BUSINESS LDN

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

15 October 2025

Dear Chancellor,

BusinessLDN submission to the 2025 Autumn Budget

BusinessLDN speaks for over 170 leading businesses in London, spanning a wide range of economic sectors. We strive to make London the best city in the world in which to do business, working with and for the whole UK.

We fully support the Government's ambitions to increase growth the length and breadth of the UK. This must be as well as - not instead of - support for the capital. Backing London as an engine of the UK economy is critical to achieving the Government's growth mission.

London is responsible for almost a quarter of the UK's GDP and over a fifth of the UK's total tax revenues. It acts as the gateway for investment to the UK and its supply chains support jobs and growth throughout the country. But despite its many successes, a quarter of Londoners live in poverty after housing costs are considered, productivity growth is much lower than many international rivals, and London has suffered more job losses than any other UK region in the past year. So, it would be wrong to assume that the capital can fend for itself.

Our submission focuses on recommendations to:

1. Leverage private sector investment in the capital's infrastructure, transport & public realm
2. Tackle London's acute housing shortages
3. Ensure London has a thriving skills ecosystem
4. Revisit business rates reforms to avoid deterring investment in the capital
5. Ensure London councils can support the services that underpin investment
6. Maintain and enhance London's international competitiveness

Following extensive engagement with senior business leaders over the summer, BusinessLDN has identified a window of opportunity for London to win a higher share of global capital, against a backdrop of significant geopolitical and macroeconomic volatility. Seizing this opportunity requires removing the roadblocks holding us back. The Budget is an opportunity to do just that.

In shaping our recommendations, we are mindful that public services are under strain, that the country is yet to emerge from a cost-of-living crisis and that the Government needs more fiscal headroom. Our central message is that this difficult circle must be squared by doing no harm to growth. The investment provided in the Spending Review is vital to growth and must be protected. Having done much of the heavy lifting 12 months ago, business must not be asked to shoulder the burden of any further tax rises, which would hit both investment and confidence. Instead, the Government should prioritise creating the fiscal headroom to invest in removing barriers to growth, such as dropping the Higher Education Levy, cutting stamp duty on shares and removing the sales tax on overseas visitors which are hitting our tourist trade.

Yours sincerely,

John Dickie
Chief Executive

UNLOCK PRIVATE SECTOR INVESTMENT IN THE CAPITAL'S INFRASTRUCTURE, TRANSPORT AND PUBLIC REALM

Transport is a vital enabler of sustainable growth connecting people to jobs, businesses to markets and supporting housing delivery. However, London's ageing transport network requires significant investment to keep pace with a growing population, unlock development sites and maintain its international competitiveness. More broadly, crowding in private investment at scale will be essential to deliver the infrastructure London and the UK needs.

The long-term funding settlement for Transport for London announced in the Spending Review, along with the Government's commitment to improving international connectivity are most welcome. To further unlock and accelerate private sector investment in transport, infrastructure and London's public realm, we recommend that the Government:

- **Back major London transport projects** to follow up the settlement for Transport for London agreed in the Spending Review, and in turn unlock new homes and new jobs. Providing public support to these major projects and exploring combined sources of funding through innovative financing models - as deployed with the Silvertown tunnel, Tideway and Crossrail - will allow Transport for London to commit the funding needed to commence work. Specific actions for these major transport projects include:

    - Commit the funding needed to deliver – in partnership with the private sector – the **Docklands Light Railway (DLR) extension to Thamesmead** by backing the business plan recently submitted by Transport for London on how to finance the scheme. This could unlock up to 25,000 new homes, support up to 10,000 new jobs and add £15.6 billion to the economy, as set out in this BusinessLDN consultation response and letter.

    - Provide political backing and commit sufficient funding to build momentum behind the **Bakerloo Line Upgrade and Extension**, which will support an estimated 107,000 new homes and 150,000 jobs along the whole route.

    - Issue a formal statement of intent to explore delivery of the **West London Orbital** - akin to the statement made about the DLR extension made in the Spending Review - which will support up to 15,800 new homes in West London and act as catalyst for economic development.

- **Be bolder in the use of Tax Increment Financing (TIF) models to accelerate investment in new infrastructure projects.** The Government should grant the Mayor powers to introduce a new 'residential-TIF' which would ringfence some future residential tax revenue such as Stamp Duty Land Tax, council tax or a transport precept and use this to pay back the upfront costs of the transport infrastructure. This in turn will unlock new development, especially housing. The Government should also grant the Mayor powers to undertake more 'business rate based TIFs' that exist today and the power to introduce a 'combined-TIF' model which encompasses both the existing business rates-led TIF model and the envisaged residential TIF approach, as set out in the recent BusinessLDN report Generating land value to grow London.

- **Ensure a joined-up approach to facilitate the necessary infrastructure to support London's two potential new towns.** A new town must provide the necessary infrastructure to support a new community, enable a high-density development and become an economically sustainable place. The Government must ensure that a joined-up approach is in place to ensure the necessary investment in transport, energy, water, waste and digital connectivity infrastructure that are all essential to the successful creation of new towns in London and across the UK.

- **Provide backing to the set-up of the Oxford Street Mayoral Development Corporation which in turn will encourage funding for Phase 1 of the works to kickstart the project.** This would help to regenerate one of the nation's biggest tourist destinations, allowing businesses to thrive and delivering payback through an increase in business rates, VAT receipts and inbound international receipts as tourists spend more in London, helping London to compete against other global cities for the benefit of the wider UK economy. Delivery of Phase 1 would enable leveraging of the Community Infrastructure Levy and planning gain receipts to help fund phases 2 and 3. The proposals for Marble Arch, a flagship element of the project, can unlock economic, public safety and environmental benefits, and are ready to be delivered in phase 1. Strong political backing will encourage other public agencies to complete the necessary funding and unlock the £25 million already secured from the private sector.

- **Provide financial incentives to accelerate the decarbonisation of river transport.** More political support and financial incentives are needed to support the decarbonisation of river transport by providing grants to support trials of electric and hybrid vessels, research & development funding for low-emission marine technologies, and relief on greener fuel technologies to help crowd-in more private investment to London and the UK.

TACKLE LONDON'S ACUTE HOUSING SHORTAGES

London is suffering from a chronic housing shortage. As well as being a social problem, high housing costs hit the city's competitiveness, posing challenges for businesses in recruiting and retaining the talent that is vital to the city's success.

And yet in the first quarter of this year, 23 of London's 33 boroughs recorded zero housing starts. Across London, just 2,158 private homes began construction during the first half of 2025, only 4.9% of the Government's 44,000 half-year target. And in terms of sales, just 3,950 new homes were sold in London during the first half of 2025, with sales rates now as low as they were in early 2009 when the economy was gripped by the aftermath of the financial crash.

Government announcements about two potential new towns in London, broader planning reforms, the commitment at the Spending Review to a new Affordable Homes Programme as well as the potential further easing of regulatory and policy requirements to kick start housebuilding in London are all welcome. To build momentum around these positive announcements, our recommendations to tackle London's acute housing shortages include actions in three steps:

- First, do no harm to the market. This means the Government should **abolish or rethink proposals to reform the landfill tax system**, which if implemented would add significant costs to the delivery of new homes in London and across the UK, and jeopardise the Government's target of building 1.5 million homes this Parliament. The proposals announced in April to scrap the lower rate Landfill tax of £4.05 for non-polluting materials and limiting the number of exceptions, including the removal of relief for topsoil, could potentially see developers' landfill costs rise exponentially. To put this in context, one of the leading developers in London has estimated that this policy change will on average add an additional cost of around £38k per flat to their developments in London. Without a change in approach, additional costs at this low ebb of the development cycle will ultimately prevent both affordable and market homes from being built.

- Second, implement a set of measures that can be done at pace to get things moving. These include:

    - **Deliver an increase in resource for the Building Safety Regulator (BSR).** We welcome the moves already made to speed up the processing of applications through the gateway process. However, more is still needed and the BSR must continue to be adequately resourced to expedite the delivery of new homes of all tenures in London.

    - **Support local planning authorities to unlock delivery**. Ensuring more resource is made available to local planning authorities is critical. It is positive that the government has worked with the Greater London Authority to set up ATLAS London (the Advisory Team for Large Applications), and subject to a successful trial, additional funding should be committed to help unlock stalled sites and accelerate delivery. Further thought should also be given to how the private sector can support ATLAS London and expand its offering. Without robust and well-resourced local planning authorities, the system risks being unable to process enough permissions to boost housing supply and meet the 1.5 million homes target.

    - **Keep up the momentum of the new Affordable Homes Programme (AHP).** The announcement of the new AHP in the Spending Review, and the subsequent allocation to London, was welcome. To build momentum and encourage greater levels of private investment into the market, the Government should quickly confirm the details of the Greater London Authority's (GLA) allocation and that it can be distributed by the GLA in accordance with London's needs. In doing so, the design of the programme should explicitly encourage in private capital and also encourage registered providers back into the s.106 market. All of this would allow developers to plan their future pipelines with greater certainty and step up investment.

    - **Allow full expensing of build costs on brownfield housing delivery so these costs are treated like other capital expenditure for tax purposes.** Brownfield development is usually complex and expensive, yet it often generates high social value and can provide the mix of homes that can command public support. Developers should be able to fully expense their build costs in the same way as other capital investment is treated for tax purposes.

- And third, if the measures set out above don't prove sufficient to get the market moving, the government needs to **stand ready with targeted, well-designed, short-term support on the demand side to stimulate transactions which will in turn support housebuilding**. This could include measures such as stamp duty holidays, support for the first-time buyer market or interventions to reduce the cost of building houses so that developers can offer buyers more incentives.

ENSURE LONDON HAS A THRIVING SKILLS ECOSYSTEM

London is a beacon for talent and opportunity. Home to over nine million people, half of its working age population holds a higher-level qualification. But behind its success lies a complex labour market, with many inequalities. Addressing these challenges and continuing to be open to talent from around the world will be vital to London's continued success as a global city and ability to act as an engine of growth for the UK.

Our recommendations on skills include:

- **Drop the proposed levy on Higher Education (HE) for international students.** International students make a significant contribution to the UK economy, generating an estimated £20.65 billion in exports through expenditure and tuition fees, with the London cohort accounting for £9.59 billion of that total. Addressing legitimate concerns about immigration should not come at the expense of London's world-leading education sector, many of which rely on income from international students to cross-subsidise the cost of teaching domestic students and to support research programmes.

- **Establish a framework to help deliver a stable financial settlement for Higher Education.** A financially resilient HE sector is crucial to deliver the skilled workforce the UK and London needs to thrive. Despite the Government's welcome decision to allow tuition fees to rise, universities continue to face substantial and growing cost pressures. It is vital that the Government delivers a sustainable financial framework for HE to ensure the sector can continue to deliver world-leading teaching and research. This framework should take account of place-based needs, such as the higher cost operating environment for London's universities.

- **Set out a detailed roadmap to ensure the transition from the Apprenticeship Levy to the new Growth & Skills levy increases the flow of funds spent on skills and crowds in more private investment in training.** The transition must break the cycle of low UK investment in training, which has stagnated over the past decade, and is lagging European competitors. The flexibilities in the new system must give businesses confidence to invest in the skills they need, including at entry-level to tackle high levels of youth unemployment and reskilling at higher levels to address changing skills needs. Greater transparency in the flow of apprenticeship levy funding is also required to restore employer faith in the system, with experts estimating up to £800 million p.a. in funds raised by the levy not being spent skills/training in 2024-25. Until this is addressed, businesses will be reluctant to spend more on training in other areas.

- **Commit to longer-term funding allocations for the Local Skills Improvement Plan (LSIP) programme to improve business engagement with the skills system.** BusinessLDN is leading the Greater London LSIP, alongside the Federation of Small Business London (FSB London), London Chamber of Commerce (LCCI) and CBI London. As our recent progress report shows, LSIPs have built recognition and engagement with business, providers and local government leaders in London and are starting to shift the dial on transforming the capital's skills system, with capital investment in FE college equipment to deliver new courses in high-demand areas like green and digital skills. The Government has made a welcome commitment to LSIPs continuing through a new co-ownership arrangement between business groups and Mayoral Combined Authorities, and should now put in place longer-term funding allocations to reflect the new three-year cycle rather than the current six-monthly increments for funding.

REVISIT BUSINESS RATES REFORMS AS WELL AS THE APPROACH OF THE VALUATION OFFICE AGENCY TO AVOID DETERRING INVESTMENT IN THE CAPITAL

Business rates are a significant cost to businesses operating across the capital and a deterrent to investment and growth. This is true across the UK, but the issue is more acute in London, with higher rateable values not reflecting an increased ability to pay.

So, we agree that business rates need reform to address longstanding issues such as the decreasing relationship between occupancy of valuable space and the source of commercial returns. However, the danger is that lots of well-intentioned but illdesigned tweaking simply shifts the burden around, making a broken tax system more broken.

The Government's proposed reforms will have a disproportionate impact on London, with many more businesses being subject to the higher multiplier than firms of a similar size and profile elsewhere across the country. This is bad news for London but also has consequences for the rest of the UK if multi-site businesses respond by shrinking their portfolio in other towns and cities to protect their operations in the capital.

These concerns are compounded by some specific sectoral issues with the Valuation Office Agency which are acting as a drag on investment and growth. The Government needs to grip and change approach on key aspects of business rates including:

(a) **Rethink proposals stemming from the "Transforming Business Rates" consultation that will have a disproportionately negative effect on London.**

The Government's proposed new approach involving the introduction of new multipliers to enable the reduction of business rates levied on retail, hospitality and leisure businesses with rateable values below £500,000 will adversely hit significant numbers of firms in London – including many in the very sectors that the reforms are seeking to help.

Analysis commissioned by the Heart of London Business Alliance (HOLBA), one of the Central London Business Improvement Districts, in association with Attis, the town centre consultancy, calculates that from 2026/27 a further £2.2 billion taxation will be imposed on occupiers of higher value properties, on the assumption that the Government introduces a 10p increase in the multiplier for properties subject to the higher rate multiplier. Because of higher land values, businesses in London will bear the brunt of this increased tax hike.

The HOLBA analysis suggests that the increase for properties with a rateable value of more than £500,000 could amount to an increase in business rates of £781 million per annum for Inner London and £191 million per annum for Outer London. The combined total of an additional £972 million a year for London is equivalent to 44% of the total increase that the HOLBA study estimates will be raised for the whole of England, concentrated on just 5,000 London rate-payers.

Recent reports indicate that large food retailers are set to be removed from the top band of business rates. Whilst welcome news for that sector, if correct, this move would further illustrate the problems of attempting reforms that just shift the burden within the existing business rates envelope rather than a more holistic review of business rates in the round of business taxation. In this specific instance, in London the likely consequence would be that large London office rate payers would foot a still large share of the business rates bill.

The underlying issue remains that business rates previously made sense in a world in which economic activity revolved around physical activity and premises. That clearly is not always the case today. The UK is an outlier among G7 nations in its reliance on property taxes. OECD data[1] shows that the UK has both the highest property tax revenues as a share of GDP (at 4.1%) and the highest property taxes as a share of total tax revenue (at 12.4%) amongst the G7 nations.

Rather than continuing to seek changes to a broken system, the solution is to reduce our reliance on property taxes, with other revenue streams - such as increasing VAT - making more sense in today's economy where business is conducted digitally as well as through traditional bricks & mortar premises.

(b) **Provide a clear policy steer to the Valuation Office Agency (VOA) to prevent damage across some of London's key sectors.** Bringing the VOA 'in-house' from April 2026 offers an opportunity to ensure that its approach is more closely aligned with the Government's growth ambitions. Examples of where this could be done include:

- **Not proceeding with a planned change of approach for how the VOA treat serviced office providers** without further engagement with the sector to fully understand the implications and then arrive at a better solution. The current proposals to move away from assessing each individual office for business rates within serviced offices to treating entire sites as a single hereditament would have significant consequences for serviced office providers, for the SME and scale-up businesses who occupy the space, and for the many parts of the London economy that depend on the lifeblood of office workers.

  The current proposed changes would result in a 30% increase in costs for serviced office providers, eroding all profit margins for the majority of operators. The consequences of proceeding will be that operators would either face building closures or be forced to pass on large bills to SME tenants who – as a result of the change – will also miss out on Small Business Rates Relief. Either scenario will result in a reduction of economic

[1] OECD Revenue Statistics 2024 report

activity and footfall in city centres, creating knock-on damage to retail, leisure and hospitality sectors. Ultimately, this would be self-defeating for the Exchequer, with insolvencies or properties sitting empty resulting in lower tax receipts.

We urge the Government to direct the VOA to pause on this proposed change and engage further with the industry to find an alternative solution. As an absolute minimum, the change in approach must not be backdated or applicable retrospectively, which would be contrary to the Government's commitment to a stable and predictable tax regime for business.

- **Revisit the change in methodology that the VOA uses to calculate business rates for museums and cultural institutions**, where it has shifted from using the "contractor's method" (which is based on the cost of rebuilding the museum) to an approach more closely based on a "receipts & expenditure method" (which is based on a hypothetical assumption on whether the museum could make a net surplus).

  This change in approach has a number of flaws that ultimately take resource and investment away from London's world-leading museums and cultural institutions – most of whom receive public funding via DCMS, the Arts Council and the GLA – that are a major part of London's appeal. It seems at odds with government policy set out in the industrial strategy and London Growth Plan to get behind the creative industries. It demonstrates a lack of understanding of the sector, to the extent that the VOA has suggested charging for entry when some museums have an Act of Parliament preventing this and others have funding contingent on free admission. And it results in a poor use of public money, with one taxpayer funded national institution (the museum) taking another taxpayer funded institution (the VOA) to a tribunal, after many regional counterparts already have, and incurring all the resultant legal and advisory costs associated with this.

- **Support airport investment by revisiting VOA methodological changes and the resultant business rates impact**. Airports play a huge role in connecting firms to export markets, supporting international talent flows, sustaining London's tourism sector as well as enabling substantial investments in local and UK-wide supply chains.

  All of London's airports are committing significant investment to support capacity expansion and economic growth. And yet they are facing an unprecedented increase in their business rate liabilities driven by arbitrary methodological changes by the VOA. The sector as a whole is facing an increase of around 400 per cent in their business rates bill, which amounts to an extra £1 billion per year in rates. This is the equivalent of tripling the sector's corporation tax and putting it on a rate of 75 per cent. Independent analysis shows that, under these changes, the sector's rateable value would rise to 26.4 per cent of revenues, where other infrastructure sectors, from ports to rail and energy, hover between 6 and 10 per cent. The Government should take action to support investment, for example by reducing the proposed steep increases or by providing a transitional relief scheme to mitigate the immediate impact of the proposed increases.

ENSURE LONDON COUNCILS CAN SUPPORT THE SERVICES THAT UNDERPIN INVESTMENT

London councils play a vital role in providing and maintaining the "economic plumbing" that underpins so much of the investment that flows into the capital.

And yet, a combination of a decade-plus of structural underfunding, rising demand and the increased cost of delivering services has left councils in London facing severe financial challenges to the tune of a funding shortfall of at least £600 million for 2025/26 financial year. The situation means that almost a quarter of London boroughs required Exceptional Financial Support in 2025/26, the highest rate of councils requiring this exceptional support of any region in the country. The situation is set to be exacerbated by the impact of the Fair Funding Review 2.0, with London set to be £800 million worse off by 2028/29 than under the existing formula.

We urge the Government to ensure that its Fair Funding Review proposals allocate funding fairly and efficiently based on need. The new formula should look at need and deprivation in the context of actual living costs, and we ask that:

- The Index of Multiple Deprivation (IMD) is updated to reflect income after housing costs and give greater weighting to 'homelessness' and 'affordable housing', with London councils now spending £5 million a day on temporary accommodation;

- The Government uses the latest available 2024/25 data to calculate the weightings for the different relative needs formulae, to reflect for example that spending on temporary accommodation in London has increased by 40% since 2023/24; and

- The children's formula should be revisited and not used in the overall formula until the well-known outstanding issues have been addressed, given it is the single biggest driver of the reduction in funding for London boroughs.

MAINTAIN AND ENHANCE LONDON'S INTERNATIONAL COMPETITIVENESS

London has an unrivalled breadth and depth of marketplace, from world-class financial, legal and professional services to a diverse talent pool. The capital has a strong presence in all the sectors earmarked in the Government's Industrial Strategy and those identified as 'global city sectors' and 'frontier innovation' sectors in the London Growth Plan. But all those sectors are subject to intense international competition, competing for institutional investment and consumer spending with other international cities around the world.

To maintain and enhance London's international competitiveness, we recommend that in this Budget the Government should:

- **Restore VAT-free shopping for international visitors**, recognising the broad eco-system of hotels, restaurants, museums, theatres as well as retailers that would benefit, as is the case for other EU cities. Other countries currently view the UK position as a source of competitive advantage and a 'win' for them. So, as a minimum, we urge the Chancellor to order a further review of the full impact of tax-free shopping based on new evidence that shows a potential £5.65 billion annual economic boost to high streets across the UK and a net positive impact for the Exchequer of over £500 million in VAT receipts alone[2].

- **Resist calls to add further taxes that would send damaging signals about London's world-class financial, legal and professional services sectors**, specifically by:

    - **Not adding a further bank levy to the financial services sector**, which is already the largest contributor to total UK corporation tax receipts by sector, and which contributes more than 12% of total UK tax receipts[3], given the internationally mobile nature of capital flows and the importance of the sector for financing growth in the wider economy.

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[2] Association of International Retailer, August 2025

[3] The Total Tax Contribution of UK-based financial and related professional services, PwC, City of London Corporation and TheCityUK, May 2024

    - **Not changing the treatment of National Insurance Contributions for self-employed equity partners in legal and professional services**, given this talent pool is highly internationally mobile.

- **Scrap stamp duty on share transactions to improve the attractiveness of the UK as a place to list and invest** in a move that would pay for itself over the medium-term. It is welcome that the Government is considering introducing a stamp duty holiday for share transactions in newly-listed companies on the London Stock Exchange, which should be for at least a period of three years from the point of floatation to boost the attractiveness of London as a listing destination. But such a move only really underscores the point that this a self-defeating tax and if more firms continue to vote with their feet then the revenues to the Exchequer will continue to dwindle in any case.