

# Response to HM Treasury's policy paper on Reforms to UK's Capital Allowance Regime

- 1** EAMA is an alliance of progressive trade associations in the machinery and component supply chain: [www.eama.info](http://www.eama.info). We represent firms that manufacturer and/or supply machine tools and tooling, automation and control systems, laboratory equipment, plastics, solids handling and processing systems, printing machines, machined parts, and fluid power and compressed air systems. We have firms of all sizes, from micro to very large, but most of our member firms are small and medium-sized enterprises. We represent more than 2,500 firms, employing around 100,000 people.
- 2** EAMA represents firms in the machinery and component supply chain, and we limit our comments to that sector. We take our cue from the imperative that the government identified in the Levelling Up White Paper, that we must reverse the historic decline in manufacturing in the UK. Business must play its part - and trade associations included - but the reversal will not happen without clear, consistent, long-term commitment and support from government.
- 3** There is a fault-line in government thinking between support for R&D and its support for manufacturing. Both are important, but the two are not the same and success in R&D much too often leads to manufacturing outside the UK.
- 4** The policy of having investment incentives for firms that are already established in the UK should be continued and strengthened. As we seek to reverse the decline in manufacturing, giving firms long-term clarity and certainty about investment incentives would make those incentives more effective. Not only would firms be able to plan ahead, their knowledge and understanding of the benefits would increase.
- 5** Sectors, such as manufacturing, which compete in international markets should be seen as priority sectors. Once lost, the tax revenues, well-paid jobs and intellectual property from sectors such as manufacturing are much harder to recover than those from sectors of the economy that face little or no international competition.
- 6** Investment in manufacturing will have the added benefit of helping the UK to lead the drive to Net Zero and will help with Levelling Up objectives.
- 7** Evidence from EAMA members suggests that the super-deduction and AIA are influential with many firms in manufacturing. In a survey of more than 800 companies at the national

manufacturing show, MACH 2022 (in April), 59% of those surveyed said that the super-deduction was having a positive influence on investment and 39% said that the AIA was having a positive effect. MACH is owned and organised by the Manufacturing Technologies Association, an EAMA member.

- 8 We therefore urge a continuation of the super-deduction, or similar measure, for the medium-term for the manufacturing and advanced engineering sectors. Also, that the super-deduction be extended to cover leasing and second-hand equipment.
- 9 The enhanced AIA, at £1 million, should become the permanent level. While the value of the AIA to SMEs is reduced by the increased corporation tax rate, it remains an important incentive for successful firms to re-invest. Extending the eligibility for AIA beyond limited liability companies would also encourage investment in sectors such as farming, which would benefit machinery manufacturers and suppliers in the Agricultural Engineers Association, an EAMA member, and help boost UK farming productivity and competitiveness.
- 10 We would be happy to discuss any of the points above.

**Jack Semple**

**Alliance secretary**

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