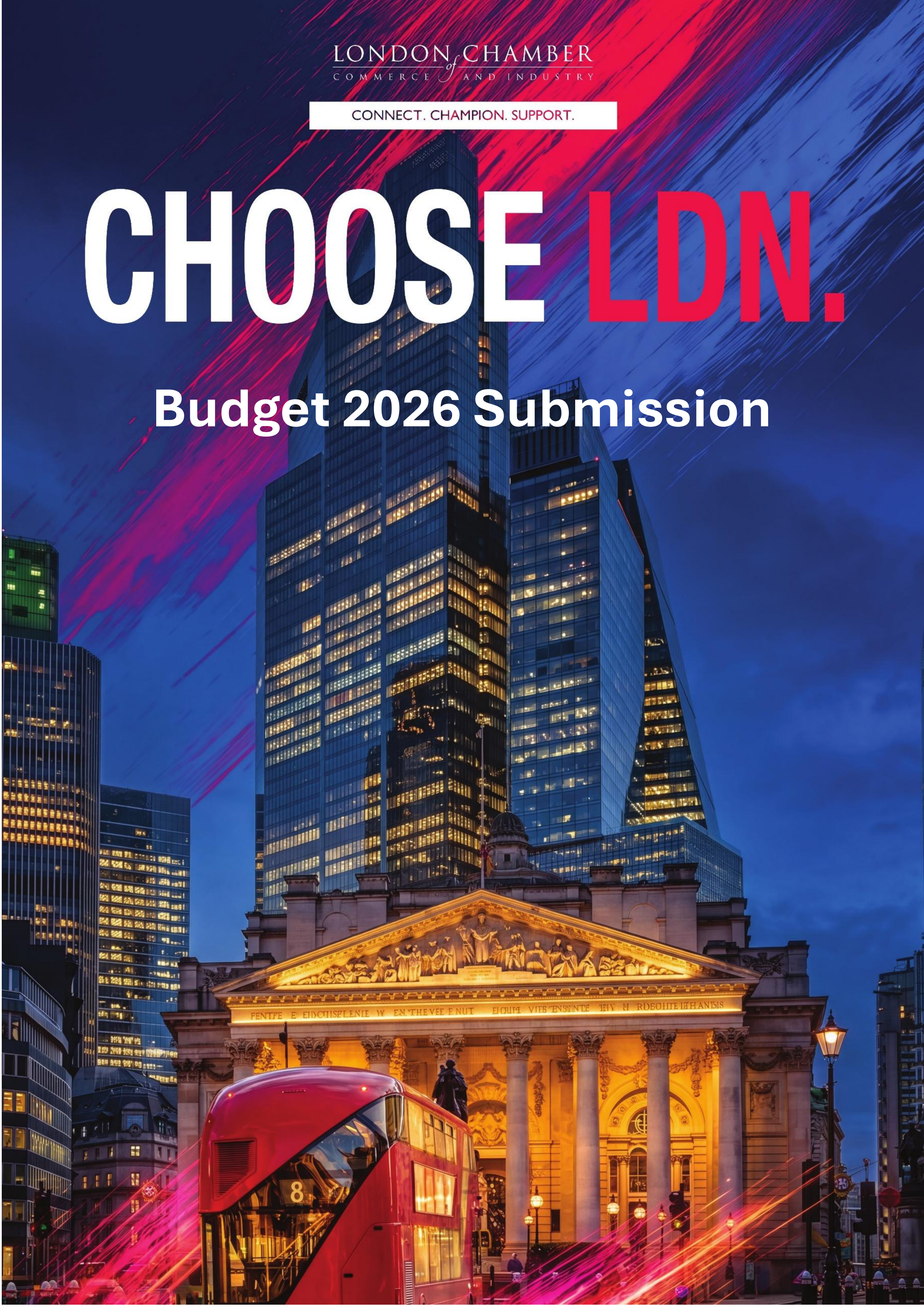
LONDON CHAMBER of COMMERCE AND INDUSTRY

CONNECT. CHAMPION. SUPPORT.

CHOOSE LDN.

Budget 2026 Submission



London Chamber of Commerce and Industry

Budget 2026 Submission

About the London Chamber of Commerce and Industry (LCCI)

LCCI is the voice of London's business community, with a 12,000 strong business network of SMEs and microbusinesses, major corporations and cultural and educational institutions. Founded in 1881 to represent London businesses and promote international trade, we support our members to drive growth and prosperity across the UK and internationally.

LCCI champions the interests of London businesses to ensure their views are reflected in policymaking at local, regional and national levels. Our positions are informed by extensive member engagement, research and polling, our Quarterly Economic Survey, and insights gathered through sector forums and policy committees.

Summary of London's Fiscal Landscape

LCCI has commissioned and published its Quarterly Economic Survey, the definitive study of London business confidence, for nearly 15 years. This year's results have consistently demonstrated a challenging environment in which to do business, with employment, energy and raw material costs at exceptionally high levels. Businesses cannot deliver growth in every postcode without a meaningfully lower cost of doing business.

Our Q3 QES results found that **90% of London businesses had not attempted to recruit** during the previous three months. Among those that had in Q3, 55% experienced recruitment difficulties. This mirrored our findings for Q2, with only 10% of firms attempting to recruit. In Q2 of this year:

- 29% of London businesses reported declining domestic sales, and 29% declining domestic orders
- 31% reported deteriorating cashflow, while 64% were operating below full capacity
- Only 6% increased investment in plant and equipment and only 7% increased investment in training
- 30% expected turnover to decrease and 32% expected profitability to decrease
- 25% expected to raise prices, with 23% identifying labour costs as a source of price pressure
- 42% expected UK economic growth to worsen and 40% expected London's economic prospects to worsen over the following 12 months

- 60% selected lowering inflation or the cost of doing business as a priority for the UK Government, the most frequently chosen prompted option.

In polling conducted by YouGov for LCCI in August 2026, **74% of business leaders said the cost of housing is limiting their ability to recruit and retain staff**. Being able to afford property in the next 10 years, meanwhile, is the number one thing that would attract young people to move to London (30%), ahead of better pay (25%) and a job in their field (20%). **Outside London, 28% of young people surveyed already own a suitable home. In London, that figure was just 13%**.[1]

This gap between young people's ambition and what they can afford is deeply concerning when almost one million young people are not in work or education. A generation of young people buying a home much later in life, or not buying a home at all, will have serious consequences for this cohort in later life, in a retirement system built on most pensioners owning their own home and being mortgage free at the point of retirement. At the same time, businesses cannot grow if they cannot hire the skills they need. Building homes, improving access to the mortgage market and repairing the social contract for young people must, therefore, be seen as closely and inextricably linked if we are to grow the country's economy.

Summary of Key Asks

The asks in this submission have been designed with two clear objectives in mind:

- **Meaningfully lowering the cost of doing business** in order to enable economic growth.
- **Making London the most attractive city in the world** to do business, allowing the capital to compete for global investment, create high-skilled jobs and attract the best talent.

Implementing these policy asks would help to deliver growth and prosperity across the country, generate hundreds of millions of pounds in additional tax receipts and create tens of thousands of jobs. LCCI's key asks are organised by our four Choose LDN. policy pillars: making London the most attractive global city to do business in; winning the global investment competition; getting London building; and repairing the social contract by ensuring young people can access jobs, skills, housing and opportunities to build successful futures.

Make London the most attractive global city to do business in

- Reverse the 2025 increase in employer National Insurance contributions, which directly increased costs for businesses and consumers, making it harder to deliver growth and removing entry-level jobs.

---

[1] LCCI commissioned two YouGov surveys to provide insight into the experiences and views of young people and employers in the UK. The Youth Employment Survey surveyed 1,039 UK adults aged 24–35, with fieldwork conducted online 12-25 August 2026, after the change in Prime Minister. The figures have been weighted and are representative of UK 24–35-year-olds. The Business Survey surveyed 509 employers in the UK, with fieldwork also conducted online 12-25 August 2026. The figures have been weighted and are representative of employers in the UK.

- Deliver business rates reform that lowers the multiplier to at least 45p and sets a higher-rate threshold that fairly reflects London property prices. Reform should be used to stimulate growth on our high streets, not as an opportunity to raise further revenue.

- Abolish Sunday Trading Laws, allowing retailers and major shopping hubs to open past 5pm on a Sunday.

- Ensure the Government's proposal to devolve a proportion of income tax and business rates revenue fairly reflects the tax receipts the capital generates, allowing London to invest in the infrastructure and services needed to remain globally competitive.

- Restore VAT-free shopping to make London more internationally competitive for tourists, reversing the policy introduced in 2020.

Win the global investment competition

- Designate King's Cross and the Elizabeth Line tech corridor as an AI Investment Zone, creating the regulatory conditions to allow London to cement its position as the AI and tech capital of Europe.

- Support airport expansion at Heathrow, Gatwick and Luton, unlocking billions of pounds of private investment and hundreds of thousands of high-skilled jobs across the country.

- Secure a pragmatic new deal with the EU that reduces barriers to trade, improves mobility for skilled workers and establishes a UK-EU Youth Mobility Scheme for 18 to 30-year-olds.

- Extend the R&D tax relief regime to support AI adoption, allowing businesses to claim a tax credit on qualifying AI adoption costs. Unlike R&D relief, eligibility should not require technological innovation, only genuine investment in integrating AI tools into business operations.

- Establish a five-year 'Listing Holiday' exemption from Stamp Duty Reserve Tax on shares in companies newly listed in London, alongside tax incentives for companies that relocate their primary listing to the capital.

Get London building

- Lay the legislation required for Crossrail 2 in Parliament by the end of 2027. The success of the Elizabeth line, worth £42 billion to the economy and delivered through an innovative mix of private and public funding, demonstrates the transformative value of major infrastructure investment.

- Make land value capture the default funding model for new infrastructure projects, building on its successful use to deliver the Northern line extension. Using this method to fund the Bakerloo line extension and DLR extension to Thamesmead would unlock tens of thousands of homes, without requiring the taxpayer to fund the infrastructure upfront.

- Build on the Government's welcome reforms to the planning system by meaningfully reducing the cost and bureaucracy of the planning system, including the appeals process, to make housebuilding viable again and support commercial development. This should include going further to unlock the 'grey belt', land with no ecological value incorrectly classified as green belt.

- Establish 'London Prosperity Zones', with targeted incentives to unlock housebuilding and redevelopment in areas where there are clear public and economic benefits, but the cost of land makes development economically unviable. Increased business rates and council tax receipts from regenerated areas would fund the cost of targeted intervention many times over once complete.

Repair the social contract

- Remove employer National Insurance contributions for the hiring of a young person who has been NEET for 12 months or longer, up to the age of 25.

- Give young people who have been NEET 6 months of free travel when they secure a job or apprenticeship, removing a practical barrier to taking up work and immediately demonstrating the value of having a job.

- Enable banks and building societies to offer a 'London Mortgage', allowing middle and higher earning renters with strong credit scores to borrow up to 6x their income rather than the traditional 5x. This would better reflect London property prices and make home ownership a realistic prospect for those who earn well but cannot afford to buy in the capital.

- Give first time buyers flexibility to divert their tax-free pension contributions towards a house deposit. From 18 to 28, young workers should have the option of diverting some or all of their own and their employer's contributions into a savings scheme for their first home, at no additional cost to employers.

- Require lenders and credit agencies to recognise rental payment history in mortgage applications, ensuring a track record of paying rent on time supports a mortgage application.

- Make work-readiness lessons mandatory in the secondary school curriculum from Year 9, giving young people the skills and understanding they need to enter the workplace and reducing the training and development burden on employers.

- Fund and deliver the largest national campaign in a generation to promote the value of apprenticeships for future earnings potential, targeted at both secondary school pupils and their parents.

Commentary

We are acutely aware of the national economic landscape and the Government's limited room for manoeuvre with large fiscal measures. We have aimed, therefore, to concentrate our asks on high impact growth stimulation measures that would require relatively small upfront investments, but deliver significant savings in the long term.

Reducing the tax burden on businesses in relatively small and targeted ways, or taking steps to make the country more internationally competitive is an investment and should be seen as such. We must make these investments if we wish to see UK-wide growth as the return. Some of the measures put forward in this submission are growth stimulation levers which the Government can choose to pull, at either very little cost, or no cost whatsoever.

While new infrastructure projects require real political will, can be expensive to deliver and take time to demonstrate their significant benefits, they are vital for maintaining the country's international competitiveness. With billions of pounds added to the UK economy and with the Elizabeth line accounting for 1 in 7 UK rail trips, nobody would now credibly suggest it should not have been built. Having used land value capture to fund and deliver the Northern line extension to Battersea Power Station, and a blend of funding methods to deliver the Elizabeth line, we are now failing to utilise these methods to deliver future infrastructure, which are proven to have been hugely successful and do not require taxpayer funding.

Make London the most attractive global city to do business in

London cannot be the best city in the world to do business in if it is also one of the most expensive. Businesses in the capital have absorbed rising taxes, growing regulatory burdens and higher employment costs. The message from London's business community is clear: they cannot afford any more costs. A meaningful reduction in the cost of doing business is an investment, and it is an investment which stimulates growth.

Reverse the 2025 increase in employer National Insurance contributions: The rise functioned as a direct tax on employment, levied not on profit but on the act of hiring itself. The evidence that it has harmed job creation is clear: employee jobs fell by 167,000 between October 2024 and April 2025, a fall outpacing the OBR's own expectation that the measure would only reduce labour supply by around 50,000.

For a business weighing up taking on an extra pair of hands, or taking a chance on a young person who has been NEET, this extra cost has resulted in that role not being filled. Entry-level and part-time roles have clearly been affected, directly feeding the national NEET crisis the Government is trying to tackle. Reversing it is the clearest signal the Chancellor could send that this is a

Government that wants employers to hire, and it is the most effective measure the Government could take to meaningfully lower the cost of hiring. If this successfully helps to reduce the number of those who are NEET, it also presents a reduction in the cost of the welfare bill.

In our exclusive polling, 74% of those business leaders surveyed said reversing the National Insurance increase would have a positive impact, with 56% more likely to invest if the increase was reversed.[2]

Deliver business rates reform that lowers the multiplier to at least 45p: Business rates are paid by firms before they earn a penny, tied to the value of premises rather than the health of the business inside them and disproportionately affecting the physical high street. A multiplier that has drifted above 50p, combined with a threshold that ignores London's property values, means a modest London shop or restaurant is treated as a large business simply because of where it is physically located. Cutting the multiplier to 45p and setting a London-realistic threshold would give retail and hospitality room to breathe, invest and grow. This should be a fairer settlement to encourage businesses to expand and hire, not as an opportunity to raise further revenue by the backdoor.

Abolish Sunday Trading Laws: The current rules restricting large stores to six hours of trading on a Sunday, which Margaret Thatcher first attempted to abolish in 1986, are a relic of a different era of retail and a different pattern of life. They have a specific impact on London as the capital, where seven-day footfall, tourism and shift-working households make Sunday one of the most commercially valuable days of the week. London's major shopping districts compete with Paris, Milan and Dubai for international visitor spend, and asking them to close at 5pm on a Sunday is a self-imposed restriction. No shopping hub in Dubai closes at 5pm on a Sunday. Businesses know their own footfall and levels of demand best. Allowing retailers and shopping hubs to decide when they should trade is a growth lever that can be pulled at zero cost to the Exchequer.

Ensure the Government's proposal to devolve a proportion of income tax and business rates revenue fairly reflects the tax receipts the capital generates: London is one of only two regions in the UK that pays more into the national exchequer than it receives, with a net fiscal surplus of £4,900 per person, and it generated £618 billion in economic output in 2023, 22.3% of the UK's GDP. A funding formula which fails to recognise this would establish an inherent unfairness at the heart of the new agenda: the part of the country doing the most to fund national growth given the least ability to invest in sustaining it.

A capital that cannot fund its own infrastructure and services eventually stops generating the surplus the rest of the country relies on. A funding formula which lets London reinvest a fair share of what it raises is not asking for the capital to be a special case, it is protecting the engine that helps deliver growth across the rest of the country.

Restore VAT-free shopping: Ending tax-free shopping in 2020 handed a direct competitive advantage to Paris, Milan and Madrid, where an international visitor can reclaim VAT on a

---

[2] LCCI Business Leaders YouGov Polling, August 2026

purchase that costs them a fifth more in London. The result is not that visitors stop spending, but that they spend elsewhere, taking with them the hotel nights, restaurant covers and wider tourism economy that high-value shopping trips anchor. The lost VAT was never the whole cost; the displaced spending across the visitor economy is the larger, unseen one. Restoring the scheme would help bring that spending back to London's streets.

Win the global investment competition

Designate King's Cross and the Elizabeth Line tech corridor as an AI Investment Zone: London is not merely competing to be the AI hub of Europe, it currently holds it: in 2025 the city reclaimed its position as Europe's top tech ecosystem, with London tech companies raising $17.8 billion, up 45 per cent on 2024, powered by a record $7 billion in AI investment, and it is now home to around 138 unicorns and ranks fourth globally behind only the Bay Area, New York and Boston. This is a position that must be defended against cities actively building to take it, and London lost the European top spot to Paris as recently as 2024 before winning it back. An AI Investment Zone along the King's Cross to Stratford corridor would create the regulatory and planning conditions to keep frontier firms clustering where the talent, capital and universities already sit. This is about compounding an advantage London has earned before a rival compounds theirs instead, helping to create high-skilled jobs across the whole country.

Support airport expansion at Heathrow, Gatwick and Luton: London's airports are the physical infrastructure of an open, trading economy, and the international gateways to the UK. Capacity constraints are a direct constraint on the UK's ability to connect to the markets it wants to grow into. Expansion delivered through private investment would add billions to the economy and create hundreds of thousands of high-skilled jobs without requiring public funding, while widening the trade and tourism links the whole country draws on.

Secure a pragmatic new deal with the EU: The EU remains the UK's largest trading partner, and the friction introduced since 2021 falls disproportionately on London's services, creative and hospitality sectors, which depend on both the ability to trade across the Channel and the ability to move skilled people. A pragmatic reset that eases trade barriers and improves mobility, including a reciprocal Youth Mobility Scheme for 18 to 30-year-olds of the kind the UK already operates with Australia, Canada and Japan, would restore access to talent that London's employers have lost without reopening the settled constitutional question. It is a growth lever available to the Government which does not come at a cost to the Treasury.

Extend the R&D tax relief regime to support AI adoption: The existing R&D regime rewards firms for inventing new technology, but the far larger prize for national productivity lies in getting existing AI tools into the hands of ordinary businesses that will not invent something, but could use AI to power their growth. An adoption credit covering qualifying costs such as software licensing, compute and staff training would reach the small and mid-sized firms where the productivity gap is widest, while also benefitting the firms offering those services. Rewarding adoption, not just invention, is how we can turn London's position at the forefront of AI investment into productivity growth across the whole economy.

Establish a five-year 'Listing Holiday': London is losing initial public offerings and, worse, losing existing companies to overseas exchanges. Each departure erodes the depth of capital, expertise and prestige that made the City a listing destination in the first place. A five-year exemption from Stamp Duty Reserve Tax on the shares of newly listed companies, paired with incentives for firms relocating their primary listing to London, targets the decision at the exact moment a founder or board is choosing between London and New York. Each firm who lists in New York rather than London represents lost future growth potential and job creation in the UK.

Get London building

Lay the legislation required for Crossrail 2 in Parliament by the end of 2027: The Elizabeth line has already proven the case its critics doubted during construction: on around 700,000 passenger journeys on an average weekday, TfL estimates it will deliver a £42 billion boost to the UK economy and has already supported the development of 55,000 new homes, on a line whose final cost came within its revised £18.8 billion target and was met through a blend of Government, TfL, Network Rail, business rates and developer contributions.

Crossrail 2 would do for the north-east to south-west axis what the Elizabeth line did for the east-west, unlocking housing and capacity that London's growth depends on from Surrey, through London and to Hertfordshire. Construction of the project would benefit firms supporting the supply chain across the country. Elizabeth line trains, for example, were built in Derby, creating hundreds of highly-skilled jobs. Laying the legislation by the end of 2027 costs little now but protects the route, the safeguarding and the delivery timetable, so the project is ready to build when the funding case, which land value capture can substantially carry, has been finalised.

Make land value capture the default funding model for new infrastructure: New transport infrastructure creates enormous value in the land and property around it, and under the current model almost all of that uplift accrues privately to landowners while the public purse carries the construction cost, an arrangement that makes every project look unaffordable in isolation. The Northern line extension to Battersea Power Station demonstrated the alternative, used successfully in other cities around the world; capturing a share of the uplift the project itself creates, and then using it to repay the project's cost. Making this the default for schemes such as the Bakerloo line extension and the DLR to Thamesmead would unlock tens of thousands of homes while shifting the funding burden off the taxpayer and onto the value the investment generates. It converts infrastructure from a spending request into a self-financing proposition, which is the only form in which a major scheme is credible when public money is scarce.

Meaningfully reduce the cost and bureaucracy of the planning system: London's planning system has become a machine for delay, and delay is a cost that compounds: every month a viable scheme sits in the process is a month of financing charges, held land and deferred homes, and the cumulative burden tips marginal developments from viable into abandoned. The appeals process in particular has become a lengthy default rather than a genuine backstop. Reducing the cost, complexity and duration of the system, without lowering the standards that protect quality and community, is the difference between a pipeline of homes and commercial space that gets built and one that exists only on paper. This should include going further on welcome Government reforms to unlock the 'grey belt', land with no ecological value incorrectly classified as green belt.

Establish 'London Prosperity Zones': There are sites across London where the public and economic case for new housing and infrastructure is clear, but where land costs, remediation or complexity mean the numbers simply do not add up for a developer, so nothing happens and the land sits idle. Industry experts Molior suggest that with development costs so high, it is unviable to build profitably in half of London.[3] No housing developer will build to make a loss.

Targeted incentives aimed specifically at these viability-gap sites, rather than blanket subsidy, would bring forward development that would never otherwise start, on land that delivers a clear public return. This is precision support for the places where a small intervention unlocks a huge amount of building and regeneration, actively improving London's communities and local facilities. Increased business rates and council tax receipts from regenerated areas would fund the cost of targeted intervention many times over once complete.

Repair the social contract

Our rivals are not just competing for investment. They are competing for people, who are choosing where to invest their futures. Businesses cannot hire the skills they need, and young people, no matter how hard they try or how skilled they are, cannot find a job. Nobody wins from this. A workforce that is not fit for the future is not only bad for business and growth; not being able to find a job, develop essential skills and climb the career ladder in the way that every recent generation has will fundamentally impact how this cohort sees the value of work.

If London cannot be a city where high-quality talent can build a career, afford to enjoy living in the best city in the world and eventually buy a home or start a family, we will see other cities and countries around the world become more attractive prospects, and they will benefit from growth instead. If we cannot repair the social contract and convince the best talent to choose London and invest their futures here, the UK will not achieve its shared growth ambitions. We can choose to fix this, repair the social contract with the next generation and help deliver growth across the country.

Remove employer National Insurance contributions for hiring a long-term NEET young person: A young person who has been out of education, employment or training for a year or more is precisely the candidate an employer is most reluctant to take a chance on, because the perceived risk and training cost are highest, and every month out of work makes the next job harder to get. That, combined with the forthcoming Employment Rights Act, risks making the hiring of a young person who has been NEET unviable for many businesses, especially SMEs.

Removing employer NICs entirely for hiring these young people up to the age of 25 directly lowers the cost of taking that chance, tilting the marginal hiring decision towards giving them a start. It targets public support at the exact group whose exclusion from work carries the highest long-

[3] https://www.moliorlondon.com/media/molior-report-media-2025/10/molior-residential-development-in-london-q3-2025-v3.pdf

term social and fiscal cost, and it pays for itself many times over if it moves a young person from a lifetime using the welfare system to a lifetime in employment.

Give young people who have been NEET 6 months of free travel when they secure a job or apprenticeship: For a young person taking their first job or apprenticeship, the upfront cost of getting there, before the first pay packet arrives, is a real and frequently cited barrier, and in London, where fares are a meaningful share of an entry-level wage, it can be the difference between accepting a role and turning it down. Six months of free travel removes that barrier at the precise moment it bites hardest, the transition from not working to working, and withdraws naturally once the young person is established. It is a small, targeted intervention against a problem that routinely appears in the evidence on why young people struggle to take up work, and it is a way to immediately demonstrate to young people that it is more beneficial to have a job than not.

Enable banks and building societies to offer a 'London Mortgage' at 6x income: London's house prices sit so far above the national picture that the standard cap on borrowing at around 4.5 to 5 times income locks out even high-earning professionals with secure jobs and strong credit, people who comfortably afford rent far in excess of a mortgage payment yet are told they cannot borrow to buy. Giving lenders the regulatory flexibility to offer creditworthy London borrowers up to 6x income would align lending rules with the reality of London prices and let people who demonstrably can afford to own actually do so. Those who can afford to rent privately in London over the long term can usually afford to buy.

This is not a demand subsidy poured into a frozen market: paired with the supply measures above, it is what allows new homes to convert into ownership for the people they are built for, rather than sitting unsold above the reach of the very buyers who need them. For those looking to sell and move to a bigger home, pulling this lever would also help to unblock the housing market, which is struggling because there are so few Londoners in a position to buy.

Give first-time buyers flexibility to divert tax-free pension contributions towards a deposit: The deposit, not the monthly payment, is the wall most young Londoners cannot climb, and the current system asks a 23-year-old to lock savings into a pension they cannot touch for four decades while renting indefinitely because they cannot save a deposit. The UK's system for saving for retirement is largely built on the majority of pensioners being mortgage-free homeowners by the time they retire. Given that a significant proportion of young workers will not be mortgage free or homeowners at all by the time they retire, the existing pension contribution system is built for the housing market as it existed forty years ago, not as it exists today.

Allowing 18 to 28-year-olds to redirect some or all of their own and their employer's contributions into a first-home savings scheme lets them build the deposit during the years it matters most, then return to building a pension thereafter, at no additional cost to employers. Home ownership is itself a form of retirement security, so this is less a raid on the future than a reordering of when each form of security is built, prioritising the foundational asset first.

Require lenders and credit agencies to recognise rental payment history: At present, a renter who has paid consistently on time for years can be refused a mortgage with lower monthly payments, because the single most relevant piece of evidence, a proven track record of meeting a housing cost, counts for nothing in their lender's assessment of them. Requiring lenders and credit agencies to recognise consistent rental payment as evidence of creditworthiness closes that gap at no cost to anyone, rewarding exactly the financial discipline the system claims to want. Some lenders already do this voluntarily; making it standard would extend the benefit to every reliable renter.

Make work-readiness lessons mandatory from Year 9: Too many young people leave education without the practical understanding of the workplace that employers assume, from how to apply and interview to how a workplace actually functions, and the gap falls hardest on those without family networks to fill it in. Building work-readiness into the secondary curriculum from Year 9 would give every pupil that grounding regardless of background, reducing the training burden that currently falls on employers and, more importantly, levelling a playing field that is currently tilted by who you know rather than what you can do. It is an investment in social mobility that pays back as a more work-ready generation.

Fund and deliver the largest national campaign in a generation to promote apprenticeships: For too long apprenticeships have been treated as the second-best option, the route for those who did not get to university, when for many young people they are the better path to strong earnings and a career without debt. That perception is sustained by a vacuum of public information, and it is reinforced at home from an early age, with parents steering children towards the most commonly understood route. Given the current challenges in the graduate job market, a significant number of young people would find themselves better off having completed a high-quality apprenticeship over a traditional degree. A national campaign, aimed at pupils and parents alike and setting out the real earnings and career outcomes apprenticeships deliver, would begin to shift a cultural bias that costs both young people and the employers who need their skills.