



HM Treasury
Parliamentary Estate
Parliament Street
London
SW1A 2NU

Submitted via the representations portal

13 October 2023

Dear HMT colleagues,

Autumn Statement 2023 representation

This letter is written by the 100 Group Tax Committee. The 100 Group is the voice of the FTSE100 CFOs. Our members collectively employ just under 6% of the UK workforce and, in 2022, paid or generated taxes equivalent to around 10% of total UK Government tax receipts. While this letter expresses the views of the 100 Group as a whole, these are not necessarily those of our individual members nor their respective employers.

The 100 Group's Tax Committee, consisting of Heads of Tax from FTSE100 companies, acts on behalf of the Group in tax matters and is uniquely well placed to contribute positively to the development of UK tax policy and practice. Our aim is to promote a globally competitive UK fiscal regime for employers and their employees which incentivises investment and innovation.

By engaging on domestic and international finance and regulatory matters, we aim to promote the UK as a competitive choice for investment to enable and support long term economic growth.

We thank you for the opportunity to submit our representation in advance of the Autumn Statement 2023.

Context

It is widely acknowledged that increasing productivity and boosting economic growth are priorities for the UK in the aftermath of recent shocks such as the global pandemic and energy crisis. We believe that there is an important role for the tax system to play in encouraging long-term investment and economic growth in the UK. Below we outline how this could be achieved.

Our tax policy position

We believe that good fiscal policy is grounded upon:

- *International competitiveness* – encouraging good investment and international businesses locating and investing capital into the UK;
- *Certainty* – avoiding short term volatility, a clear tax roadmap and swift resolution of uncertainties; and
- *Simplicity* – clear and understandable tax rules.

Specific opportunities

We see three key areas of opportunity where tax might be used as a highly effective leverage to deliver long term investment – through Innovation; through Capital; and through People. Our specific comments and proposals are laid out below.

Opportunities in Innovation

- The tax system must support innovation in the round – not just separate regimes that look at R&D and patents
- Businesses would welcome a holistic, joined up approach that extends beyond tax and considers the whole economic lifecycle of an investment. For example, where to build a plant/change existing infrastructure (grants – BEIS, Innovate UK), visas/immigration for skilled workers (Home Office), R&D and Patent Box (HMRC)
- We see huge opportunity through increased emphasis on policy in support of 'green' innovation – which would align to the government ambition to be a leader in science and technology

- There have been a number of positive developments in the R&D tax regime in recent years, most notably the increase of the RDEC rate and the expansion of scope to include data and cloud computing costs. These have been set against a backdrop of constructive and positive stakeholder engagement, with consultation feedback being acted upon (the PAYE cap being the most recent example)
- There are however opportunities for improvement in the existing regime. in particular:
 - Greater up-front certainty - currently R&D tax relief cannot be reliably factored into the financial business cases, and thus does not influence investment decisions. Countries such as the Netherlands and Singapore are consistently cited as examples of where up front engagement with the authorities provides businesses with certainty about the tax reliefs available to them at the outset of a project
 - Scope - traditional definitions of R&D are not well suited to modern innovation, including software development and artificial intelligence. We would therefore welcome a review by government into broadening the scope of the existing R&D tax regime to ensure that the UK can attract and retain investment in the industries of the future

Opportunities in Capital

- Lack of up-front certainty is again a key issue in the capital allowances regime. Large investments work on 10+ year horizons and businesses need to have confidence in the relative stability of tax policy over the same period
- As an example, super-deductions will only have limited influence over long-term project decisions until they are established as a long-term fixture of the UK tax system
- In addition, the nature of the capital allowances definitions and claims process means that the tax relief that businesses can reliably factor into financial models is a lot less than what might ultimately be eligible for relief following a comprehensive post-build analysis
- Timing of tax relief for capital expenditure is another issue. The imbalance between when a business spends large sums of cash and when it receives tax relief is driven by an old-fashioned view of a building as a capital asset held as a long term investment. This is at odds with the reality of a modern business where construction of, for example a bespoke logistics hub, is as key to the operational functioning of the business as any piece of plant and machinery

Opportunities in People

- Relief for on-the-job training and wider wage tax incentives would have greater and more immediate impact on employment than those for formal and vocational training, and would attract globally mobile skills to the UK in higher numbers
- Apprenticeship Levy definitions are not aligned to the skills gaps facing businesses, e.g. highly skilled workers or drivers. Nor is the current tax system set up to encourage employers to develop the future skills that the UK economy needs, for example digital

We hope that you find these comments useful, and we thank you for the opportunity to share them with you. We would be happy to discuss them in further detail if you saw a benefit in such an opportunity and invite you to contact us via the secretariat at secretariat@the100group.co.uk.

Yours faithfully,

Andy Agg,
Chairman of the 100 Group Tax Committee