The Independent Business Network:
Budget Proposals for Post-Covid Recovery

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Network

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The UK is facing unprecedented levels of public borrowing and is in the deepest recession in 300 years. The UK has the worst death rate in Europe from Covid19. Yet, we have experienced the most successful rollout of the vaccine. Extraordinary times call for extraordinary measures. The Independent Business Network is suggesting a radical overhaul of the UK Tax and Regulatory system.

This paper is an introduction to some of the measures we are proposing and a more detailed paper will follow with the Chancellors Autumn Statement. The British government must ensure that the UK utilizes its newfound freedoms outside of the European Union and take the opportunity to ensure we become more competitive and flexible in the world economy.

This will mean fundamentally altering the UK Tax system to incentivize investment and job creation. It will mean removing unnecessary regulatory burdens on business to increase our productivity and international appeal. A strong economy is a healthy economy. Following Covid19, we also need to ensure that our National Health Service is fully protected and we are proposing measures to ensure that the British people can have confidence that their NHS is funded into the future.

Now is not the time for tax rises and austerity. Such measures would kill off any recovery of the British economy. We now require an enormous economic stimulant to encourage business growth and to generate returns for the exchequer, as well as providing employment. Action is required now and the Independent Business Network stands ready to work with government to ensure that outside the European Union and in building our recovery from Covid, the UK's economy goes from strength to strength.

John Longworth
Chairman
Independent Business Network

Section 1:
Reducing the Tax Burden: Supporting Business, increasing wealth and stimulating growth.

The UK is an overtaxed country. Living Standards, investment, productivity and growth have stalled precisely because government is taxing businesses and individuals to much. This section of the paper will consider broadly the tax opportunities available to the government now that the UK is outside of the EU.

1. Cutting VAT

The UK was compelled to introduce VAT when it joined the European Economic Community in 1973. It replaced the old purchase tax on luxury goods. When the UK was a member of the EU, its VAT system operated within the parameters established by the EU VAT Directives[1].

The UK must be prepared to make use of its newly seized legislative freedom to remove many of the distortions that VAT inflicts on consumer habits, and the production decisions of firms. During the pandemic the government has cut VAT for industries that have been hit hardest by the Covid restrictions. This included hospitality and tourism and is estimated to have cost about £4bn[2]. However, these measures were not extended to physical retail. Britain's high streets were forced to surrender around £20 billion last year because of lockdown restrictions, according to Cambridge and Newcastle universities.[3] The Centre for Retail Research anticipates that a further 200,000 jobs in retail are at serious risk in 2021.[4]

2019/2020 the total revenue collected by government from VAT stood at £130.14billion[5], which is an increase of 71.52billion from 2000-2001 an increase of 81%. VAT is widely regarded as a regressive form of taxation, as those with the lowest incomes tend to pay more. It has previously been revealed by the ONS that the poorest 20% of households have a higher proportion of their disposable income extracted from their pockets by VAT, than the richest 20% do.[6]

A cut in VAT reduces consumer's bills, providing more spending power to stimulate the economy. Individuals may choose to pay down debts, or to take advantage of lower prices and increase spending on goods and services. This is a ready-made policy lever, and one which requires little policy exertion to bring about. As argued by the Institute for Fiscal Studies, a well-timed cut in the rate of VAT can bring about a surge in

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[1] https://www.legislation.gov.uk/eudr/2006/112/contents
[2] https://www.bbc.co.uk/news/business-54277285
[3] First COVID-19 lockdown cost UK hospitality and high street £45 billion in turnover, researchers estimate | University of Cambridge
[4] Job losses in retail – how and where will new jobs be created? · Manchester Metropolitan University (mmu.ac.uk)
[5] https://www.statista.com/statistics/284317/united-kingdom-hmrc-tax-receipts-vat/
[6] Poorest spend higher proportion on VAT than richest - BBC News

demand[7], and would rightly be considered a dramatic financial stimulus that could rejuvenate a downtrodden consumer base.

Recommendation: The government should establish a Commission to assess the benefits of abolishing VAT and replacing it with a lower Sales Tax.

Recommendation: The government should cut VAT by 50% creating a new VAT rate of 10% for 2021-2022, saving businesses and individuals £65.07Billion.

Recommendation: Government should assess the impact on the economy of this move and on overall tax receipts.

2. Reforming Corporation Tax

£54.39Billion was collected through Corporation Tax in 2018-2019[8]. The current rate of corporation Tax in the UK is 19%[9]. Corporation Tax is a tax on profits and is widely acknowledged to be a disincentive against family owned and family run businesses wishing to expand. To support our economic recovery and to ensure the UK is one of the most appealing destinations in the world to set up a business, major reform is required.

Due to the restrictions imposed by government to contain the spread of Covid19, businesses have suffered huge losses. Indeed, the insurer Simply Business has found that Britain's small business community has lost a collective £69 billion since the government first initiated its heavy-handed response to the pandemic. This is the equivalent of nearly £12,000 for each small business.[10]

In order to survive the Covid recession, businesses should be able to re-invest more of their profits into expansion, such as investment in new technology or premises, or by taking on new staff. Government should be encouraging such measures. To finance this, government should cut Corporation Tax from 19% to 15%. This will give the UK the lowest level of Corporation Tax in the G20[11] making us the top destination to start a business.

In the longer term, the government should abolish Corporation Tax and replace it with a dividends tax. This will ensure that companies still contribute whilst removing the damaging effect Corporation Tax has on investment and productivity. For instance, the 'factory tax', that currently dissuades British manufacturers from making investment in new machinery and new technology, is holding Britain back from embracing many of the innovations of the 21st century[12]. The prolonged period over which UK investors can reclaim tax paid on their capital investment ultimately, because of inflation, means that

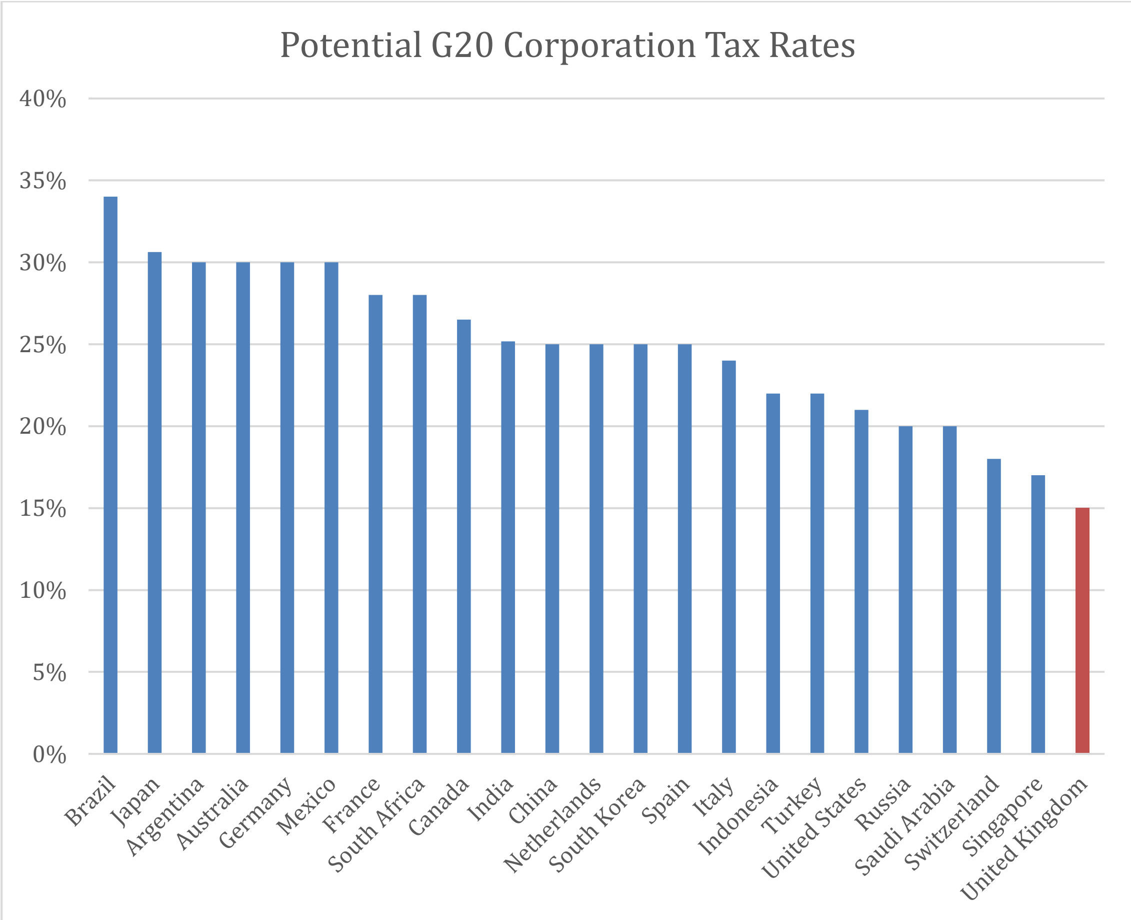
[7] A temporary VAT cut could help stimulate the economy, but only if timed correctly - Institute For Fiscal Studies - IFS
[8] https://www.statista.com/statistics/284319/united-kingdom-hmrc-tax-receipts-corporation-tax/
[9] https://www.gov.uk/corporation-tax-rates
[10] The average UK small business has lost almost £12,000 due to COVID-19 (yahoo.com)
[11] https://tradingeconomics.com/country-list/corporate-tax-rate?continent=g20
[12] https://www.adamsmith.org/research/abolishing-the-factory-tax

they are recording substantial losses. The removal of corporation tax, and the perverse distortions that accompany it, would be a much-needed modernization of the UK's tax code, and one that would unlock investment and growth.

Recommendation: By the time of the end of the Parliament the government should aim to ensure Corporation Tax is at zero.

Recommendation: For the coming financial year, Government should cut Corporation Tax to 15% providing a huge cash injection of £11.46Billion into the economy.

Recommendation: Government should assess the impact on the economy and on overall tax receipts.



3. Freeze Business Rates

Family run and family-owned businesses make up the backbone of the British economy and will lead the recovery. This is despite the fact that Covid19 and the government-enforced lockdown have placed unprecedented pressure on these community centred enterprises. Their vitality is the country's vitality.

There are growing calls for the Government to address business rates in the upcoming budget, and the impact that it is having on physical outlets across the UK. For instance, a recent letter signed by the likes of Tesco, Waterstones, Hammerson, and Asda has urged Rishi Sunak "to use the upcoming budget to commit to fundamental reform of business rates focused on reducing the burden on retailers and levelling the playing field between bricks and mortar and online businesses"[13]. This adds to the chorus of calls for reform, amongst which the the British Retail Consortium has also made its voice heard.[14] The House of Commons Treasury Select Committee held in inquiry in into the impact of business rates on business and concluded "the current approach to business rates acts as an immediate significant disincentive to investment."[15] The Independent Business Network has also consistently called for a review of Business Rates[16].

Business Rates are not a fair system. They penalise companies that accrue and develop their business' investment portfolio. Companies are deterred from major expenditures, or development, through awareness that taking such steps will increase their tax bill. Moreover, the myriad of multipliers, reliefs, and exemption thresholds, make it one of the least attractive taxes that British business faces.

The Covid-19 pandemic has provided a moment for review which must be seized. Last year, the Chancellor announced that all businesses with a rateable value of less than £51,000, would be exempt from business rates to provide support through the pandemic. However, this support is set to expire at the end of March, and at this point many small businesses will be faced with the conjoined hit of suppressed consumer demand, and a reintroduction of a seemingly punitive form of taxation.

Recommendation: That the Chancellor should extend the abolition of business rates in the 2021 Budget for a further year saving businesses approximately £15Billion.

Recommendation: That government should consult with business, local authorities and business associations to replace the current business rates model by the time of the 2024 general election.

Recommendation: Government should assess the impact on the economy and on overall tax receipts.

4. National Insurance

National Insurance is paid by everybody in the UK aged 16 or over earning over £183 per week[17]. National Insurance was introduced in 1911 to provide a government safety

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[13] https://www.theguardian.com/business/2021/feb/08/reform-business-rates-or-risk-a-high-street-collapse-say-firms
[14] https://brc.org.uk/priorities/business-rates/
[15] https://publications.parliament.uk/pa/cm201919/cmselect/cmtreasy/222/222.pdf
[16] https://theibn.org.uk/report-a-strategy-to-save-britains-hospitality-and-high-street-economy/
[17] https://www.gov.uk/national-insurance

net for British people who fell on hard times. The total National Insurance collected was £143.05Billion in 2019-2020[18]

The Independent Business Network supports the concept of a safety net. We understand the importance for strong public services and believe there needs to be a stronger link between the public services people receive and how they are funded.

Total public spending in 2020-2021 was £908.1Billion[19]. 17% of that income was spent on welfare while 18% was spent on pensions totaling £317.85Billion. Health spending in 2020-2021 was at 20% and totaled £180Billion[20], which included an extra Covid19 funding.

The Independent Business Network believes that the pandemic has shown the British people the importance of having a properly funded NHS. We believe NHS funding should be drawn specifically from National Insurance. This will enable the British people to have confidence that their money is being spent on the service most important to them, and provides the NHS with guaranteed income. It is a flat tax and is a payment for a service and so is the perfect vehicle for funding the NHS.

National Insurance should become the source of NHS funding. This will mean that everyone who benefits from the NHS makes a contribution, including both employees and employers. And this is absolutely right; employers should pay for a service that ensures their workers are healthy. The current welfare costs covered by National Insurance should be moved to general taxation.

Recommendation: That National Insurance should be amended so that it becomes the source of funding for the NHS. This will amount to a small increase in National Insurance of £36.95Billion or am increase of 25.8%.

Recommendation: Government should assess the impact on the economy and on overall tax receipts.

5. Slash On-Trade Excise Duties

British hospitality is currently at crisis point. Current restrictions, now set to endure long into the spring, cost the sector £200 million a day[21], £7.8 billion in missed beer sales was missed out on last year[22], and over 300,000 jobs are at imminent risk of disappearing overnight.[23] For the sector to survive, it must have some of the pressure –

[18] https://www.statista.com/statistics/284314/united-kingdom-hmrc-tax-receipts-national-insurance-contributions/
[19] https://www.ukpublicspending.co.uk/
[20] https://www.kingsfund.org.uk/projects/nhs-in-a-nutshell/nhs-budget
[21] https://www.cga.co.uk/2021/01/28/pandemic-and-lockdowns-cost-hospitality-200m-a-day-in-2020/
[22] https://beerandpub.com/2021/02/10/beer-and-pub-sector-leaders-press-government-for-reopening-date-as-sales-plummeted-56-in-2020-down-by-7-8-billion/
[23] UK hospitality industry fears 300,000 job losses unless PM helps now | Business | The Guardian

that has been piled on the industry since New Labour targeted pubs – lifted. A simple way to do this, that would boost demand, increase the profit margins of landlords, and leave more money in the pocket of consumers, would be to slash on-trade excise duties – on wine, beer, spirit, and cider – in half.

The current government receipts from all four categories of alcohol duty (wine, beer, spirit, cider) is £12.1 billion. Based on analysis of HMRC numbers it has been estimated that 70% of alcohol sales are off trade, with the remaining 30% of sales involving venues such as pubs, bars, and restaurants. The IBN calculates that on-trade venues currently pay approximately £3.63 billion in alcohol duty. By cutting the hospitality rate in half, from 54p a pint to 27p for example, the government would be leaving £1.8bn in the hands of publicans and restaurateurs. This would enable small businesses to make investments to further covid-secure their premises – an aim the government should be supporting – to rehire staff, and to build up cash reserves .

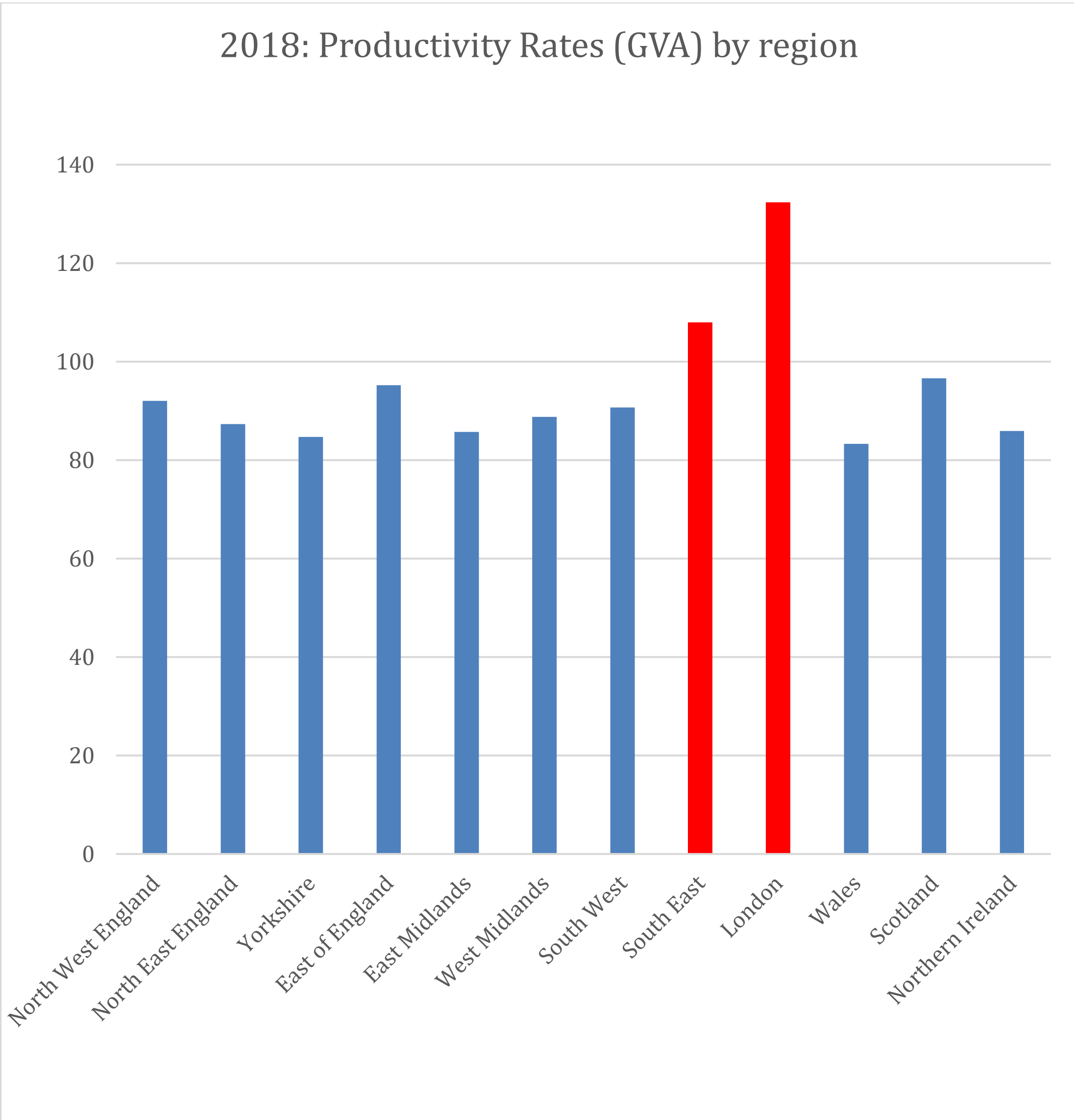
Recommendation: That government cut alcohol duty in half for on-trade venues providing key support to the hospitality sector of £1.8Billion.

Recommendation: Government should assess the impact on the economy and on overall tax receipts.

Section 2:
Facilitating the Leveling up Agenda

The government has declared that it wishes to level up the country to ensure all regions and nations of the UK increase their productivity and output and to ensure that the country is not primarily dependent on the strength of London and the South East.

This is a noble objective and the Independent Business Network fully endorses the principle behind the policy. In order to ensure this can be achieved, significant changes to our macroeconomic policy are going to be required and a strong feature of this will be the introduction of a competitive exchange rate.



Competitive Exchange Rate

There is a pressing need for the UK to improve its trade posture and make maneuvers to rectify its long-standing trade deficit. Last year, the UK's trade deficit in goods reached nearly £180 billion.[24] A major reason for this situation is the artificial strength of sterling, inflated by the inflow of capital acquiring British assets. On top of this, few could argue Covid19 has demonstrated that the UK needs to ensure that its supply chains are secure and that we need to revive our manufacturing sector. Despite its generations of neglect, in 2020 British manufacturing demonstrated a remarkable capacity for ingenuity and an ability to quickly adapt to changing circumstances with 70% of PPE being produced in the UK[25].

The government has committed to leveling up the British economy to ensure that all regions and nations of the UK are increasing their productivity and so the British economy is less dependent on London and the South East. Politicians have turned their attention to this key priority[26]. A rejuvenation of British manufacturing output would be most beneficial to those regions of the country that the 'levelling up' agenda has been conceived to help. The West Midlands, North West, and South Wales – owing to their prominent aerospace clusters – would be destined to capitalize on a surge in demand as the result of a competitive exchange rate. These companies would, owing to the increased competitiveness of their costs, be able to compete in export markets that have hitherto been unexplored. This would vastly increase the utility of trade deals with countries such as Japan, allowing British manufacturing to capitalize from decreased tariffs, and increased competitiveness. Moreover, a competitive currency, would encourage a process of reshoring, as Original Equipment Manufacturers and Tier 1 manufacturers looked to find domestic suppliers to counteract the increase in foreign prices.

The government will need to ensure crucial macroeconomic changes to make manufacturing in the UK more profitable and to compete against our global manufacturing competitors[27]. To do this the government will need to ensure we have a competitive exchange rate to make investment a worthwhile endeavor for businesses. Of course, this measure is not the only one that would lead to an increase in investment. The Government can also employ the use of tax allowances to encourage manufacturing firms to increase investment.

Recommendation: The Government should introduce and maintain a competitive exchange rate policy through capital controls, and the buying and selling of foreign currencies.

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[24] Overseas trade data table - UK Trade Info
[25] https://www.gov.uk/government/news/huge-increase-in-uk-personal-protective-equipment-production
[26] https://www.bbc.co.uk/news/uk-politics-54049920
[27] https://www.weforum.org/agenda/2020/02/countries-manufacturing-trade-exports-economics/

Recommendation: The Government should also examine the possible tax incentives and allowances that could be employed to encourage businesses to increase investment.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

Regulatory Divergence and Simplification

Outside of the European Union the UK will be free to diverge from common standards and regulations. This includes deregulation and, in some areas,, increasing regulation. In many areas, this will be to the advantage of the UK and

1.Move the UK's data-protection regime beyond GDPR

The UK introduced the Data Protection Act 2018 to ensure it complied with the introduction of GDPR as a member state of the EU. Under the regulation, all organisations of whatever size are required to comply with both the GDPR and its UK equivalent, the Data Protection Act 2018. Replacing the Data Protection Directive, the GDPR has 99 articles compared to its predecessors 34 – in itself an indication of its increased burden[28].

By adhering to the GDPR it has been found that the cost to the FTSE 350 around stood at around $1.1 billion[29]. This figure does not cover the ongoing annual cost. The Information Commissioners Office has adopted a very heavy handed approach to enforcement, in particular on smaller business[30], but GDPR has introduced several concepts and processes that are a hindrance for the growth of UK family owned and family run businesses.

Recommendation: The UK government should extend the distinction made in Article 30 (5) GDPR which makes a limited exception for SMEs. However, this is only in certain circumstances regarding the requirement to record the processing of data. The paragraph should be adapted and have a larger scope regarding the collection, use and processing of personal data by SMEs who are not intensive data processors. Most family run companies, who are currently required to undertake expensive GDPR exercises, will fall into this category.

Recommendation: The ICO should issue clearer guidance on the need for a DPO, as it is currently unclear as to the legal obligation. The presumption for SMEs should be reversed so that the default is that no DPO is required. This would require a recasting of the 'accountability principle', for which the presence of DPO is seen as the primary way

[28] Lindqvist J (2018) New challenges to personal data processing agreements: is the GDPR ft to deal with contract, accountability and liability in a world of the Internet of Things? Int J Law Inf Technol 2018(26):45–63

[29] https://www.consultancy.uk/news/17226/gdpr-preparation-has-cost-ftse-350-businesses-around-11-billion

[30] https://iea.org.uk/wp-content/uploads/2020/07/Who-regulates-the-regulators_.pdf

to satisfy proof of responsibility. Less onerous measures should be made available for SMEs - such as periodic consultations with a compliance officer - rather than the permanent appointment of a DPO.

Recommendation: Adapt the definition of consent and add a schedule with more exceptions. An example of this would be Schedule 2 of the PDPA 2012 which has many exceptions for when consent does not need to be obtained.

Recommendation: Create a new GDPR definition of 'business contact information' which exempts SMEs from needing to treat it as 'personal data'.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

2. Removing restrictions to Employment

In 2011 the Agency Workers Regulations came into effect[31]. Agency workers are contracted through agencies but who can work temporarily for a hirer. Agencies can include recruitment firms such as 'temp agencies' as well as entertainment and modeling agencies.

Family owned and family run businesses have faced increased payroll, administration and accounting costs since the regulations were introduced. As a result of the pandemic the UK is facing an employment crisis and in order to support the recovery the UK will need to ensure it has increased flexibility in the labour market.

As of December 2020, unemployment in the UK stood at 5% or 1.7million people. It is forecast that unemployment will peak at 6% in 2021[32]. As of January 2021, Youth unemployment reached 14.2%[33]. There are approximately 1.4million temporary workers in the UK[34].

In order to ensure we do not consign a generation of young people into poverty and add them to the long term unemployed, businesses need the freedom to take on new recruits to provide long term meaningful employment. At a time of uncertainty, employers will be cautious in taking on new staff and excessive labour market regulations compound this issue.

Temporary workers can include seasonal workers, students and individuals with a range of other commitments and interests. They are not employed on zero hours contacts, but may be juggling more than one job at a time. In order to maximize their own ability to seek other or additional employment, or permanent employment,

[31] https://www.gov.uk/government/publications/agency-workers-regulations-2010-guidance-for-recruiters
[32] https://assets.kpmg/content/dam/kpmg/uk/pdf/2021/01/uk-economic-outlook-january-2021.pdf
[33] House of Commons Briefing Paper, No. 5871 "Youth Unemployment Statistics" p.3
[34]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/temporaryemployeesemp07

government and businesses should be as flexible as possible and not tie them down to one particular job after 12 weeks.

Recommendation: Temporary Workers should be afforded the same conditions relating to pay as a permanent member of staff should be increased from 12 to 36 weeks to encourage businesses to take on new employees.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

3. Employers Facilitating Home Working

The EU Ergonomics Directive required member states to ensure that employees using Display Screen Equipment are protected from risks and it applies to employees who use display screens daily, for an hour or more.

Employers are required to undertake an assessment of an employees workstation, equipment and furniture. This applies to when an individual employee starts work, moves to a new workstation, or if a change is made to a workstation. Employers are also required to ensure employees take regular breaks but there is no guidance on this.

The regulation is now largely obsolete. The Covid19 pandemic has forced many employees to work from home and research has shown that many employees favour working from home[35]. Under the current legislation, employers still have a responsibility to ensure that employees workstations are assessed.

The IBN has calculated that scrapping the requirement to undertake an assessment could save business £178,652,000 per annum.

The legislation is therefore entirely impractical as an employer cannot micromanage their employees when they are working at home. Without severe intrusions into employees personal lives, such as visits to the household, or the installation of cameras and other monitoring equipment, employers cannot be expected to enforce such regulations.

Recommendation: The government should revoke the Display Screen Equipment Regulations to accommodate the rapidly changing pattern and nature of remote working following the pandemic.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

4. Harnessing healthcare innovation

[35] https://www.peoplemanagement.co.uk/news/articles/majority-employees-want-work-home-most-week-research-finds#gref

In 2004 the government passed The Medicines for Human Use (Clinical Trials) Regulations[36] in response to the European Unions Clinical Trials Directive[37]. The regulations harmonized clinical trials across the European Union.

The cost of clinical trials in the UK has doubled since the legislation came into effect and has delayed the participation in other trials[38]. Covid19 has demonstrated the need for countries to have strong pharmaceutical industries and, in the middle of the pandemic, to be able to develop medication at pace.

Pharmaceuticals are counted as a strategic industry by the government and our allies[39]. The Directive has had a negative impact on the development of cancer treatments in particular[40] and has hindered the UK's ability to compete in this sector. In the UK the Pharmaceutical industry is worth £21Billion and employs 63,000 people[41].

The UK has led in the development of the Oxford/AstraZeneca Covid-19 vaccine[42]. A poll conducted by YouGov found that most people in the world would prefer to accept a vaccine developed in the UK. It is clear this is an important area where the UK already leads, but in which it could do better.

Recommendation: The UK should repeal the Medicines for Human Use (Clinical Trials) Regulations emanating from the Clinical Trials Directive.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

5. Free up British Ports

British ports are going to be crucial to maintaining UK supply chains and increasing our exports. Outside the European Union the UK is going to need to ensure they can operate in as competitive an arena as possible.

The EU Ports Directive[43] introduced in the UK via the Ports Services Regulations[44]. The regulations have been ill-suited for the small, commercially run, British ports, and was intended to enhance the stature of larger publicly owned continental ports such as Rotterdam.

[36] https://www.legislation.gov.uk/uksi/2004/1031/contents/made
[37] https://ec.europa.eu/health/human-use/clinical-trials/directive_en
[38] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1693619/
[39] https://henryjacksonsociety.org/wp-content/uploads/2020/05/Breaking-the-China-Chain.pdf
[40] https://pubmed.ncbi.nlm.nih.gov/17118647/
[41] https://globalambition.ie/wp-content/uploads/2020/03/Enterprise-Ireland-Report-UK-Pharmaceutical-Manufacturing-Sector-Overview.pdf
[42] https://www.who.int/news-room/feature-stories/detail/the-oxford-astrazeneca-covid-19-vaccine-what-you-need-to-know
[43] https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32017R0352
[44] https://www.legislation.gov.uk/uksi/2019/575/contents/made

Ultimately the regulation makes it unprofitable for private enterprise to engage in the running of certain sections of a port's facility. Indeed, during British membership of the EU, the UK Major Ports Group frequently bemoaned "a one size fits all approach regulation at the EU level" that "will not work". At the time, the UK government also made representations against the Directive, but – as was often the case with EU membership – was eventually forced to succumb to the weight of demands[45]. Now, outside the single market, it is essential that the Government takes action to encourage private investment into British ports, especially those on the west coast such as Liverpool and Glasgow. Indeed, when the UK left the EU, the British Ports Association wrote to the government asking the regulations to be scrapped[46]. Policy Exchange, the prominent think tank, has also previously argued that: "the EU Port Services Regulation should ideally be removed from the EU Withdrawal Bill. At the very least the Regulation should be repealed at the earliest opportunity after the UK has left the EU."

The government should consider this regulatory review a part of its broader strategy for ports. We know for repeated statements that the government is truly going to seize the chances that are available under a free ports regime, and the Chancellor Rishi Sunak has long been an advocate of these portals to freer trade. The removal of the EU's port acquis, that did not give due consideration to the particular character of British ports, is a perfect complement to this bold Government policy.

Recommendation: The Government should revoke the Ports Services Regulations to provide vital freedom to British Ports.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

6. Unleash British Artificial Intelligence

As a result of the UK's poor investment performance, many SMEs have failed to necessarily invest in the acquirement of AI technology and processes. Forecasts have placed the potential gains of AI as high as £630bn by 2035, raising GVA from 2.5 to 3.9%[47]. However, reports with a similar focus point out that late-adoption by UK firms, could reduce the overall potential gains for the economy by 20-25%[48]. The UK's tech sector is a portion of the economy that has continued to attract investment, even when the overall picture is bleak.

Maintaining a clear distance from the European Union's trampling regulatory approach, its 'precautionary principle'[49], and the particular overzealous concerns of certain

[45] https://commonslibrary.parliament.uk/research-briefings/cbp-7457/
[46] https://www.thisismoney.co.uk/money/markets/article-9142355/It-worse-Post-Brexit-cargo-freight-chaos.html
[47] APPG Artificial Intelligence: 'Growing The Artificial Intelligence Industry In The UK'
[48] McKinsey Global Institute: 'Artificial intelligence in the United Kingdom: Prospects and challenges'
[49] The dominance of the precautionary principle in the EU's approach to AI was apparent in the February 2020 White Paper released by the Commission

member states, gives the UK government the freedom to allow innovation to breathe.

It must ensure that it does. The heavy handedness of the precautionary principle can be found in the EU's recent White Paper. It sets out two 'buckets' of AI applications, bluntly separated between 'high' and 'low' risk. As pointed out by CSIS, the inevitable outcome of this binary categorisation is: "The only options are 'no regulation' or 'heavy regulation', and it is virtually guaranteed that a large number of moderately risky AI systems will end up falling into the high-risk bucket and being subjected to onerous and disproportionate requirements by regulators"[50].

The rate of AI diffusion, from those firms at the cutting edge, to the wider economy as a whole, is much slower in Britain than in the US and much of Europe[51]. More efforts should be forthcoming to continue pushing AI for the wider business community, rather than the small number of tech firms.

There are significant barriers faced by SMEs in the adoption of AI. The current context has undoubtedly reduced the perception of AI by company managers as superfluous - a key perception change. However, the AI integration process faces further obstacles further down the line, including lack of necessary AI understanding, little prior experience, lack of employee skills, and financial constraints.

A report conducted by Capital Economics has found that substantial SME investment in tech could lead to an increase in revenue of £325 billion annually[52]. The government must be more assertive in its support for the digitisation of the UK SME community through the provision of digital vouchers and tax breaks for those undertaking digital investment.

Recommendation: The Government must ensure the domestic development of AI is not hamstrung by any legacy issues deriving from EU membership and its 'precautionary principle'

Recommendation: Small business adoption of AI is currently limited. The Government cannot allow swathes of British industry to fail to invest in the technologies of the future.

Tax simplification for a modern economy

The Office for Tax simplification was formed in 2010[53]. Its purpose was to simplify and reduce the tax burden on businesses. A report by the Centre for Policy Studies in 2016

[50] CSIS: 'Europe's Strategy for AI Regulation'
[51] McKinsey Global Institute: 'Twenty-five years of digitization: Ten insights into how to play it right'
[52] 162 Sage: '£145 billion productivity boost for UK economy if SME digital investment can be unlocked'
[53]https://www.google.com/search?q=office+for+tax+simplification&oq=office+for+tax&aqs=chrome.0.0j69i57j0j69i60j0l2.2701j0j4&sourceid=chrome&ie=UTF-8

found that the UK tax code had doubled standing at 22,000 pages[54]. It would appear the Office for Tax simplification had not achieved its aims.

UK Tax law is extremely complex and is an enormous cost to businesses. The UK is ranked 78 out of 195 countries in the world for tax complexity[55].In Europe, Serbia, Slovenia, Norway and Kosovo have simpler systems than the UK. In the post-Covid and post-Brexit world the UK is going to need to ensure its Tax code is as simple as possible to reduce costs, increase efficiency and accountability.

Many family run and family owned businesses do not have enormous accounting departments to ensure compliance with all UK tax and regulatory requirements. It was estimated in 2019 that the tax and regulation compliance costs to small companies was £60,000[56] a year.

The Taxpayers' Alliance undertook a huge consultation with businesses to explore different ways of altering the tax system to reduce costs to individuals and to businesses[57]. As the UK is now an independent nation competing with trading blocs and fast rising powers we will need to explore how we can ensure we remain a positive destination for businesses in the decades ahead.

Recommendation: The government should commit to reducing the complexity of the tax code, to ensure that by the end of the Parliament the UK has the simplest tax code in Europe.

Recommendation: Government should undertake a cost benefit analysis of the measures after the first year to establish the impact on the British economy.

[54] https://www.cps.org.uk/files/reports/original/160304113651-ANewSimpleRevenueNeutralTaxCodeforBusiness.pdf
[55] https://www.businesswire.com/news/home/20170605005707/en/The-Easiest-and-Most-Complex-Jurisdictions-in-the-World-for-Accounting-and-Tax-Compliance
[56] https://www.accountancydaily.co/tax-and-regulation-compliance-costs-ps60k-small-companies
[57] https://www.taxpayersalliance.com/the_single_income_tax_full_report