[My Intervention in the Spring Budget Debate 2023]

John Redwood (Wokingham) (Con):
Madam Deputy Speaker, I have declared my business interests in the Register of Members' Financial Interests.

I strongly welcome all the measures in the Budget to try to help more people into work. The Government are absolutely right that we want to move away from the model of always inviting in many hundreds of thousands of people from abroad to take low-paid jobs here. We need to work away at having more worthwhile and better-paid jobs here, with the right supporting investment and training.

I look forward to seeing the benefits in my constituency of Wokingham: more and cheaper childcare of a decent standard, better help for the disabled, improvements in the tax and benefits system so that it is even more worthwhile to go into work, and any supporting training packages or confidence-building activities that may be needed so that those people can get into jobs. Those benefits are very welcome, and they will make an important contribution, not just to our economy and its prospects, but to our wider society.

Where I take issue with the Chancellor and the Government is over their correctly specified need to boost investment and to get a lot more company activity in growing what we do here in Britain. I welcome the aim, and I of course appreciate that the 100% first-year allowance will be helpful. However, we need to remember that it is a replacement for an even more generous allowance, and that it is coming in at the same time that the Government propose a 31% increase in the rate of business taxation on profits.

On a couple of occasions in the past, I led industrial international companies, and as I have no more interests in those areas, I can draw some conclusions from my experiences. When we were making decisions about where to put the new product or the new investment, where to expand the workforce or where we might need a new factory, the headline rate of taxation in any country on our longlist was, of course, a relevant consideration. When we got down to a shortlist—countries with high rates did not tend to get on to that shortlist, unless we were already there—we then did detailed analyses of the project. Any first-year allowance or initial allowance would make a positive difference, but if over the 20 or 25-year life of the factory or project under consideration we would be paying 31% more profits tax, it would clearly not look nearly as good as it does this year in the United Kingdom, when we have one of the lower tax rates in the world.

The Government need to understand that at exactly the time that they are putting the rate up, our competitors are going the other way, particularly the United States of America. Although the Government say that its headline rate is slightly higher than ours, the details of the Inflation Reduction Act make it very clear that there will be all sorts of tax breaks, incentives and subsidies for a wide range of industries, including some of the industries that the Government wish to target here, such as digital and green. That will be a very important counter-magnet for the investment that we could otherwise get. The United States is, like us, an English-speaking country with common-law principles and so forth; it has many advantages, and we need to have a better offer to counter those.

Even closer to home, we have proof that lower corporation tax rates work for businesses and for the society that uses them, in the Republic of Ireland. The Republic of Ireland has the lowest tax rate of the main advanced countries competing for investment. A relatively small country, it has achieved giant steps in attracting large amounts of investment—much of which would, I think, have otherwise come to the United Kingdom—by having a much better rate of corporation tax. The proof that lower rates produce more revenue and help growth is that GDP per head is much higher in Ireland than in the United Kingdom, and business tax raised per head is much higher in Ireland—four times higher, I think—than here at home in the United Kingdom. As such, I ask the Government to look again at that issue.

The final point that I can fit in is that the Government need to look at this issue on a sector-by-sector basis. The energy sector is capital intensive. It is one of the areas where we could get a lot of big investment quite quickly with a lot of very well-paid jobs. We could improve our national energy security, cut the import bill and gain an awful lot of future tax revenue, because we tax energy at a much higher rate than other things. However, because we now have this incredibly complicated system with price controls on domestic energy, windfall taxes and carbon taxes—as well as subsidies to the industry itself because we realised the difficulties that those high tax rates were creating—we are causing complications. More importantly, we are putting off many big potential investors who would otherwise get more oil and gas out of our reserves, produce more deliverable renewable power and help to expand the grid, which will need to happen if we are going to carry on with those developments.

If we take heavy industry—ceramics, steel and so forth, which are big energy users—I think we have the highest carbon taxes of any major country. We have some of the highest energy prices on top of those very high carbon taxes, which means that we are not competitive in areas such as steel and ceramics. The Government then have to provide taxpayers’ money to those businesses, giving back some of the tax revenues in the form of subsidies, but that is often too little, too late, and we end up losing capacity. As such, I say to the Government, “Stop this subsidy, windfall tax, high-tax model. It is not working for the businesses, it is not working for our country, and it is not raising additional revenue to spend on other things.”

I am conscious that colleagues wish to get in, so all my other analysis and comments will be put on my website in the usual way.

The government's proposals in the budget

• Today we deliver our Budget for Growth by focusing on the Chancellor's four pillars of Enterprise, Employment, Education and Everywhere:
- **Extending 30 hours of childcare a week** to working parents of children aged 9 months to 4 years
- **Paying Universal Credit childcare costs up front** rather than in arrears
- **Introducing reforms to the childcare sector** including changes to 2-year-old staff: child ratios from 1:4 to 1:5
- **Introducing a £25 billion three-year tax cut for business investment**
- **Increasing the annual pension allowance to £60,000 and abolishing the Lifetime Allowance**
- **Establishing a new Universal Support programme** for disabled people and the long-term sick
- **Abolishing the Work Capability Assessment and increasing the Administrative Earning Threshold to 18 hours**
- **Extending the Energy Price Guarantee at £2,500 for three months**
- **Freezing fuel duty for a thirteenth year, saving the average driver around £200**
- **Delivering a Brexit Pub Guarantee** so draught duty will always be less than duty in supermarkets

• By doing so we will remove the obstacles that stop businesses investing, tackle the labour shortages that stop them recruiting, break down the barriers that stop people working, and harness British ingenuity to make us a science and technology superpower.

Budget

There are three government economic aims to halve inflation, ensure growth and have falling debt levels in the medium term. Fortunately there are measures which would help with all of these. The essential task should be to provide incentives to expand capacity in this country.

We are short of employees, short of some skills, short of home produced food and energy, lacking in many types of industrial output from steel to chemicals, short of hospital beds and transport capacity.

Most of this outside the NHS needs to be private sector activity and investment.

The government says it is going to take a series of measures to encourage more people back into the workforce. Older people may need tax changes and incentives to return to the workforce. Younger families may need help with childcare costs. Some need better training and support in work. I will support the measures they have chosen to help to bridge the gap between jobs available and people willing to do them. I do not support the low wage migrant model for meeting our employee needs.

The government says it wants to see more investment in energy and industry. In that case it needs to keep the corporation tax rate down. The decision to hike the rate makes us less competitive. The introduction of a 100% initial allowance for the costs of certain investments is helpful, but it is replacing the more generous super deduction we have at the moment so it is not going to give us any boost. At the very least the windfall taxes should be true windfall taxes that come down or end when the price of energy abates below a stated high level. Better still the government should cut taxes and remove subsidies at the same time. The money go round of adding taxes to high priced energy and then needing to give bigger subsidies to buy it makes little sense. Indeed, the high windfall taxes especially if allied to higher corporation tax will cut energy investment when we need more of it to increase supply and temper the price.

The OBR has changed its forecast for the current year deficit yet again. It was £99bn in the March forecast, £177 bn in the November forecast and now £152bn. I said in March they were too low and in November a bit high. They must be closer to getting it right now there are only a couple of weeks to the year end they are forecasting. Their estimate for next year of £131.6bn may be optimistic as they are forecasting slow growth and may be overestimating the revenue they can collect with some higher rates. They underestimated the Corporation tax revenue this year when it stayed at a lower rate.

They anticipate inflation collapsing to zero by 2025 for no obviously good reason. That seems unlikely, unless we do get an unforeseen recession. They now anticipate a much lower rise in unemployment this year and next than in the previous forecast. They now expect the UK to avoid recession this year after forecasting a down year at minus 1.4% in November, Their frequent changes of forecast, their failure to detect major changes of trend and their models which seem to underestimate the impact of changing tax rates on behaviour make these forecasts difficult to rely on.

Interview with Dan Wootton On GB News – pre-Spring Budget announcements

I spoke to GB News last night about the Chancellor’s upcoming Spring Budget announcements – particularly on support for childcare to encourage parents back into work and the expected corporation tax rise

You can find my interview below between 1:23:20 – 1:30:58

My Intervention in the second reading of the Illegal Migration Bill

John Redwood (Wokingham) (Con):
Is the Home Secretary also worried that the criminal gangs that are exploiting people in this dreadful way for great profit may also be linked to other types of serious crime and helping to finance other destabilisation?

Suella Braverman – Minister of State for the Home Office:
I am afraid that my right hon. Friend raises a very worrying fact about what we are seeing. When I have spoken to police chiefs around the country, they tell me that criminality—particularly drug supply and usage—is now connected to people who came here illegally on small boats in the first place.

Thirdly, Rwanda is a fundamentally safe country, as affirmed by the High Court. It has a proud track record of helping the world’s most vulnerable, including refugees, for the United Nations.