow companies to capitalise their training/upskilling investments – as BCC has long recommended.

With young people likely to be disproportionately affected by the recession, the Future Jobs Fund should be relaunched to give them funded work experience with businesses. The previous scheme was estimated to cost just under £1 billion per year to support 170,000 temporary jobs, each of 6 months. This will help fresh graduates and the unemployed get into work and help develop a pipeline of future talent. The fund should be established together with the devolved administrations so that it can operate UK-wide and be large enough to meet demand. Chambers of Commerce stand ready to work in partnership with other key stakeholders to link young people to opportunities. This will ensure the programme supports local industrial strategies and areas of future job growth. It will help young people to move into longer-term, well paid employment opportunities.

COST TO THE EXCHEQUER OF THESE CHANGES ESTIMATED FOR THE FIRST YEAR TO BE £29.5 BILLION (WITH AT LEAST AN ADDITIONAL £9.5 BILLION FOR THE SIX MONTHS THEREAFTER).

- **BROADER SUPPORT FOR EMPLOYERS**

Support for Covid-related absence from work

Additional support is needed for SMEs to help meet the employment costs of people who are forced into Covid-related absence from work. Track and Trace is likely to result in employers having to pay for staff members taking multiple periods of sick leave. To ensure employers can continue to maintain a diverse workforce, additional support is needed to manage these additional absence costs for as long as public health authorities continue to require enforced two week periods of absence from work.

This should include employers being able to reclaim more than the current two weeks of Statutory Sick Pay per employee. There is a good argument for being able to reclaim all Covid-related SSP, or alternatively the Government might consider a more limited expansion to three periods of two weeks.

Easing the regulatory burden on business

A temporary easing in planning rules and fees that would ordinarily be in place for firms who change aspects of how they have previously operated, if it enables them to keep open and adhere to the latest guidance. For example, any licencing fees for bars and cafes that will need to shift to serving outdoors on pavements in order to adapt to social distancing, should be waived. At present, we have reports of several local authorities charging for these changes, although others do not, which risks a ‘postcode lottery’.

COST TO THE EXCHEQUER OF THE CONTINGENT LIABILITY WOULD DEPEND ON REIMBURSEMENT OF AFFECTED LOCAL AUTHORITIES.

2. Offsetting the demand shock

- **BOOST CONSUMER DEMAND**

After an initial release of 'pent-up' demand, we anticipate seeing consumer demand moderate once the lockdown conditions are more fully released. This appears to be the pattern which retail is seeing, as the impact of low consumer confidence in future economic conditions takes hold and as more consumers suffer reductions in their work status.

BCC believes that a stimulus is required to consumer demand at this exceptional moment in time, given the exceptional importance of consumer spending to the economic recovery.

However, we are aware that the immediate levers at HMT's disposal have significant potential drawbacks as well as advantages.

However, if Ministers are able to do elements of both, we would highlight two potential options for demand stimulus that are favoured by many Chamber business communities:

Temporary cut in VAT

Perhaps the most immediate way that HM Government could stimulate consumer demand in the economy would be to reduce the VAT rate. The Centre for Economics and Business Research (CEBR) analysis found that the temporary cut in VAT from 17.5% to 15% during the 2008/09 recession, led to £2.1bn of extra retail sales.

One option here would be a significant reduction in the UK VAT rate from 20% to 17% for six months to stimulate consumer spending.

This move would echo changes announced in Germany on 4 June, where the 'standard' rate was reduced from 19% to 16% and the 'reduced' rate from 7% to 5%. The cost to the German Treasury has been estimated at €20 billion.

COST TO THE EXCHEQUER OF REDUCING VAT TO 17% ESTIMATED AT £21 BILLION PER ANNUM.

'Restart Vouchers' to stimulate local spending

China has created a 'shopping voucher' scheme, with the Government providing fully-funded vouchers for consumers to use to purchase goods in shops. A similar scheme has significant attractions.

A UK 'restart voucher' scheme could see each household receive a digital voucher to the value of £100 to be spent on goods or services within a 3 month period. This would support the hardest hit B2C sectors, particularly if linked to a requirement to use the vouchers in physical establishments or a defined local area. Targeted in this way, the voucher scheme would also go some way towards supporting High Streets and the future vitality of local economic hubs. Many consumers would 'top up' their spending, further increasing the positive impact on local communities.

Strict rules could be applied so that only genuine B2C commercial transactions could be supported in this way. This would be an effective and popular way of encouraging direct support to local communities and supporting jobs at the same time.

Should Ministers wish to take this model forward, we stand ready to assist with developing the relevant sectoral criteria and costings.

COST TO THE EXCHEQUER ESTIMATED AT £2.78 BILLION (£100 voucher to 27.8m households).

- **INCREASE BUSINESS INVESTMENT**

A moratorium on increases in business costs

A moratorium on all policy measures, including new regulations, that increase business costs for the life of this parliament to provide businesses with the urgently needed headroom to manage cash flow, reduce administrative costs and invest in growing their business and the wider economy.

NO DIRECT EXCHEQUER COST.

Two-year extension to the £1 million Annual Investment Allowance (AIA)

When we surveyed businesses in our 2019 Business Taxation Survey, 34% of respondents reported that they would use all or some of the AIA within the next 24 months. The rates were even higher amongst manufacturing and internationally active businesses.

This shows that the AIA is a measure which is working, and in the current climate should be extended and broadened. On extension, the current £1 million rate, which is due to expire on 31 December 2020, should be continued until December 2022, and then tapered gently if the economic conditions permit.

We also recommend a number of measures to broaden its scope. First, AIA should be broadened to include Coronavirus-related investments, including action to minimise the impact of the virus on their staff and customers. Second, AIA should also be expanded to include investment in training (as above). Third, AIA should also cover more investments that help a business achieve net-zero emissions. This would provide a major incentive for firms to crowd in investment, with firms continuing to report that AIA is a crucial tool which gives them the confidence to push ahead with investments. Businesses will expect that such incentives are carried through a revaluation of business rates at a later date.

Proposed AIA schedule, January 2021 - 2025

Companies	AIA
1 January 2017- 31 December 2018	£200,000
1 January 2019- 31 December 2019	£1,000,000
1 January 2019- 31 December 2020	£1,000,000
1 January 2021 - 31 December 2021	**£1,000,000**
1 January 2022 - 31 December 2022	**£1,000,000**
1 January 2023 - 31 December 2023	**£750,000**
1 January 2024 - 31 December 2024	**£500,000**
1 January 2025 -	£200,000

DIRECT EXCHEQUER COST: AVERAGE OF £0.6 BILLION PER ANNUM.

- **ACCELERATE INFRASTRUCTURE INVESTMENT**

Government infrastructure investment - such investment has one of the highest multiplier effects amongst all types of fiscal stimulus measures through support to the labour market, investment, reinvigorating supply chains and supporting international trade. In addition, we believe investment is required now to deliver the 'Levelling Up' agenda in the three main areas which have limited prosperity for generations: human capital; infrastructure, including transport and communications; and financial capital.

Therefore, our members believe capital expenditure should be accelerated to ensure significant progress is made on 'shovel ready' infrastructure projects. Although there is not the space in this submission to list these, our Network, comprising Chambers experts in local economic conditions and need, can help identify these quickly, including in infrastructure such as digital capacity, road maintenance and improvements, and social housing with planning permission. Each can be begun quickly and would deliver immediate and longer-term improvements for the UK.

We also call on Government to meet the one-off cost required to bring the local road network back into 'reasonable' condition. The 2019 Annual Local Authority Road Maintenance Survey put the current estimated one-off cost of getting roads in England and Wales 'up to scratch' at £9.79bn. This is growing year-on-year, piling costs on business such as vehicle maintenance and higher insurance premiums. The annual cost to the Exchequer of completing these improvements within four years has been estimated at around £2.4 billion (mostly current, rather than capital expenditure).

It is relatively clear that remote working will be an increasingly important part of how people are employed, which will put a significantly greater pressure on our shared digital infrastructure. This statement presents an opportunity to create the right incentives for businesses to deliver and prepare for those changes. Those incentives might look at the tax treatment of businesses investing in faster digital connectivity and for providers looking to improve the UK's underpinning infrastructure. There should also be an acceleration of the promised investment in gigabit broadband rollout in the rural areas of England, Scotland, Wales and Northern Ireland.

EXCHEQUER COST: THERE WILL BE SPEND NEEDED TO HELP ENSURE DELIVERY OF KEY INFRASTRUCTURE PROJECTS, THE IN-YEAR COST OF WHICH WILL DEPEND ON THE PROJECTS TAKEN FORWARD. MUCH OF THE COST MAY INVOLVE BRINGING FORWARD LIKELY SPEND FROM SUBSEQUENT YEARS.

3. Building economic resilience

An exit strategy to deal with the high debt burdens

An interim report by the Recapitalisation Group, led by EY and TheCityUK, projects that businesses will be saddled with £97bn - £107bn worth of unsustainable debt by March 2021 - a third which will come from Government-backed loans. Many businesses have taken out loans to help weather the unprecedented economic impact of Coronavirus, and bold solutions will be needed to prevent thousands of firms from falling into a spiral of unsustainable debt. If not addressed, such large debt burdens would stifle the recovery by constraining business activity and investment.

A number of the approaches should be investigated further – including a ‘student loan’ type instrument, where repayments begin once revenues return to pre-crisis levels, for smaller firms. Government must work at pace with regulators, the financial services, and our business communities (as end users) to find solutions that help viable businesses recover and invest as they emerge from this crisis.

NO DIRECT EXCHEQUER COST (FROM WORKING WITH KEY PARTNERS).

Accelerate introduction of Postponed VAT Accounting

The deferment of VAT payments for the period between 20 March and 30 June is extremely welcome. However, it appears that Import VAT and duty payments have been omitted from the list of payments that businesses are able to defer. To boost traders’ cash flow, and keep goods flowing through our ports, this anomaly should now be corrected, and postponed VAT accounting introduced immediately for import VAT and import duty payments. This would allow businesses three months’ breathing space on £25bn in import VAT and £3bn in import duties, in line with the broader VAT deferral already put in place.

We ask that HM Treasury immediately introduce Postponed VAT Accounting for goods entering the UK from anywhere in the world – rather than wait until 1st January 2021. By bringing forward the transition to these new arrangements, HM Government would be supporting traders’ cash flow and ensuring that vital imports from around the world make it into UK supply chains.

NO DIRECT EXCHEQUER COST.

Confirm intentions for the UK Shared Prosperity Fund

From city regeneration schemes to business support, investment finance to research collaboration, businesses do not want to see a damaging ‘cliff edges’ in funding. We call on Government to publish and consult on proposals for a UK Shared Prosperity Fund – with a commitment to maximum local autonomy, a strong voice for business and a focus on economic growth.

NO ADDITIONAL DIRECT EXCHEQUER COST (FROM CONFIRMATION).

Economic plan for potential localised lockdowns

Publish a plan for minimising the economic impact if localised lockdowns are required. This should include additional financial support measures for firms who are required to shut down – including both grant and wage support.

There also needs to be an economic plan in place in case of a second wave of the Coronavirus. Both of these will allow businesses to prepare contingency plans now, minimising potential disruption and catalysing reopening later, if required.

EXCHEQUER COST DEPENDENT ON SCALE/LENGTH OF ADDITIONAL LOCKDOWNS.