



**Aberdeen &  
Grampian  
Chamber of  
Commerce**

Rt Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

—  
The Hub  
Exploration Drive  
Aberdeen Energy Park  
Bridge of Don  
Aberdeen  
AB23 8GX

—  
**T** 01224 343900  
**E** info@agcc.co.uk  
**www.agcc.co.uk**

October 7<sup>th</sup>, 2016

Dear Chancellor,

Aberdeen & Grampian Chamber of Commerce (AGCC) is North-east Scotland's leading private sector, member-focused, business organisation. The Chamber represents more than 1,300 businesses with around 130,000 employees covering all sectors ranging in size from sole traders to multi-nationals.

This year has involved many political changes in the UK and introduced a great deal of economic uncertainty for businesses. The Autumn Statement represents an opportunity for you to create favourable fiscal conditions in the transition towards Brexit.

AGCC supports the British Chambers of Commerce (BCC) in their request for a fiscal policy which provides businesses with confidence to invest and grow, and particularly on the following points:

- **A pledge to introduce no new input taxes or other significant costs on businesses for the remainder of this Parliament** - matching the pledge made to voters on income tax, NICs and VAT during the 2015 General Election campaign.
- **Further fundamental reform of business rates** – exclusion of plant and machinery from valuations; and switch the annual uprating from RPI to CPI in 2017 instead of 2020.
- **Temporary widening of the Annual Investment Allowance** – to include business premises improvements for a period of five years.
- **Direct investment in 'quick-start' infrastructure projects such as housing and broadband** - to 'crowd-in' private sector investment in infrastructure, regeneration and growth.
- **Increased resources to directly support SME export plans** – direct monetary support for firms to explore new markets or deepen sales abroad.
- **Creation of an indirect tax road map** – to give business much-needed clarity to invest confidently.

### Oil and Gas taxation

Ahead of the March statement in 2016, AGCC wrote to you to highlight our members' need for fiscal stability in a region where volatile oil prices impact performance, growth and employment for all sectors.

We therefore welcomed the Treasury's reductions of the Supplementary Charge, the zero-rating of Petroleum Revenue Tax, and funding for a seismic surveys programme. Privately, members have informed us that in some cases they have been able to accelerate investment as a result. While the



Registered in Scotland as a company limited by Guarantee  
**Registration number** SCO 000 791  
**VAT Number** 265 3165 59  
**Registered Office:** The Hub, Exploration Drive, Aberdeen  
Energy Park, Bridge of Don, Aberdeen, AB23 8GX

changes have also helped them 'get through tough times' the most important signal was the reflection of the maturity of the UKCS in an international and historic context.

The roadmap and direction on Oil and Gas taxation must now continue to reflect the maturity of the UKCS basin. We are not asking for changes to the industry's fiscal regime in this budget statement. However, we would welcome positive reinforcement in your speech that the tax changes in March 2016 worked.

**We are asking for stability, and therefore request a statement that the regime will continue to be internationally competitive and that the sector remains a focus of our UK industrial strategy and a global success story.** A statement supporting a continued downward fiscal trajectory would be extremely valuable. This will help retain investor confidence (important for exploration and production companies) and therefore the supply chain so important to the UK in terms of jobs and output.

### Apprenticeship Levy

AGCC members support the aims of the Apprenticeship Levy and many already invest strongly in their workforce's skills. However, they have expressed increasing concern that the Levy's implementation is not yet clear, particularly for companies working across borders and in Scotland.

The BCC conducted a survey of more than 1,600 businesses across the UK in August 2016 which showed:

- 39% of firms still have no understanding, or haven't heard of, the Apprenticeship Levy
- 30% of medium-sized businesses say that they fall under the scope of the Levy – more than estimated by the UK Government
- Only 11% of businesses say reforms will increase their recruitment of apprentices, while just 5% say they will have a positive impact on their wider training budget

With only six months to go before the levy comes into effect, employers have received just partial guidance on how they will be able to spend their funds, how their contributions will be allocated across borders, and what system they will use to visualise their funds in Scotland. Some AGCC members have told us that the Levy funds will exceed their demand and capacity for apprenticeships, especially those who pay industry levies to organisations like the CiTB and ECiTB.

Businesses are currently developing their plans for 2017, and the lack of information on the Levy has a negative impact on their ability to plan for training in general. **AGCC urges you to delay the Apprenticeship Levy for one year.** This would allow government to plan the system appropriately, achieve buy-in from stakeholders and avoid costly administrative mistakes.

Yours Sincerely,

James Bream  
Research and Policy Director