

Bring on a budget to promote growth and lower inflation

We need a new budget now. The current policy mix is delivering soaring prices and a nasty slowdown.

The Chancellor tells us he wants investment led growth. He says he is thinking about new tax incentives for investment this autumn. They will be less generous or no more generous than the super deduction from Corporation tax businesses currently enjoy. That way of fostering an investment lift off has predictably and visibly failed. Let me explain to the Treasury why.

When looking at an investment you do not just look at the tax position when spending money on the set up of the investment. You look at longer term cash flows when the investment has been made. The Chancellor's planned large hike in Corporation tax makes a big hole in future net profits from any investment in buildings, plant and equipment. If it's an investment in the oil, gas and coal we need, we find instead U.K. net zero policies drive people to import as those who want to produce here struggle for licences. If you were thinking of increasing our food output Defra will be bribing landowners to wild their land instead whilst the Business department and others will be wanting to reward the landowner for using the land for carbon offsets. If you were thinking of investing to ease the homes shortage the Levelling Up department will be wanting you to sign up to remedial liabilities on past buildings if you are a U.K. company but not a foreign one.

I mention these three areas as inflation in energy, food and housing are central to our current woes. We need more domestic capacity in all three. So government, take the barnacles off the enterprise boat. Grant the permits, cut the taxes, place the orders. The world does not owe us a living.

Stopping the rise in Corporation tax is the bare minimum to try to rescue investment. If the Chancellor instead cut it to the new world minimum of 15% there would be an investment surge and more business tax revenue. I will give more detail on the budget we need in future articles.