2024

TAX INCENTIVES AND INVESTMENT FOR MANUFACTURING

IBN Independent Business Network

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1.About the Independent Business Network

The Independent Business Network speaks for the overwhelming majority of the business across the country that are family run or family owned. We want to ensure every part of the business community has the chance to seize the opportunities Brexit provides. Following the Covid pandemic we seek to ensure that British businesses are able to grow and recover from the lockdown and remain resilient against changing global conditions and risky supply chains.

We believe that Brexit Britain should be pro-enterprise and work to break down the power of monopolies and their domineering influence on public policy and the regulatory landscape. We believe that family owned and family run businesses must have a greater voice in public policy. One of the primary reasons for leaving the European Union was to ensure that we had the ability to create the most dynamic and competitive environment for businesses and start-ups.

The majority of businesses in the UK are family owned or family run. Including the self-employed, they constitute 84 per cent of all businesses and employ almost 55 per cent of all workers. These businesses are the backbone of our economy and we must ensure they are allowed to flourish so that we can generate the wealth for the public services and investment we need. The UK is experiencing higher than usual inflation and high taxation with low growth. Family run and family owned businesses are key to our recovery and restoring growth.

The business environment for self-employed people has been pretty tough There are around 400,000 fewer self-employed people in the UK this year than before the pandemic which in itself is alarming.

The IBN works to ensure the best possible business environment for our supporters, through lobbying, research papers, and articles in the press and via our social media channels. This research paper is a contribution to creating that environment and we hope government will look upon it favourably.

When the government wants to speak to a constructive business voice the Independent Business Network is ready and eager to engage.

Brendan Chilton
Chief Executive

Foreword by John Longworth

Manufacturing still represents almost 10% of UK GDP, as much as the combined total of banking, insurance, and city support services such as legal services.

It also provides by far the greatest opportunity for productivity improvement in response to investment. Only Artificial Intelligence (AI) offers such a productivity return on investment in services as that offered by manufacturing. It is the shrinkage of manufacturing in the UK that has contributed to the stalling of productivity growth in recent decades.

Manufacturing also offers to help the challenge of 'levelling up' simply by virtue of the fact that much manufacturing is situated in the regions and therefore growth of manufacturing will inevitably boost the regions.

British manufacturing is resilient. It has managed to survive and prosper in the face of sustained competition from emerging markets. Government should only intervene where there is a market failure. This may include unfair competition from dumping or state aid and subsidies.

It may also include a failure of next stage growth funding and funding for technology development such as nuclear. Protection from acquisition by foreign investors of strategic technology is also required. In all other circumstances, government should get out the way and manufacturing will do the rest.

Out of the way includes deregulation and removing taxes so that there is an incentive to investment and grow. This report deals with tax and investment while deregulation will be examined in a future report.

John Longworth
Chairman

2. Executive Summary and Recommendations

The Independent Business Network believes that a strong and growing manufacturing sector is key to driving economic growth. The British economy is in need to strong remedies to resolve its current difficulties. The measures outlined in this short report could go some way to incentivizing investment and growing manufacturing in the UK, improving economic growth and exports.

The UK is at risk of falling behind our international competitors if we do not make changes to our economic policy now. For too long, the priority has been to ensure our service sector does well. Service industries are important to the British economy, but the real increases in productivity we need to drive growth will only come from manufacturing. Therefore the government needs to prioritize enhancing our manufacturing offer.

The Independent Business Network makes the following recommendations in support of British manufacturing and industry:

i. The government should introduce a new Manufacturers Corporation Tax rate of 15%.

ii. The government announced a new permanent deduction scheme before the end of this Parliament. This is to be commended.

iii. Government should raise the threshold at which businesses, including manufacturers pay VAT from the £85,000 threshold and increase it to £250,000.

iv. Government should extend VAT exemptions to extensions and refurbishments.

v.Government could explore whether introducing a similar deduction for buildings and structures could be facilitated to support the expansion of manufacturing businesses in to new modern commercial units.

vi. Government should work with industry to devise Manufacturing Jobs Tax Relief schemes to drive employment in manufacturing industries.

vii. Government needs to remove business rates and work with industry to implement a new modern form of property tax for the start of the new Parliament.

viii. Companies investing £500,000 into plant or factory expansion should be entitled to a five-year Business Rate exemption.

ix. Government should increase the R&D Credit from 13% of qualifying R&D expenditure to 20% of qualifying expenditure.

x. Government should raise the 13% of qualifying R7D expenditure for larger companies to 15%.

xi. Government should incentivize patenting in UK manufacturing and also in the NHS and academia.

xii. The government should consult with manufacturers as to what is the best way it can support with increasing exports from the sector.

xiii. Local Authorities should be required as part of the creation of their local plans to identify sites that could be utilized for local manufacturing and in rural areas this should include disused agricultural sites.

xiiii. The government should consider creating Special Industrial Zones along the same lines as Freeports to stimulate growth and support the revival of British manufacturing.

xv. The government should establish a Task Force working with Manufacturing Industries to produce an agenda for deregulation in manufacturing to help grow the sector and make British Industry more competitive.

3.Tax Incentives for Growing Manufacturing

The Independent Business Network believes that the government needs to prioritize tax incentives to drive investment for manufacturing industries. Our Advisory Board Member, John Mills, produced a blueprint for manufacturing[1] which included a call on the government to reward capital expenditure. These measures included incentives for increasing capital expenditure through manufacturing investment allowances to cover 100% of costs. In the Autumn Statement 2023 the Chancellor of the Exchequer committed to permanently maintaining the 100% capital allowances deduction for investment in plant and machinery[2]. The Independent Business Network welcomes this move and commends the government for adopting this approach. This short paper explores additional ideas that the government could consider to further increase investment in manufacturing and to drive economic growth and increase productivity.

a) Corporation Tax

Corporation Tax is the primary tax that any limited company in the United Kingdom must pay to HM Treasury on its profits. In 202122 rates of Corporation Tax stood at 19%[3], and the government announced that it would be increasing corporation tax to 25% from April 2023. The Independent Business Network opposed this increase as we believe it will make the United Kingdom a less attractive destination for those wanting to set up new business and it will make us less competitive globally. There have been examples of how the governments increase in Corporation Tax have killed off investment in the UK. For example, Astrazeneca built its $400m plant in Ireland as opposed to the UK due to the UK's unfavorable tax rates[4]. In 2022 around 17.86% of UK GDP came from Manufacturing[5] yet only 10% of the UK workforce is employed in manufacturing[6]. Productivity is higher in manufacturing than in services.

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1 https://instituteforprosperity.org.uk/admin/resources/articles/06122-a4-pamphlet-for-john-mills-web-single.pdf
2 https://www.gov.uk/government/publications/autumn-statement-2023
3 https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax
4 https://www.fiercepharma.com/manufacturing/astrazeneca-ceo-cites-discouraging-uk-tax-rate-behind-decision-build-ireland#:~:text='Discouraging'%20UK%20tax%20rate%20swayed,plant%20in%20Ireland%2C%20CEO%20says&text=AstraZeneca's%20chief%20executive%20said%20the,former%20Alexion%20campus%20in%20Dublin.
5 https://www.statista.com/statistics/270372/distribution-of-gdp-across-economic-sectors-in-the-united-kingdom/#:~:text=In%202022%2C%20agriculture%20contributed%20around,percent%20from%20the%20services%20sector.&text=The%20vast%20majority%20of%20the,particular%20keeps%20the%20economy%20going.
6 https://assets.publishing.service.gov.uk/media/5a7c38ae40f0b67d0b11fadf/ep36-manufacturing-future-workforce.pdf

The Independent Business Network believes as a principle that companies should pay tax to the government for the benefits they receive while operating in the British economy. These include access to law and order, infrastructure, legal protection, and a stable economy. However, we do believe that the government should ensure that its puts policies in place to ensure that investment in manufacturing is incentivized. We know that investment in manufacturing tends overall to deliver higher rates of return and enjoys, pound for pound, greater productivity increases than investments in services and therefore an investment friendly environment needs to be created to drive investors to choose manufacturing industries. As a rule the Independent Business Network also believes that Corporation Tax should be reduced to encourage investment and to ensure the United Kingdom remains an attractive destination for investment and new business and doesn't lose out to rivals and competitors as we have done so recently. If the UK continues to lose out to other countries our standing as a leading global economy will diminish.

Creating incentives for private sector investment is vital to achieve the policy objectives set by government, namely growth which is also the primary goal of the Labour opposition too. We believe that we need to aim to grow the UK manufacturing sector up to 15% of GDP[7] from its current levels of around 9.7% of total UK economic output[8]. Around 10% or 2.6million people are employed in UK manufacturing[9]. This means that the productivity of workers in manufacturing is higher than those in services as while only 10% of the workforce is employed in the sector it contributes over 17% to GDP. We need to ensure the sector grows because as we have seen around the world those countries that give weight to manufacturing and pursue policies that drive manufacturing experience higher growth, such as in the United States in recent years.

Manufacturing faces additional costs and pressures that service sector does not. Transport, Green Costs, Raw materials, higher labour costs and increased health and safety pressures. While all businesses face different pressures, those facing manufacturing are quite particular. We need to therefore ensure that these pressures are reflected in the tax system. To accommodate the additional challenges manufacturing faces the Independent Business Network is proposing that the government should introduce a new Manufacturers Corporation Tax rate of 15% with the aim of phasing out Corporation Tax in general over time. This would be a clear demonstration that the government wants manufacturing to succeed and would encourage investment in manufacturing. It would also signal that the United Kingdom is placing manufacturing front and center of its plan for growth and levelling up. As we now live in a world where supply chains can be put under

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[7] https://instituteforprosperity.org.uk/research/post/2021-08-13-manufacturing-unlocked-a-blueprint-for-reviving-manufacturing-up-to-15-of-gdp
[8] https://commonslibrary.parliament.uk/research-briefings/sn05206/
[9]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/jwr7/lms

enormous pressure, or even threats, from hostile nations it is vitally important that we reduce our exposure and make more here in the United Kingdom.

Labour intensive industries need this level of government support. In India, the corporate tax rate on new manufacturers was slashed by 7%[10] to provide an incentive to industry in 2019. In 2022 India has risen to become the world's fifth largest manufacturing power with the incentive agenda being a large part of that growth. Some forecasts that within a decade or so India could overtake China as the world's leading manufacturing nation. Cutting taxes on manufacturing supports the industry and we need to be able to compete against countries like India, China, and the United States which is currently enjoying a manufacturing boom. Most importantly of all increasing manufacturing allows our economy to be more resilient which in these uncertain times is vital if Britain is to succeed and remain independent of the influence of countries who do not share our values. As geopolitical conditions change and global instability continues to rise the United Kingdom cannot be exposed and by building resilience within our economy by boosting manufacturing we are able to maintain our own independence and support our allies.

b) Capital Allowances Super Deduction

As Chancellor of the Exchequer, Rishi Sunak[11] introduced the Capital allowances super deduction[12], which would allow qualifying companies to be able to claim a 130% super-deduction capital allowance on qualifying plant and machinery investments. Manufacturers and industry supported the measure.

The UK government needs to ensure that investment in plant and machinery should continue to stimulate growth in the economy. We know that investment in these areas of industry provide the productivity increases that lead to stronger growth. Improvements in productivity come from finding new efficiencies through investment in technology and automation.

The old scheme ran until 2023 and in the Spring Budget the Chancellor announced a temporary programme to last to 2026 while a more permanent arrangement is developed[13]. In his Autumn Statement the Chancellor of the Exchequer, Rt Hon. Jeremy Hunt announced that this would become a permanent feature of the UK Tax

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[10] https://www.business-standard.com/article/companies/lower-corporate-tax-rates-to-boost-manufacturing-make-in-india-industry-119092000858_1.html

[11] Note: Rt Hon. Rishi Sunak served as Chancellor of the Exchequer from 2019-2022 and is the Conservative Member of Parliament for Richmond.

[12] https://www.gov.uk/guidance/super-deduction

[13] https://www.gov.uk/government/publications/capital-allowances-full-expensing/capital-allowances-full-expensing-for-companies-investing-in-plant-and-machinery-from-1-april-2023-until-31-march-2026#:~:text=At%20Spring%20Budget%202021%2C%20the,but%20before%201%20April%202023.

Code and that investment in plant and machinery would be able to claim 100% on qualifying plant and machinery investments. This was the biggest tax cut in the Autumn Statement.

In Q4 Manufacturers have seen output surge three times faster than orders in the last quarter. The sector is more buoyant as export orders are surging past domestic orders giving confidence. The extent to which this is a direct response to the government's announcement cannot be quantified, however, it is encouraging that British manufacturing is more confident, and the government should capitalize on that by considering how it could further expand the capital allowances measure in the future. For example, at present any expansion of a factory or a new build would not qualify under the existing provisions. The government could explore whether introducing a similar deduction for buildings and structures could be facilitated to support the expansion of manufacturing businesses in to new modern commercial units.

It should be noted that I an answer to a question by the Shadow Chancellor Hon. Rachel Reeves MP[14], then Financial Secretary, Hon. Lucy Frazer MP[15] said that the government would publish the impact of the super deduction at the end of 2023 when the corporate tax returns are available. The conclusions and findings of this report are yet to be published.

c) VAT

VAT[16] or value added tax is a tax added to products and services sold by British businesses that are VAT registered. Businesses are required to register for VAT if their VAT taxable turnover is more than £85,000.

In 2022-23 HM Treasury collected £159.53billion in VAT amounting to 6.2% as a portion of GDP[17]. VAT was introduced in the UK in 1973 when the UK joined the then Common Market, latterly known as the European Union and replaced the UK's Purchase Tax. The current rate of VAT in the UK stands at 20% but there are some reduced rates for some goods and services[18]. There is a debate to be had around the future of VAT now that the UK has left the EU. The government should establish a Commission to explore alternatives to VAT and report back in the next Parliament.

There are growing calls for VAT to be cut in the UK in the wake of the energy crisis facing the country as well as the cost-of-living crisis. Manufacturing industries and

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[14] Note: The Shadow Chancellor, Rt Hon. Rachel Reeves MP has been in post since January 2019 and is the Member of Parliament for Leeds West.

[15] Note: Lucy Frazer MP served as Financial Secretary to the Treasury from 2021-2022 and is the Member of Parliament for South East Cambridgeshire.

[16] https://www.gov.uk/how-vat-works

[17] https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#value-added-tax-vat

[18] https://www.gov.uk/vat-rates

groups have called on the government to reduce VAT on the sector[19]. Businesses and self-employed people are subject to VAT once sales exceed £85,000 in a single year. VAT is a value added tax payable for any goods or services produced. Businesses and individuals must register within 30 days after sales exceed £85,000. Once businesses start charging VAT it will drive business costs up and for customers at the standard rate, which is currently 20%[20]. The Independent Business Network believes that the government should raise the threshold at which businesses, especially manufacturers pay VAT from the £85,000 threshold and increase it to £250,000 and we call on the Chancellor to implement this in his Spring Budget.

To stimulate manufacturing growth in the economy, there should be a recognition of the importance of housebuilding and the manufacturing industries which support it. Currently new house construction is VAT exempt. However, with the advent of home working and home enterprises the government should extend VAT exemptions to extensions and refurbishments.

d) Manufacturing Jobs Tax Relief

Manufacturing jobs, tend on the whole to be much higher paid than those comparable jobs in the service sector. Manufacturing jobs are extremely fulfilling and are high skilled. The problem in the UK is that we simply do not have enough people working in manufacturing and we are not training enough people to go into the sector. At a time when the British economy is struggling with fears of a decade of stagnation, we need to explore ways in which we can encourage manufacturing jobs to be maintained and better still, to be created in the first place.

The governments "Levelling Up" agenda makes a commitment to unlocking jobs and opportunity for all[21], particularly in the regions. This is particularly prevalent in areas of the country where unemployment is higher than the national average. These areas tend to be parts of the country that were once strong in industrial output. ONS data shows that in the UK the areas with the highest unemployment rates are in the West Midlands and the Northeast[22], areas of the country that contain significant manufacturing industries still today. If we are to ensure that every region of the UK pays its own way, then we need to explore how we can create those high skilled high paid jobs in those areas in ensure they are maintained there. This would level up and the British economy and drive growth.

Government could explore measures to incentivize job creation in the manufacturing sector with a focus on increasing employment in areas of high unemployment. For example, a manufacturing firm that created 100 new jobs that are maintained over a

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[19] https://www.reuters.com/world/uk/uk-manufacturers-decry-government-gimmicks-want-tax-cuts-2022-06-19/
[20] https://www.gov.uk/vat-rates
[21]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1095544/Executive_Summary.pdf
[22]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/april2022

five-year period in an area that has levels of unemployment twice the national average could have a Tax Relief of up to 50% of salary costs for those five years. This would mean that the firm would essentially be exempt for 50% Tax and National Insurance on those workers for the five years the job exists. This could be interpreted as a subsidy, but it is in essence an incentive as businesses would keep the remaining 50% and could use that money to employ more staff, purchase new equipment, expand the business, or invest in other aspects of the firm and support the creation of new jobs.

Of course, definitions of manufacturing job would need to be fairly explicit in order to ensure the scheme promotes high paid high skilled manufacturing jobs and that such a scheme cannot be exploited. But the government should work with industry to devise Manufacturing Jobs Tax Relief schemes along the lines explained to drive employment in areas of higher economic deprivation. This will also grow the economy as those new employees will have disposable incomes which they will spend in turn on local businesses and services.

e) Business Rates Exemption

Property taxes are some of the biggest costs facing manufacturers and severely hinder growth, investment, and factor expansion. Business Rates in the UK are charged on most non-domestic properties, including factories and plants[23]. Business Rates are administered by local councils and determined by the Valuation Office Agency[24].

Manufacturing industries have long called for reform to business rates as they act as a direct disincentive to expanding factory plants. Typically, the larger the plant the higher the ratable value the company must pay. Therefore, there is a government tax levied on businesses that wish to invest in capital, take on new staff and support the local economy. The current model is a direct disincentive for any manufacturing businesses owner to expand. If a factory needs bigger floorspace because it has expanded, it will have to pay higher business rates. If a factory needs more space for staff because it has grown it will pay higher business rates. The current Business Rates model is in direct contravention to the objectives of the governments drive for investment through the 100% plant and machinery deductions.

The Independent Business Network believes that we will only achieve higher levels of economic growth if manufacturing companies are able to expand their plant operations. Higher productivity is achieved more quickly in manufacturing and therefore we need to remove barriers to growth in that sector including the physical expansion of plants and factories. As a sizeable portion of industry remains in the midlands and the north of the country this is also a direct policy barrier to the leveling up agenda. MakeUK has called on the government to wavier Business Rates

[23] https://www.gov.uk/introduction-to-business-rates
[24] https://www.gov.uk/government/organisations/valuation-office-agency

or to reduce them to support UK manufacturers[25], with a fifth of respondents to a survey supporting them being waivered altogether. Government needs to remove business rates and work with industry to implement a new modern form of property tax for the start of the new Parliament.

In the immediate future the government needs to ensure that industry is encouraged to make further capital investment in factories and plants. The government should examine Business Rate exemption schemes. The State Government of South Carolina[26], has introduced innovative measures to encourage new investment in manufacturing plants including property tax abatements for investors. The Independent Business Network believes similar measures could be employed in the UK which would see our manufacturing industry expand and a major contribution to economic growth. The government could explore a range of measures, for example, a company investing £500,000 (or an agreed figure) into plant or factory expansion, or in making a derelict unit suitable for commercial use should be entitled to a five-year Business Rate exemption so long as the space is being used for the purposes of manufacturing. After that five year period the property would resume paying the rates and taxes applied to it. The UK's chronic underinvestment could enjoy a stimulus through such an incentive and support the UK manufacturing sector. There would also be a positive contribution to all those businesses involved in the supply of goods and services, particularly the construction industry.

f) Research and Development Tax Reliefs

Research and Development is crucial to innovation and increasing productivity in the economy. Manufacturing is particularly ripe for research and development opportunities. In 2021 R&D expenditure represented 2.4% of GDP[27]. R&D spending has increased by 96% from 1986-2019 but has fallen as a proportion of GDP[28]. The government needs to create conditions for the private sector, importantly manufacturing, to increase R&D and to ensure it remains in the UK. Private Sector investment in R&D equated to £38.7billion or around 59% while the public sector, including universities, equated to £12.8billion or 19%.

The government has two primary types of R&D relief, one targeted at small and medium sized enterprises, which allows companies to deduct an extra 130% of their qualifying costs from their year profit. The second is Research and Development Credit, which is targeted to larger companies, and it allows 13% of qualifying R&D expenditure to be deducted from yearly profits. These measures are good but to

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[25] https://www.makeuk.org/news-and-events/news/industry-calls-for-business-rates-and-investment-boost-to-free-up-cash-for-recovery
[26] https://www.sccommerce.com/sites/default/files/2019-04/manufacturing_incentives_2019.pdf
[27]https://researchbriefings.files.parliament.uk/documents/SN04223/SN04223.pdf
[28] https://commonslibrary.parliament.uk/research-briefings/sn04223/

encourage further R&D expenditure the government should look to expand these provisions so companies can enjoy greater relief. The greater the incentive the more likely companies are to make those investment decisions.

In 2021, the United Kingdom was the worlds 9th largest spender on R&D[29], but fell behind Germany and France. Globally, the United States, China and India are storming ahead in this area. We need to ensure that the UK maintains its position and if possible, increases its standing. To this end the Independent Business Network believes that the government should increase the R&D Credit from 13% of qualifying R&D expenditure to 20% of qualifying expenditure. The Independent Business Network also supports raising the 13% of qualifying R&D expenditure for larger companies to 15%. These measures will act as a further incentive to increase R&D investment in the private sector and increase our global standing as a center for research and innovation.

It is also suggested that there should be incentives to encourage companies to patent inventions, an area in which we fall behind our rivals. This should be extended to academia and to the NHS, where development are far to often given away to foreign multinationals or taken by physicians using NHS facilities and investments. It cannot be appropriate that publicly funded research, or research that has been obtained while using publicly owned facilities can simply be handed over to foreign multinationals meaning the UK does not stand as the primary beneficiary. The government needs to better explore how patenting inventions through the NHS and Academia can be kept in the UK. At the moment the UK risks losing out to competitors.

g) Capital Gains Tax

It is crucially important that those who work tirelessly to set up and build a business have the confidence that their hard work and effort will have time to grow and not simply be decimated through excessive taxation. Capital Gains Tax is paid when a business owner, partnership or self-employed makes a profit from the sale or disposal of all or part of a business asset[30]. In the case of manufacturers these costs can be sizeable due to the nature of the industry and act as a real disincentive against expansion.

Land and buildings such as factories or warehouses, plant and machinery which is essential to manufacturers, and indeed construction, as well as fixtures and fittings can be extremely costly. All these assets have Capital Gains on them. If every time a manufacturer disposes of less profitable investments to ones which generate a higher rate of return the flow of capital is impeded due to the Capital Gains and productivity therefore stalls. Capital Gains Tax again stands in direct contempt to the governments expressed wish that companies should take advantage of the 100% deduction in investments in plant and machinery.

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29 https://www.rdworldonline.com/2021-global-rd-funding-forecast-released/
30 https://www.gov.uk/capital-gains-tax-businesses

Capital Gains taxes make investments more expensive and therefore there is less incentive to invest. At present if you are an owner or investment in a partnership, you will pay 18% or 28% Capital Gains[31]. It is vitally important for the UK to revive its manufacturing industry and in order to do that the government needs to get out of the away and allow opportunities for private investment. The government should commit to not raising Capital Gains Tax for the remainder of this Parliament and into the next to provide investors and manufacturers with the incentives and confidence to invest over the next few years.

[31] https://www.gov.uk/guidance/capital-gains-tax-rates-and-allowances

4. Foreign Direct Investment

Foreign Direct Investment can be a double-edged sword. Generally inward investment into a country is a good thing, particularly if it involves placing new businesses in the UK, improving infrastructure, or expanding plants. These are benefits because by and large they cannot be taken away once they are in place. However, investment which is acquisition of knowledge, innovation, companies, and industry can be extracted, broken up and sold and can therefore be a negative consequence of investment.

In the UK, successive governments have favored selling off the “family silver” to raise revenues as opposed to implementing policy and tax arrangements that are hard to implement and where results take longer to realise. The City has become a place where individuals can earn a very good living becoming experts on selling assets but overall this does little to actually grow the economy and provide the high skilled well paid jobs the country needs.

In 2021 the stock of Foreign Direct Investment controlled by foreign companies stood at £2,002.4billion, an increase of £83.1 billion on the previous year[32]. The UK balance of payments stood at -£2,483million at the end of the second quarter of 2022[33]. Of course, payments made to foreign owners only adds to the balance of payments deficit. The UK Balance of Payments at the end of 2022 was -£77,208million[34].

UK overseas Investments use to always outstrip FDI into the UK. If the UK is to achieve higher levels of growth and as part of the levelling up agenda the government needs to ensure that there is adequate export support particularly for manufacturers. This includes practical support as well as a strategic. This could include mandating embassies and consulates around the world to actively play a role in finding opportunities for British exporters. The government should consult with manufacturers as to what is the best way it can support with increasing exports from the sector.

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[32]https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/foreigndirectinvestmentinvolvingukcompanies/2021#:~:text=The%20foreign%20direct%20investment%20(FDI,%C2%A32%2C002.4%20billion%20in%202021.

[33] https://www.ons.gov.uk/economy/nationalaccount s/balanceofpayments

[34]https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/hbop/pnbp

5. Planning for Manufacturing

Government tax incentives and allowances to stimulate the manufacturing sector are important in helping to grow the economy but additional measures also need to be examined if we are to ensure that British industry can be revived to make ourselves more competitive on the global stage and more resilient against changing geopolitical circumstances. One crucial area over which government has direct control is planning policy and this area of government control is of vital importance to manufacturing.

The National Planning Policy Framework[35] (NPPF), is the governments central planning policy document from which all local authorities determine their own planning policies. The startling fact however is that the document only makes one reference to industry and not a single reference to manufacturing at all. If we are to realise the potential of British manufacturing, then we need to be able to adequately plan for the expansion of British industry and this needs to be accommodated within the governments NPPF.

Building a new factory is a completely different experience to building a new home or office block. A developer will need to consider a range of additional factors such as proximity to good roads or railways, higher health and safety standards, huge storage facilities for equipment and materials, and the scale of the factory required to meet production, as well as accommodating strict green requirements to protect the environment from damage. Therefore, when government reviews the NPPF it must ensure the needs of manufacturing are accommodated and included within the text.

Local Authorities should be required as part of the creation of their local plans to identify sites that could be utilized for local manufacturing and in rural areas this should include disused agricultural sites. Local Authorities would welcome the opportunity to attract high skilled high paid jobs to their locality and this process can start via the local plan. Typically, local authorities prefer to commit brownfield sites for housing development, but to encourage the growth of local light manufacturing equal preference ought to be given in planning policy to allowing former Brownfield sites to be constructed into light manufacturing units.

The government is successfully implementing its Freeport programme[36] which provide for areas being designed for different economic regulations. A range of benefits include tax and customs incentives, business rates retention and trade and investment support. The idea of the Free Port areas is to drive growth in areas of deprivation to create high paid high skilled jobs and grow the local economy. The government could consider creating a similar framework for areas of the country where reviving British manufacturing is an objective. There are many former

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[35] https://www.gov.uk/government/publications/national-planning-policy-framework--2

[36] https://www.gov.uk/guidance/freeports

industrial areas of the country where the index of multiple deprivation[37] shows higher levels of poverty. Creating Special Industrial Zones along the same lines as Freeports could have a remarkable transformation of these communities and at the same time generate growth in the economy. These areas could include accelerated planning times for new factories, tax incentives, exemptions from regulations, tax reliefs for new manufacturing jobs, lower rates of corporation tax and other measures. Targeted in former Industrial areas would be appropriate as the critical infrastructure for manufacturing is still by and large in place.

[37]https://assets.publishing.service.gov.uk/media/5d8e26f6ed915d5570c6cc55/IoD2019_Statistical_Release.pdf

6.Deregulation.

This paper does not specifically deal with regulation in the Manufacturing Industry. But a further paper will be produced on this issue. Outside the European Union the United Kingdom can operate differently to our European competitors. This is an opportunity for the government to embark on a huge effort to deregulate the British economy and to make us more competitive on the global stage and in the domestic economy. One of the primary reasons for the decision to leave the European Union was so that we could have the opportunity to diverge from EU regulations and consequently enjoy faster economic growth.

Due to the nature of manufacturing as a heavy industry the burden of regulation on the sector is higher than other areas of the economy. There is a particular focus on waste management, health and safety and environmental regulations all of which add costs at a time when inflationary pressures are driving up the costs of labour and raw materials. Government needs to take advantage of our Brexit freedoms and explore how some of these existing regulations can be eased in consultation with industry.

The Independent Business Network produced a report entitled *"Brexit Dividend: Deregulation and Economic Growth"*[38] which highlighted immediate areas for reform many of which impact directly on manufacturing and would ease costs and make the sector more competitive. The government have announced a series of initiatives since the Brexit vote in 2016 expressing a desire to reduce the regulatory burden on businesses including manufacturers culminating in the Retained EU Law (Revocation and Reform) Act 2023[39].

Manufacturing delivers higher productivity gains than other sectors and its expansion is crucial to economic growth. Investment in manufacturing brings higher returns than other sectors. If the UK is to achieve above world average growth rates then every measure possible to enhance manufacturing needs to be taken. The government should establish a Task Force working with Manufacturing Industries to produce an agenda for deregulation in manufacturing to help grow the sector and make British Industry more competitive.

[38] https://the-ibn.com/application/files/1916/8712/3636/IBN-_Deregulation.pdf
[39] https://bills.parliament.uk/bills/3340

7. Advisory Board Members

An expert Advisory Board supports the Independent Business Network. With MP's from across the political spectrum as well as economists and business leaders, the Independent Business Network is made up of a diverse and broad range of opinions, ideas and solutions, and we fundamentally believe we are stronger for it. Our Advisory Board brings a wide range of expertise to our work and we are all united by making Britain a more prosperous nation for which everyone benefits.

Rt Hon. David Jones MP
David has served the people of Clwyd West as their Member of Parliament since 2005 and was notably the first Conservative to represent a Welsh constituency since 1987. David has held several ministerial positions including Secretary of State for Wales. In 2016 David joined the advisory Board of leave means Leave and led the Welsh arm of the Vote Leave campaign. David is currently Deputy Chair of the European Research Group.

Suzanne Evans
Prior to embarking on a political career, Suzanne was a well-respected BBC journalist. She was elected as a Conservative Councillor in 2010. She resigned the Whip and joined UKIP in 2013 and represented UKIP on the London Borough of Merton Council until 2014. In 2018 Suzanne left UKIP and continued to be a prominent Brexit campaigner. Suzanne is now a regular commentator on TV and radio.

Hon. Graham Stringer MP
Graham is a well respected senior Labour MP who has represented Blackley and Broughton since 1997. Graham was previously Leader of Manchester City Council from 1984-1996 and Chair of Manchester Airport from 1996-1997. He is a prominent Eurosceptic within the Labour Party and served on the Board of Vote Leave and Labour Leave. He serves on the Foreign Affairs Committee, Science and Technology Committee and the Panel of Chairs of the House of Commons.

Roger Bootle
Roger is an economist and writes a weekly column for the Daily Telegraph. He is the Chairman of Capital Economics, a macroeconomic consultancy. He and Capital Economics won the Wolfson Economics Prize in 2012. He is an author and sits on the Board of Economists for Free Trade.

Professor Patrick Minford
Patrick is a macroeconomist and professor of applied economics at Cardiff Business School. He was a member of the pro-Brexit 'Economists for Brexit' group. He has worked for the Ministry of Overseas Development and was an economic advisor to the Ministry of Finance in Malawi. He has also advised HM Treasury and is an economics fellow at Manchester University. He is a writer, author and commentator.

Jon Moynihan
Jon is a businessman and former CEO and Executive Chairman of PA Consulting. Jon was a prominent supporter of Vote Leave in the 2016 referendum and is Chairman of the Initiative for Free Trade. He is a Director of the IEA Forum and is on the Advisory Council of the Free Speech Union. He was President of the Royal Albert Hall from 2015-2019.

Ben Habib
Ben moved to the UK from Pakistan in 1979. Ben is a businessman and a former Brexit Party MEP for London, elected in 2019 where he served until the UK left the EU. Since the UK's withdrawal, Ben has been a strong campaigner for the rights of the people of Northern Ireland, leading a judicial review of the Northern Ireland protocol. Ben is Chief Executive of First Property Group.

Sir Rocco Forte
Sir Rocco is a hotelier and Chairman of Rocco Forte Hotels. Sir Rocco is a Fellow of the Institute of Chartered Accountants and has undertaken many Philanthropic works and is a supporter of the Conservative Party. He was a Member of the Executive Committee of the World Travel and Tourism Council. Sir Rocco was a strong supporter of leaving the European Union.

John Mills
John is a labour donor, economist and businessman and founder of the retail group JML. In 2020 John launched the Institute for Prosperity, a think tank aimed at promoting policies to achieve higher levels of economic growth. He was Chair of the Vote Leave campaign in 2016 and Co-founded Labour Leave, the Labour campaign group committed to securing Brexit. John is Vice-Chair of the Economic Research Council.

Lance Forman
Lance is a businessman and politician and served as a Member of the European Parliament for London between July 2019 and the United Kingdom's departure from the EU. Lance worked at Price Waterhouse Cooper before being a Special Advisor to the Secretary of State for Trade and Industry in 1991-1992. Lance manages H.Forman and Son, a smoked salmon business in Fish Island, London.

Tom Bohills
Tom Bohills is a member of our Advisory Board and serves as our General Counsel. Tom is the Founder and Principal at Founders Law. Tom worked in two multi-award-winning UK FinTech companies legal practices prior to setting up his own firm. Tom was a strong campaigner for Brexit. He co-founded the Alliance of British entrepreneurs and supported the Vote Leve campaign.

Julian Jessop

Julian is a professional economist with thirty five years of experience gained in the public sector, the City and consultancy, including stints at HM Treasury, HSBC, Standard Chartered Bank and Capital Economics. He was Chief Economist at the Institute of Economic Affairs. Julian frequently appears in the media and has appeared before Select Committees and has advised the OBR. Julian also writes regularly for media outlets such as the Spectator and the Telegraph.

8. Glossary

Corporation Tax
This is the tax limited companies must pay and it is based on the profits of that company.

HM Treasury
HM Treasury is the governments economic and finance ministry, maintaining control over public spending and setting the direction of the UK's economic policy.

GDP
Gross Domestic Product in a monetary measure of the market value of all the final goods and services produced by a country over a specific time.

Capital Allowances Super Deduction
This was a tax incentive by which businesses could claim on the cost of qualifying plant and machinery

VAT
Value Added Tax is a consumption tax on the value of goods and services in the UK.

European Union
The European Union is a voluntary supranational political, economic and monetary union of democratic sovereign member states with a social market economy in Europe.

Levelling Up
Levelling up is the government's agenda for driving social and economic growth across the whole of the UK

Office for National Statistics (ONS)
The ONS is responsible for collecting and publishing statistics in relation to the economy, society and population in the UK.

Business Rates
Business Rates are a tax charged on most non-domestic properties based on a ratable value.

Valuation Office Agency
This office gives the government the valuations and property advice needed to support taxation and benefits.

Capital Gains Tax
Capital Gains Tax is a tax on the profit when you sell or dispose of something, such as an asset that's increased in value.