

# WEEK IN WESTMINSTER

Week ending Friday 23 March

## Budget 2012

The Chancellor of the Exchequer, George Osborne MP, has delivered his 2012 Budget to the House of Commons. Below are the key announcements from the statement that directly affect industry

### **R&D tax credits**

Government confirmed the announcement made in 2011's Autumn Statement that an 'above the line' R&D tax credit will be introduced from April 2013 with a minimum rate of 9.1% before tax. The Budget also outlines that non-profit making companies will be able to claim a payable credit. Government will consult on the details of the credit shortly, with final rates and regime changes decided after a consultation.

### **Transport Systems Catapult Centre**

Government will set up Transport Systems and Future Cities Catapult Centres by 2013. These aim to bring together world leading IT companies, innovative SMEs and leading universities to commercialise technologies that will increase efficiency and improve the quality of life for transport users and city residents. These centres will work closely with the new Future Cities Demonstrator to be created in 2012-13.

### **Company cars & capital allowances**

The company car tax diesel surcharge is set to cease in 2016. From April 2013, government will extend the 100% first-year allowance for businesses purchasing low emissions cars (under 110g/km CO<sub>2</sub>) for a further two years to 31 March 2015. The CO<sub>2</sub> emissions threshold, below which cars are eligible for the first year allowance, will be reduced from 110g/km to 95g/km CO<sub>2</sub>. Leased business cars will no longer be eligible for the first year allowance. In addition, from April 2013, the CO<sub>2</sub> emissions threshold for the main rate of capital allowances for business cars will reduce from 160g/km CO<sub>2</sub> to 130g/km CO<sub>2</sub>. The threshold above which the lease rental restriction applies will also reduce from 160g/km to 130g/km CO<sub>2</sub>.

### **Carbon Reduction Commitment (CRC)**

Government will consult on simplifying the CRC to reduce administrative burdens, with the potential in autumn 2012 for alternative proposals to replace CRC environmental revenues.

### **Business Finance Partnership**

Government will allocate £100 million of the Business Finance Partnership to invest through non-traditional lending channels that can reach smaller businesses and also allocate an additional £200m to the Business Finance Partnership (this is in addition to the £1 billion initially committed).

### **Heseltine Review**

The Chancellor announced Lord Heseltine will undertake an independent review of how spending departments and other relevant public sector bodies interact with the private sector, and assess their capacity to deliver joined-up pro-growth policies. This will include a benchmarking exercise comparing how other competing economies implement their industrial strategies. The review should conclude in early autumn 2012.



Commenting on the Budget statement, SMMT Chief Executive, Paul Everitt, stated: "The Chancellor's actions to improve R&D tax credits and develop a catapult for transport systems and future cities will help trigger substantial extra business investment in the years ahead. The UK automotive industry is attracting major levels of investment and creating real opportunities for engineering and manufacturing businesses. The proposed independent review by Lord Heseltine into the role of government in delivering pro-growth policies provides a welcome next step in establishing a comprehensive UK industrial strategy. Government's continued support for low and ultra-low carbon vehicles is also an essential part of delivering on its environmental and industrial ambitions". (Source: HM Treasury)  
<http://www.hm-treasury.gov.uk/budget2012.htm>

## £31 million funding allocated to low carbon buses

Transport Minister, Norman Baker MP, has allocated £31 million of funding to be spent on 439 low carbon buses, as part of government's third round of the Green Bus Fund. The Green Bus Fund aims to bring down fuel emission and air pollution levels and encourage bus operators and local councils to make the switch to hybrid-electric, fully electric or gas buses. (Source: DfT)

<http://www.dft.gov.uk/news/press-releases/dft-press-20120323a/>

## BIS publishes red tape challenge review for retail and manufacturing

Consumer Minister, Norman Lamb MP, has announced the launch of a consultation proposing removing regulations in retail and manufacturing sectors, that the Red Tape Challenge identified as no longer required. The consultation is seeking views from businesses, the public and voluntary and community organisations on how these changes will impact them. It will run for eight weeks, closing on Wednesday 23 May. Commenting on the launch, Norman Lamb MP stated: "The Government is determined to cut the regulatory burden on companies to help them to innovate and focus on running their business. This move, which is part of a much wider programme to reduce unnecessary regulation, will make life simpler for many thousands of firms across the UK". (Source: BIS)

<http://www.bis.gov.uk/Consultations/red-tape-challenge-retail-manufacturing-consultation?cat=open>

## CBI industrial trends survey shows growing expectations for output growth

The CBI's monthly Industrial Trends Survey has highlighted that UK manufacturers' expectations for output growth are at their strongest for a year, but that firms also expect to have to raise prices significantly. Of the 436 manufacturers responding to the latest survey, 39% believe that output would rise in the next three months, while 15% expected that it would fall. The resulting balance of is the strongest since March 2011 (+27%). Order books in March remained well above their long-run average, and their levels of late

last year, albeit a little lower than last month. The resulting balance of -8% is stronger than the long-run average for this measure (-17%). Similarly, at -11%, export demand also weakened, but remained considerably above its long-run average (-21%).

However, expectations for output price inflation have picked up. A balance of +24% of firms expect to raise output prices in the coming quarter, the highest since June 2011 (+27%). (Source: CBI)

<http://www.cbi.org.uk/media-centre/news-articles/2012/03/industrial-trends-survey-monthly-march-2012/>



## Week ahead

### Commons Chamber

Monday 26 March

Conclusion of the Budget debate

### Commons Select Committees

Monday 26 March

Treasury Committee (3:30pm, Thatcher room)  
Budget 2012

Tuesday 27 March

Treasury Committee (10:00am, Thatcher room)  
Budget 2012

Tuesday 27 March (10:30am, room 15)  
Business, Innovation and Skills Committee  
Apprenticeships

**Tuesday 27 March – House rises for Easter recess and will return on Monday April 16**

### Lords Committees

Tuesday 27 March

Science & Technology: Sub Committee 1 (3:15pm, room 3) – Higher education in STEM subjects

**Wednesday 28 March - The House will rise for Easter recess and will return on Monday April 23**