

The U.K. needs an investment revolution

I agree with the Chancellor when he says we need to boost investment to boost productivity. I would add we need to increase capacity in many areas to curb inflation and improve the balance of payments.

Which brings me to my disagreements with the Chancellor. His high tax and new taxes policy makes the U.K. a less desirable place to invest. His stupid proposal to increase corporation tax substantially will deter investment. Windfall taxes also put people off. Why invest if you could face a supertax should your investment suddenly do well?

The Chancellor thinks if you give businesses a good allowance for the initial costs of the investment that will overcome higher and variable rates of tax once the investment is up and running. Instead the investor is likely to do a long term cash flow and DCF calculations which will demonstrate that the big increase in tax on the profits of the venture will overwhelm the tax cut on the original cost.

The Chancellor needs to overcome negative Treasury orthodoxy and explain to them that lower tax rates produce more investment and more growth which in turn yields more revenue. He also needs to mend the mess he is making of oil and gas investment. We need to open up new gas and oil fields now. When will Cambo, Jackdaw and the others get the go ahead? How much more tax will he burden them with?