BEIS in the Growth Plan

The government has published a Growth Plan aimed at delivering higher, sustainable economic growth with an ambitious target of 2.5%, with plans that will boost investment, create skilled jobs, improve living standards and make Britain an even better place to do business. The Department for Business, Energy and Industrial Strategy (BEIS) will have a key role to play in working towards this target.

The plan lays out the biggest package of tax cuts and reforms in a generation, to encourage investment and make work pay. The planned rise in corporation tax has been cancelled, keeping it at 19%, while changes to income tax and national insurance will see over 30 million people receive a tax cut. Stamp Duty cuts will also help people on all levels of the property market.

Alongside addressing the immediate challenges of high energy costs through support for households and businesses, the government recognises the importance of acting now to grow the economy. Ultimately, growth means more jobs, higher pay and more money to fund public services, like schools and the NHS.

Cutting energy bills for households and businesses

Support for Households: Energy Price Guarantee

On 8 September, the Prime Minister announced the Energy Price Guarantee.

The Energy Price Guarantee will ensure that a typical household in Great Britain pays an average £2,500 a year on their energy bill, for the next 2 years, from 1 October 2022, with an equivalent scheme in Northern Ireland from November.

The consumer saving will be based on usage, but a typical household is expected to save at least £1,000 a year (based on current prices from October). Energy suppliers will be fully compensated for the cost of the Energy Price Guarantee. Based on 2019 median consumption, houses will save around £1,000 a year, and flats will save £700 a year.

£150 of this saving will be delivered by temporarily transferring the cost of environmental and social costs, including green levies, to the Exchequer for 2 years. This will mean customers don't bear the costs, but benefit from the low-carbon electricity generation.

This support is in addition to the £400 Energy Bills Support Scheme available to all households. This will be paid in 6 instalments from October.

An additional payment of £100 will be provided to compensate for the rising costs of alternative heating fuels for those UK households who are not able to receive support for heating costs through the Energy Price Guarantee.

The most vulnerable UK households will continue to receive £1,200 of support (including £400 from the Energy Bills Support Scheme) provided in instalments over the year.

Support for businesses and non-domestic properties

Through the new Energy Bill Relief Scheme (EBRS), the government will provide support with energy bills for all non-domestic consumers in Great Britain and Northern Ireland (including charities and public sector organisations).

This 6-month scheme will protect them from soaring energy costs by providing a discount on wholesale gas and electricity prices.

It will apply to energy usage for all non-domestic energy users from 1 October 2022 to 31 March 2023.

Equivalent support will be provided for non-domestic consumers who use heating oil or alternative fuels instead of gas (further detail on this will be announced shortly).

In Northern Ireland, the scheme will be established on the same criteria and offering comparable support, but recognising the different market fundamentals

We will publish a review into the operation of the EBRS in 3 months to inform decisions on continued support after March 2023.

Reform to tackle root causes in the energy sector

While the interventions for households and businesses will be funded by the government, action is being taken to significantly reduce the cost over time.

A new Energy Supply Taskforce – The new Taskforce will seek to negotiate long-term agreements with major gas producers. BEIS is also working with low carbon electricity generators to reduce the link between gas and electricity prices. Successful action should smooth the price of wholesale gas and electricity over time. Such action should also increase security of supply over time, reducing the likelihood of similar energy price crises in the future.

Energy Markets Financing Scheme – Together with the Bank of England, HM Treasury are providing further details around a £40 billion scheme announced on 8 September to address extraordinary liquidity requirements faced by energy firms, due to variation margin calls. The Energy Markets Financing Scheme will improve resilience in energy markets, and the economy. To deliver the scheme, there will be a 100% guarantee to commercial banks covering additional lending they extend to firms. The scheme will provide short term financial support and will be designed to be used as a last resort, with pricing and conditions reflecting this. The EMFS will only be available to firms who are able to meet eligibility requirements.

Energy Company Obligation (ECO) – This scheme requires medium and large energy suppliers to achieve bill-savings for low-income and vulnerable households, by delivering energy efficiency improvements such as insulation. We will expand this existing obligation by a further £1 billion over 3 years, beginning from April 2023. Support will be targeted at those most vulnerable, but will also be available for the least efficient homes in lower council tax bands. This will help hundreds of thousands of customers take action to reduce their energy bills, delivering an average saving of around £200 a year through measures such as cavity wall insulation and loft insulation.

Moving to a simpler, lower tax economy

The Growth Plan reduces the tax burden by delivering tax cuts worth around £45 billion per year by 2026/27, which is the biggest tax cut in generations.

A pro-growth tax system:

- creates the conditions for business to invest, innovate and create jobs
- allows hard working families to keep more of what they earn
- is simple and fit for the future

Tax cuts for businesses

We are cancelling the planned rise of the Corporation Tax rate from 19% to 25%, which puts £19 billion back into the economy by 2026/27 and will make the UK tax system one of the most competitive in the world.

The increase in the Diverted Profit Tax rate will remain at 25%. The Bank Corporation Tax Surcharge cut will also be cancelled. Super-deduction technical rules will also be amended to ensure it works as intended at the new Corporation Tax rate.

We are introducing an investment package designed to supercharge the ability of small British businesses to raise money, attract talent and ultimately grow and succeed

The level of the Annual Investment Allowance (AIA) at is remaining at £1 million permanently, which is a tax cut for businesses of around £1.3 billion a year.

At £1 million, the AIA covers the investment needs of over 99% of the UK’s businesses.

From April 2023, the amount companies can raise under Seed Enterprise Investment Scheme (SEIS) will increase by £100,000 to £250,000, and the gross asset limit will increase from £200,000 to £350,000.

The company age limit will increase from 2 to 3 years, and the annual investor limit will be doubled to £200,000. This package will help over 2,000 start-up companies raise the capital they need to grow.

The Company Share Option Plan (CSOP) scheme options limit is doubling from £30,000 to £60,000, and the rules which restrict use of the scheme when companies have more than one class of ordinary shares (the ‘worth having’ restriction) is being relaxed from April 2023.

We are introducing a new VAT-free shopping scheme for overseas visitors, which will boost our high streets and help create jobs for those working in the travel and retail sectors.

Growth

Driving greater private capital investment

The growth plan will unlock billions of pounds of long-term investment, helping our pioneering British businesses developing new technologies, accelerate their growth and to scale up.

We are bringing forward draft regulations to reform the pensions regulatory charge cap, giving defined contribution pension schemes the clarity and flexibility to invest in the UK’s most innovative businesses and productive assets creating opportunities to deliver higher returns for savers

Building on this, the government is also introducing the Long-Term Investment for Technology and Science (LIFTS) initiative, providing up to £500 million to mobilise billions of pounds of investment into pioneering UK businesses.

Getting more people into work with the right skills

In addition to making work pay and helping working families keep more of what they earn, the government is introducing further reforms to incentivise and support people into more and better paid work.

Government will set Minimum Service Levels (MSLs) for transport, to ensure some services run during industrial action and unions cannot prevent the public making journeys that are essential for day-to-day life.

Unions will be obliged to put employer pay offers to member vote. This requires defining the calling of a strike as a breakdown in negotiations, allowing employers to engage employees directly.

In addition, the government will set out further measures relating to flexible childcare and ensuring the immigration system supports growth in due course.

Allowing business to get on with business

A simple tax system is critical for growth. Instead of having a separate arms-length body oversee simplification, the government will embed tax simplification into the institutions of government. It will therefore abolish the Office of Tax Simplification and set a mandate to the Treasury and HMRC to focus on simplifying the tax code.

The reforms to off-payroll working, known as IR35, have added complexity and cost for many businesses. To achieve a simpler tax system and reduce burden on businesses which engage contractors, the government must be ready to change course. That is why the government is repealing the reforms introduced in 2017 and 2021.

This will free up time and money for business. Businesses can now focus on the services they receive and invest time and resources in core activities that stimulate growth and productivity.

The government is reforming alcohol duty to reduce the administrative burden on businesses and tax alcohol according to its strength. This will encourage growth in the lower ABV market and incentivise product innovation.

The government will introduce a modern, digital, VAT-free shopping scheme as soon as possible, with the aim of providing a boost to the high street and creating jobs in retail and tourism.

Later this autumn, the government will bring forward a set of measures to reduce the burden of business regulation and remove barriers to growth.

The government will also set out its strategy for maximising the long-term productivity, resilience and competitiveness of the UK's agricultural sector.

Building High quality infrastructure

The Growth Plan announces that new legislation will be brought forward in the coming months to address barriers that restrict the growth potential of the government's landmark public investment in high quality infrastructure. This includes;

- reducing the burden of environmental assessments
- reducing bureaucracy in the consultation process
- reforming the existing habitat and species regulations
- increasing flexibility to make changes to the Development Consent Order (DCO) once it has been submitted
- reviewing the spending control framework, including the business case process, to accelerate decision making across government

The Growth Plan also announces further sector specific changes to accelerate delivery of infrastructure, including:

- prioritising the delivery of National Policy Statements for energy, water resources and national networks, and of a cross-government action plan for reform of the Nationally Significant Infrastructure planning system
- supporting deployment of onshore wind, by bringing planning policy in line with other infrastructure to allow it to be deployed more easily in England

Investment zones

The government is announcing Investment Zones, and is in early discussions with 38 Mayoral Combined Authorities and Upper Tier Local Authorities who have already expressed an initial interest in having a clearly designated, specific site within their locality.

Investment Zones will drive growth and unlock housing right across the UK. Areas with Investment Zones will benefit from tax incentives, planning liberalisation, and wider support for the local economy. Investment zones will benefit from:

- Lower taxes – businesses in designated sites will benefit from time-limited tax incentives
- Accelerated development – there will be designated development sites to deliver growth and housing. Where planning applications are already in flight, they will be streamlined and we will work with sites to understand what specific measures are needed to unlock growth, including disapplying legacy EU red tape where appropriate. Development sites may be co-located with, or separate to, tax sites, depending on what makes most sense for the local economy
- Wider support for local growth – for example, through greater control over local growth funding for areas with appropriate governance. Subject to demonstrating readiness, Mayoral Combined Authorities hosting Investment Zones will receive a single local growth settlement in the next Spending Review period

The government will announce further supply side growth measures in October and early November, including changes to the planning system, business regulations, childcare, immigration, agricultural productivity, and digital infrastructure.