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IT industry raps government

Dissatisfaction with tax policies at root of grievances

Senior UK IT leaders have hit out at government tax policies, claiming they do not support IT sector growth.

IT is the second largest sector in the UK economy, responsible for 6.4 per cent of gross domestic product and trailing only financial services at 7.5 per cent.

But an independent survey found 54 per cent of senior IT professionals felt the government's support for the IT sector was poor, and specifically criticised policy, not global economic conditions, for the current position.

Eighty per cent felt the Conservative party has a better understanding of the IT sector.

Of particular concern to respondents was research and development (R&D) tax credit policy, seen as good for small firms, but not larger businesses.

"The real value of the tax credit for big businesses is not enough to break through the noise level for chief financial officers of large, international companies," said Tom Wills-Sandford, deputy director general at IT trade body Intellect.

"R&D is fundamental to the success of the UK's knowledge economy and the UK has lagged behind its international competitors."

In October 2007 "taper relief", which gave tax relief according to type and level of investment, was replaced with a flat 18 per cent rate capital gains tax in effect increasing the tax on investment in smaller businesses.

The Conservatives say they would restructure capital gains tax to favour innovative new businesses. Shadow chancellor George Osborne recently visited Silicon Valley, and the opposition is claiming that it understands the importance to the economy of developing a home-grown IT industry, according to shadow financial secretary Mark Hoban.

"Current government policy is a kick in the teeth for those investing in IT companies," he said.

The Department of Business, Enterprise and Regulatory Reform (BERR) said more than £2.3bn of support has been given to business R&D through tax credits.

"The government is not putting enough energy into supporting IT," said Chris Williams, partner at corporate finance specialist Cobalt, which surveyed 107 members of the Worshipful Company of Information Technologists last month.

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Dissatisfaction with tax policies at root of grievances, says survey

TOM YOUNG

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Osborne: Growing a UK-based IT industry is vital to the economy

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The two sides of government IT, 4
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DWP upgrade drives £1.5bn energy savings

TOM YOUNG

The Department of Work and Pensions' (DWP) IT upgrade will save £1.5bn in energy costs by the end of 2010.

Server consolidation and a refresh of all laptops and desktops will be the chief contributors to the annual saving of 50 GigaWatt hours.

Frank Tudor, director of supplier relationship and performance management at the DWP, said the IT refresh, which began in 2005, became increasingly about saving energy.

"The primary driver was a necessary refresh – the green agenda came in later in the programme, but it has become vital for the organisation," he said.

The DWP has transferred its

entire infrastructure to supplier EDS as part of a managed hosting deal paid for on a per-user per-month basis. This utility model drives energy-efficiency incentives for EDS.

More than 140,000 laptops and desktops have been replaced with more energy-efficient models; 25,000 machines have been scrapped, and 2,500 servers in six datacentres consolidated to 40 servers in two locations.

DWP's call centre – one of the largest in Europe – has been moved to an IP-based network.

Software from supplier IE is used to switch off all PCs at evenings and weekends, and a management system is used to put printers into sleep mode.

"We have used sustainability



The DWP, based at the Adelphi building in London, has cut IT energy use by 50 GigaWatt hours per year

and cost-savings to drive through improvement," said Tudor.

But organisations should be wary of overplaying the environmental aspects of more efficient IT systems, said Gartner analyst Mark Raskino.

"A tendency to directly equate

green IT issues with lean IT will lead to deceptive short-term progress, and we believe it will equally often lead to longer-term pain," he said.

Whitehall must push green IT
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