

# **‘The wrong signal’: Windfall tax ‘damaging’ for net zero plans and energy security, businesses say**

The windfall tax announced by the chancellor will be “damaging” for the UK’s net zero plans and energy security, the Confederation of British Industry has said.

Rain Newton-Smith, CBI chief economist, said the tax “sends the wrong signal to the whole sector at the wrong time”, pointing to a “backdrop of rising business taxation”.

Chancellor Rishi Sunak said oil and gas firms will pay a 25% levy on profits which will be phased out when prices return to normal – but he said companies will get 90% in tax relief for any profits they invest.

Ms Newton-Smith said the government needs to work with businesses on a “genuine” plan to increase investment and “get growth going again, particularly in areas like energy efficiency”.

“Despite the investment incentive, the open-ended nature of the energy profits levy – and the potential to bring electricity generation into scope – will be damaging to investment needed for energy security and net zero ambitions,” she said.

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Hannah Essex, co-executive director of the British Chambers of Commerce, said steps need to be taken to help businesses hit by higher bills, calling for a 5% reduction in VAT on businesses’ energy bills and an Emergency Budget.

If that does not happen, the costs facing businesses will likely be passed on to consumers and “quickly eat into the financial support announced today”, she said.

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“If we can ease the pressure on businesses then they can keep a lid on the price rises,” she said.

“Firms will then have the breathing space they need to raise

productivity and strengthen the economy.

“But a change of course is needed now. If the government does not act quickly then rising costs will put our economy in a stranglehold.”