[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.