



UK GENERAL ELECTION 2017

SCOTTISH CHAMBERS OF COMMERCE – MAKING THE VOICE OF BUSINESS HEARD

A Word from our President

An unexpected General Election may be seen as another example of the whirlwind of uncertainty that Scotland's businesses have experienced over the past four years but it is also an opportunity – an opportunity to highlight the urgent need for the voice of business to be heard and an opportunity to resolve some of the issues behind current uncertainties.

Scotland's businesses are the creators of our jobs and our wealth. Collectively, they are the engine which grows our economy, pays for our essential public services and provides the opportunities for our people to reach their potential. That is why the voice of business is important in these elections and why, despite the European and constitutional themes that will dominate much of the noise around the election, it is the policies of the political parties to reinvigorate our business success that are the real issues at stake.

This election has resulted from the extended fall-out from last year's EU referendum but the priorities from business in this regard are clear. For us, there is no binary 'hard Brexit' versus 'soft Brexit' debate – instead, businesses are focused on achieving clear guidance on the current and future status of employees from an in the European Union, continued tariff-free access to the European Single Market, and a strong voice for Scotland and Scottish business in the ongoing negotiations for the UK's exit from the EU.

At least as important, however, is the domestic agenda. What can the competing political parties offer to meet business's aspirations for growth, and how can Scotland benefit from a future UK industrial strategy?

This General Election will take place over a very short timescale, which will allow the electorate to make their decision and enable our politicians to get on with establishing some stability and getting on with the job of government. With that done, it will be time for an end to political manoeuvring and mischief making and a fresh approach to the job in hand.

Tim Allan
President
Scottish Chambers of Commerce

Scottish Chambers of Commerce's 3 Point Plan for the UK General Election

Brexit

Whatever the outcome of the General Election, the electorate has made an irreversible choice for the UK to leave the European Union and it will be the task of the next Government to give effect to this decision. This must be done in such a way as to maximise the business benefits and the negotiated settlement with Europe must deliver certainty and opportunity. Scottish businesses have made their priorities from Brexit clear:

- **There must be an early deal on the future of EU workers.** Scottish businesses rely heavily on the talents of workers from elsewhere in the EU who have taken advantage of the EU's freedom of movement to pursue their careers in our country. Equally, many of our businesses have similarly used these rules to place UK workers into European workplaces to help grow Scotland's businesses abroad. These workers need urgent clarification on their status and our businesses need guarantees that the talent they have invested in will remain available to them. We must also make rapid progress on designing the UK's future migration system, which must be primarily determined by economic need, with the capacity to enable differentiated solutions for individual industry sectors and reflecting geographical demographics and need. This could include a 'green card' style work permit system, together with seasonal and regional work permits, and a generous post-study work visa system, with students ignored for the purposes of migration statistics.
- **Scotland's businesses must have full tariff-free access to the EU Single Market.** The EU market may not be as significant to Scotland's businesses as the market in the rest of the UK, and in recent years the acceleration of the growth of exports to the rest of the world has outstripped Europe by some distance. However, the European market remains key both to established and nascent exporting businesses, with the lack of tariff barriers and the high degree of regulatory convergence making it a crucial priority for a deal to be struck to preserve access to the EU Single Market with, as far as possible, no financial tariffs and a minimum of non-tariff barriers. This should apply to goods, services and finance, enabling businesses to retain access to investment, capital and markets right across Europe.
- **Scotland, and Scottish business, must be fully represented in EU negotiations.** The next two years will be vital in determining the framework under which Scotland's businesses must operate. In addition to the commercial aspects of this, there are also material considerations in terms of the settlement with the devolved nations within the UK. As a result, it will be essential that the interests of the UK's constituent nations are directly incorporated in the negotiation process between the UK and the EU. This should reflect the interests of local government, the Scottish Parliament and Scotland's MPs, as well as calling upon the expertise and knowledge of Scotland's business community, whose experience should help shape our future trading relationship with Europe.

Taxation

The fiscal policy of the next UK Government will be crucial in shaping the business environment in Scotland and in enabling businesses to compete and grow. Whilst an increasing number of tax and spending decisions are being made by the Scottish Parliament, the UK Parliament retains control over

a range of taxes which are of vital importance to the competitiveness of Scottish business, including Corporation Tax, National Insurance and the rates of Value Added Tax (VAT).

- **Corporation Tax.** The main rate of Corporation Tax stands at 19%, and in the 2016 Budget it was pledged to reduce this further to 17% in 2020-21. Whilst there is no doubt that a low headline rate of Corporation Tax does send out a strong message about the business-friendliness of the UK economy – an important consideration given that the UK will be competing in the global marketplace outside of the EU – many businesses are clear that the tax reduction that would make the biggest difference to many would be in business rates. Whilst business rates is a tax which has been devolved since 1999, the Scottish Government has since 2007 matched the Scottish poundage rate to the English multiplier, ensuring parity of business rates tax in Scotland and England for a decade. A reduction in the business rates multiplier in England would be highly persuasive in terms of the tax in Scotland and would address the rising costs that many businesses have been reporting in the early part of 2017.
- **National Insurance.** This is a tax on employment and a tax on skills. It is also an example of the kind of tax which can be manipulated in order to incentivise or reward behaviours on the part of businesses. For example, Employers' National Insurance Contributions should be reduced for businesses which invest in upskilling their workforce, closing skills gaps and driving forward productivity; and it should be lowered to enable more businesses to meet Living Wage aspirations.
- **Value Added Tax.** Although an allocation of VAT revenues in Scotland will be allocated to the Scottish Government from 2019, control over the tax remains reserved to the UK Government. Scottish Chambers of Commerce has long argued for changes in this tax to ensure that Scotland's businesses can become more competitive. For example, we believe that the rate of VAT chargeable on accommodation, tourist attraction admission and restaurant services should be reduced to 5%, in line with other competitor nations, to enable Scotland's tourism and hospitality businesses to enhance their appeal to the international and domestic tourism markets. We also believe that a general short term reduction of the headline rate of VAT from 20% to 15% should be implemented in order to tackle the threats of inflation and of lower consumer demand during the Brexit negotiation process.

The Operation of the UK Government in Scotland

Devolution has fundamentally changed the way in which government in Scotland is perceived. The Scottish Parliament and its operations have become a key focal point for the public, the media and for business. It has extensive powers in terms of some of the most important drivers of Scotland's economic growth, including education and skills, transport, business support, and, increasingly, taxation. The Scottish Parliament and the Scottish Government are also very accessible in terms of engagement. The UK Government, by contrast, can often be seen as more remote and less relevant to many of the day to day issues. This would be, however, a grossly unfair perception, since the UK Government's reserved powers remain vitally important to Scotland's businesses and to the wider Scottish economy; these include powers on energy, telecommunications, foreign affairs and trade, defence and taxation. The Scottish Chambers of Commerce network has recognised this and we have increased our activity in London as a result. However, the next UK Government must up its game in terms of its engagement in Scotland and must become an everyday facet of Scottish public life. The Scottish Chambers of Commerce network calls for:

- **A modern and accessible Scotland Office.** The Scottish Government has seized the initiative with its Scotland House Innovation and Investment Hub in London, with similar models in Dublin and, shortly, in Brussels and Berlin. This is a concept that the next UK Government must learn from, with the Scotland Office becoming a Scottish hub for UK Government activity north of the border. This hub must be open and accessible to businesses, showcasing the range of services and support that they can access through the UK Government. The future Scotland Office must be a modern, welcoming environment, with access points across Scotland, providing full integration with services delivered in partnership with the Scottish Government.
- **A partnership between the Department for International Trade and Scottish business.** Scotland is lagging behind the UK as a whole in terms of the number of our businesses trading abroad. The Scottish Chambers of Commerce network and the Scottish Government are working hard to transform this picture through the development of practical connections to Chambers of Commerce overseas. Scottish businesses are also able to access UKTI services through our domestic enterprise agencies Scottish Enterprise, Highlands and Islands Enterprise and Scottish Development International. However, Scottish businesses would benefit from a direct interface with the Department for International Trade and the connectivity it can provide to countries across the globe. As the UK seeks a new raft of international trade agreements in the post-Brexit economy, this will become vitally important.
- **An Industrial Strategy for the whole of the UK.** The last UK Government recently finished consulting on its plans for an Industrial Strategy. This is a welcome initiative and we expect the next Government to continue the development of this concept. There is a pressing need to diversify the UK economy and to ensure that our businesses can access the talents that they need to ensure their future success. The Industrial Strategy concept works well where control of the major levers, such as skills, infrastructure, internationalisation and procurement rest in one place, but the reality is that for Scotland and the UK's other devolved nations, control over these policy areas is shared between UK and devolved government, often with differing political leadership. The UK's Industrial Strategy must work for Scotland and for all of the UK and must contain mechanisms that will enable every part of the UK to contribute to and benefit from a shared economic ambition.

**Scottish Chambers of Commerce
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