

2013 Budget delivered

Chancellor, Rt Hon George Osborne MP, delivered his 2013 Budget to the House of Commons on 20 March. The Budget contained a number of key announcements for the automotive sector:

- **R&D tax credits:** In the Autumn Statement 2011, government announced it would introduce an Above the Line (ATL) tax credit for large company R&D expenditure incurred on or after 1 April 2013. The 2013 Budget increases the ATL credit to a rate of 10% before tax.
- **Company Car Tax (CCT):** The Chancellor announced new CCT levels for ultra-low emission vehicles. From April 2015, two new CCT bands will be introduced at 0-50 grams/kilometre of carbon dioxide (g/km CO₂) and 51-75g/km CO₂. In future years CCT rates will be announced three years in advance. Government will review these incentives for ULEVs in light of market developments at Budget 2016, to inform decisions on CCT from 2020-21 onwards.
- **Industrial strategy:** Government will provide £1.6 billion of funding to support sector strategies, including automotive, during the course of 2013.
- **Capital allowances for ULEV business cars:** In Budget 2012, the Chancellor announced that the 100% First Year Allowance would be extended until 2015 for cars emitting 95 g/km CO₂. In Budget 2013 the Chancellor announced a three year extension until 2018 for cars emitting 75 g/km CO₂ or less. This will maintain the financial incentive for businesses to purchase ULEVs.
- **Corporation Tax:** Government will reduce the main rate of corporation tax to 21% from April 2014, as announced at Autumn Statement 2012. Budget 2013 announced an additional 1% reduction to 20% from April 2015. In addition, the small profits rate and the main rate of corporation tax will be unified in 2015, so there is a single rate of corporation tax. In the interim, the small profits rate of corporation tax will remain at 20%.
- **Employment Allowance:** The Chancellor announced a new Employment Allowance of £2,000 per year for all businesses and charities to be offset against their employer national insurance contributions bill. The allowance will be introduced from April 2014 and government will

engage with business on the details of the design and operation of the new allowance.

- **Fuel duty:** the Chancellor announced that the 1.89 pence per litre fuel duty increase that was due to take effect on 1 September 2013 will be cancelled. In addition, in 2015-16 the duty differential between the main rate of fuel duty and the rate for compressed natural gas will be maintained, and the duty differential for liquefied petroleum gas will be reduced by the equivalent of 1 penny per litre.
- **Patent Box:** the Budget confirmed that from April 2013, the Patent Box will give a reduced 10% rate of corporation tax on profits from patents.

Commenting on the 2013 Budget, SMMT Interim Chief Executive, Mike Baunton, stated: 'The Chancellor's actions to improve R&D tax credits will help trigger extra business investment, and the change to the Company Car Tax rules for ultra-low emission vehicles will be welcomed by many in the UK automotive sector. We look forward to further sector-specific measures which will come out later this year in the Automotive Sector Strategy that will look deeper into protecting and enhancing the UK automotive supply chain, and boost innovation and skills within a competitive domestic business environment.' (Source: HM Treasury/)

http://cdn.hm-treasury.gov.uk/budget2013_complete.pdf

Parliamentary Motor Group hosts Budget breakfast

The All-Party Parliamentary Motor Group hosted a breakfast event on the morning of the Budget. The event focussed on the outlook for automotive in 2013, what impact the Budget would have on the sector, motoring taxation and wider moves to rebalance the economy. Professor David Bailey from Coventry University was the keynote speaker, with key MPs attending, including Adrian Bailey MP, Chair, Business Select Committee Chair, Iain Wright MP, Shadow Business Minister, Robert Goodwill MP, Government Whip and Gavin Williamson MP, PPS to the Transport Secretary.

Government publish response to Heseltine Review

Government has published its response to Lord Heseltine's government-commissioned report 'In the Pursuit of Growth: No Stone Unturned'. Government has accepted in full or part 81 of the report's 89 recommendations. Of the other eight recommendations, government will address three recommendations focusing on the content of the Single Local Growth Fund at the Spending Round in June 2013 (the Spending Review date has been confirmed as 26 June), and government disagrees with five recommendations. The core proposition of Lord Heseltine's report is a decentralised approach that aims to break Whitehall's monopoly on resources and decision making, and empowers Local Enterprise Partnerships (LEPs) to drive forward growth in their local areas. Alongside this, Lord Heseltine makes a number of recommendations that strengthen the underpinnings of long-term growth, from changes to the way in which Whitehall supports growth, to strengthening partnerships between government and business, and business and education. A key proposal is the creation of a new Single Local Growth Fund (the so-called Single Pot) allocated to LEPs and partners through negotiation and competition. The fund will focus on transport, housing and skills and will operate from April 2015. LEPs will also be asked to develop strategic multi-year plans for growth and will be provided with £10 million per annum to boost capacity and support the development of these plans. The City Deals process will be continued and improved, and Local Growth Teams will be created across Whitehall to improve cross-departmental working and LEP co-ordination, with a senior Whitehouse sponsor in place for every LEP. (Source: HM Treasury)

http://www.hm-treasury.gov.uk/d/PU1465_Govt_response_to_Heseltine_review.pdf



Car output drops 0.7% in February but 2013 prospects remain positive

Figures published by SMMT show that car manufacturing dipped 0.7% in February 2013 to 137,458 units, however February 2012 was a bumper month with an increase of 26% on 2011. Output over the first two months of 2013 grew 0.2%, posting 266,507 units. Commercial vehicle output fare less well however, down 17.1% in February to 8,005 units, and down during the first two months of 2013 by 18.8% at 15,827 units. Engine manufacturing also fell in February 2013, down 5% to 220,466 units, and down 5.1% over the year-to-date. Commenting on the figures, SMMT Interim Chief Executive, Mike Baunton, stated: "Following the outstanding rise a year ago, it's pleasing to see car production continuing to maintain those robust manufacturing levels. The UK's commercial vehicle makers continue to feel pressures of weak economic conditions in wider Europe, with engines also following suit. However, independent forecasters expect to see more sustained levels through the rest of the year ahead." (Source: SMMT) <http://www.smmt.co.uk/2013/03/car-output-stable-in-february-2013-prospects-positive/>

Week ahead

The House of Commons rises for Easter recess on Tuesday 26 March 26 and will return on Monday 15 April 15.

The House of Lords rises for Easter recess on Wednesday 27 March 27 and will return on Monday 22 April.

Commons Chamber

Tuesday 26 March

Adjournment debate on energy infrastructure and the UK supply chain (Peter Aldous, Con, Waveney)

Commons Committees

Monday 25 March

Treasury Committee (4.00pm) Budget 2013

Westminster Hall

No relevant activity

House of Lords

No relevant activity