BUSINESS INVESTMENT AND COSTS

We are facing the longest period of sustained annual decline in business investment for 17 years.[20]

WHERE ARE WE NOW?

Among G7 countries, the UK has averaged lowest for total investment as a percentage of GDP for 30 years.

Further, in five out of the last six quarters, business investment has fallen.

UK businesses are investing less in product development, improving processes or adopting new technologies than their overseas competitors.

In recent years, relentless Brexit uncertainty has taken its toll, but rising costs have also negatively impacted on business cash flow and investment.

We have some of the highest recurrent property taxes in the world – as a share of the economy, more than twice the OECD average.

Lack of access to external finance is also a barrier to investment, with 21 per cent of businesses citing this as an issue when funding new and innovative activities. [21]

As a result of the lack of action when it comes to costs, taxes, finance and uncertainty around Brexit, cash flow has weakened and many businesses have had to reduce or cancel investment.[22]

WHERE DO WE NEED TO BE?

- **Exceeding the research and development investment target of 2.4 per cent of GDP by 2027.**
- **Lowering recurrent property taxes as a proportion of GDP to below the OECD average – with a particular emphasis on business rates.**
- **Attracting record flows of foreign direct investment into the real economy.**
- **Exceeding G7 average of total investment – both public and private investment – as a share of GDP by 2027.**

For any business to compete globally, they need a competitive footing at home on which to stand – and the confidence to push ahead.

In the UK, action is required to stimulate the economy and send a strong message that we remain a great place to do business.

Similarly, easing the cost of doing business would help UK businesses to invest, recruit and grow – particularly during this time of uncertainty. >

35%
of businesses said they were likely to reduce or cancel investment as a result of business rates increasing this year.

The proportion of manufacturers increasing investment in training fell to its
lowest level in 9 years.[23]

27%
of manufacturers reported worsening cash flow in Q3 2019, compared to just 21% reporting an improvement.[24]

[20] BCC Economic Forecast Q3 2019. [21] BCC innovation survey 2018. [22] BCC business taxation survey 2019.
[23, 24] BCC Quarterly Economic Survey Q3 2019.

British Chambers of Commerce

BUSINESS INVESTMENT AND COSTS CONTINUED

HOW DO WE GET THERE?

Priority actions for the next UK government

- Extend the £1 million Annual Investment Allowance for a further two years and widen its scope.
- Commit to protecting tax relief schemes that incentivise investment – the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS).
- Reverse the 2017 reduction in the dividend allowance, which is hurting small businesses and sole traders.
- Launch a business-led review of the business rates system in England – and, in the meantime, introduce a business rates investment incentive for England and Wales, providing a 12-month delay before rates are applied to a new build property, or before rates are increased when an existing property is expanded or improved.
- Introduce a moratorium on measures that increase business costs for the next term of parliament, excluding only evidence-based changes to the National Living Wage.
- Enable the British Business Bank to play a greater role in the provision of patient capital by upscaling the British Patient Capital programme to enable long-term investment in businesses across the UK.

On net-zero emissions

- Commit to keeping the VAT rate for items considered to be 'energy-saving materials' at five per cent or lower post-Brexit.

On devolution

- Expand the British Business Bank to play a greater role in improving the quality and reach of early-stage finance to high-growth businesses beyond London and the South East.