

# Spending Review 2025 (Phase 2) Stakeholder Representation

Comments from ACCA to a public opportunity to make representations to HM Treasury

**7 February 2025**

**REF: TECH-CDR-2206**

## **About ACCA:**

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500 members** and **526,000 future members** in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at: [www.accaglobal.com](http://www.accaglobal.com)

## **For further enquiries please contact:**

Glenn Collins  
Head of Technical and Strategic Engagement  
[glenn.collins@accaglobal.com](mailto:glenn.collins@accaglobal.com)

Gemma Gathercole  
Strategic Engagement Lead  
[gemma.gathercole@accaglobal.com](mailto:gemma.gathercole@accaglobal.com)

## GENERAL COMMENTS

---

Our feedback is focused on key business areas where we believe investment is needed to modernise government functions, both to respond to a changing world, and to maximise the UK's growth potential. The policy areas covered provide the foundations of our economy, such as taxation, skills, and regulation. Many of these functions have suffered from cumulative piecemeal policy changes over many years, resulting in complexity, as well as poor investment in systems and data use. The knock-on impact of this approach has led to poor outcomes for government and users, and consequent erosion of trust by public and businesses.

Future spending should secure a framework of government regulation and services fit for the future, encouraging domestic and international businesses to invest while seizing the potential of AI and the net zero transition:

- Longer-term (multi-year) spending commitments are critical to incentivising business investment, for example in relation to fiscal policy, while a multi-year budgeting approach in public finance is crucial to enabling public sector investment and increasing preventative-spend.
- Our tax system is too complex, creating a headache for tax compliance and collection. The government should commit to a comprehensive review of the tax system, acknowledging that this may need to last beyond the term of the current parliament.
- While there have been welcome moves to improve HMRC, additional resources have been weighted towards reactive, rather than preventative, interventions. Resources allocated need to be balanced towards investment in training and better customer service, to prevent mistakes or confusion arising in the first place, as well as better preparation for the forthcoming large-scale change of Making Tax Digital. We agree with the recommendations within the Funding the Nation report by the Association of Revenue and Customs.
- Government and HMRC should recognise the value of the value professional body regulated agents in supporting the tax system. Professional body regulated agents can provide additional trusted resource to more effectively manage HMRC's workload. Agents should be able to support their clients and HMRC by having access to additional responsibilities through their agent access, this would reduce demands on HMRC customer service, and restricting areas like R&D claims to professional body regulated agents would help reduce fraud and error.
- Trusted, effectively resourced regulators are key to a healthy business environment, as well as making the UK an attractive centre of global investment. The government should ensure that regulators provide appropriate protections for their areas of responsibility but also should have a requirement to support businesses to grow. The UK government should ensure plans to

proceed with corporate governance improvements, such as audit reform and the establishment of new regulator ARGA, remain on course. Similarly, funding commitments should provide increased enforcement powers for the Office of the Small Business Commissioner, ensure Companies House is sufficiently resourced to allow for quicker clean-up of and improvements to the integrity of their Register.

- As international trade remains a key priority, continuing to resource the UK's international networks will be key. Organisations that contribute to our 'soft power' play an important role in building connections and need to be safeguarded.
- The professional services sector, including accountancy<sup>1</sup>, makes an important contribution to the UK economy<sup>2</sup>, and we need to support the continued expansion of the sector's talent pipeline. This includes maintaining higher-level qualifications such as Level 7 apprenticeships, prioritising improvements to the mutual recognition of professional qualifications in international markets, and further incentivising productivity-boosting training, such as digital skills, across SMEs.
- The spending review is an opportunity to set out a clear route map on government investment in on technology (including AI) and meeting our net zero commitments (in addition to clean energy ambitions) to provide businesses, especially smaller firms, with certainty and reassurance about the areas on which they will be required to act, and where government support will be available.

## **Economic Conditions**

ACCA conducts the Global Economic Conditions Survey (GECS), jointly with the Institute of Management Accountants (IMA), and it is the world's largest regular survey of accountants, both in terms of the number of respondents and the range of economic variables monitored.

The survey results for Q4 2024<sup>3</sup>, covering UK small and medium-sized enterprises (SMEs) make sober reading and point to the risk of stagflation:

- Confidence among SMEs fell to its lowest in the survey's history, as did the indices on employment and investment in staff. Globally, the confidence index also fell, but remained above its historic low, Q2 2020. The UK SME Capital Expenditure Index is also at a low level by historical standards. Meanwhile, almost three quarters of respondents reported increased operating costs – significantly above the historical average.

---

<sup>1</sup> [CCAB The Accountancy Profession in the UK and Ireland](#)

<sup>2</sup> [Intuit Accounting for the SMB Economy](#)

<sup>3</sup> [Global Economic Conditions Survey: Q4 2024](#)

- Feedback in the survey suggests that the recent UK Budget, particularly the rise in National Insurance contributions for employers, has had a very significant negative impact on the sentiment of firms.

Coming against a backdrop of ongoing uncertainty, this economic data underlines the importance of the government's commitment to longer term spending reviews. Clear plans for investment, minimising fiscal uncertainty, ensuring appropriate service standards and speed around decisions are needed to support businesses to plan and have confidence to invest and scale.

Alongside this submission, we have also recently submitted responses on the Industrial Strategy<sup>4</sup>, the Trade Strategy<sup>5</sup>, and will respond on the Small Business in due course. Considering the economic and business uncertainty highlighted by the GECs results, we would urge the government to ensure that each of its strategies are appropriately connected to each other and other to other government departments and policy activities. We have seen in the apprenticeship space a disconnect between education policy and the industrial strategy, and for businesses to effectively plan and invest, they need more stability and clarity of policy direction.

## **Taxation**

Through our strong body of research<sup>6</sup>, ACCA believes that the three foundations for a good tax system are: simplicity, certainty, and stability. However, for a long time, often well-intentioned changes have been made to the UK's tax system on a piecemeal basis many times over, leaving us with a hopelessly complex framework, prone to mistakes, misinterpretation, and abuse.

Building on ACCA's core principles we believe the government needs to conduct a full-scale review of the UK tax system. Fundamental to reform is a more systemic approach to taxation, including the impact of challenges including increased digitalisation, demographic shifts and climate change, which all have implications for current and future revenue, issues we explore in more depth in our recent publication: *Where next for tax and ethics in the 21st century*<sup>7</sup>?

While giving due consideration to the review, once it is complete, the government should set out the timelines, over the course of one or two parliamentary terms to revise the tax system to one that is fit-for-purpose to encourage innovation, foster economic growth, support robust tax take and remove barriers to compliance and complexity for business.

---

<sup>4</sup> [ACCA Industrial Strategy Response](#)

<sup>5</sup> [ACCA Trade Strategy Response](#)

<sup>6</sup> [ACCA Foundations for a Sound Tax System: Simplicity, Certainty, Stability](#)

<sup>7</sup> [ACCA Policy and taxation: Insights and trends in global tax policy](#)

Notwithstanding the need to simplify our taxation system, professional accountants are an essential element of the global tax ecosystem. Whether through their direct support of taxpayers and governments in developing and implementing tax policy and compliance mechanisms, or in recording and verifying the measures of value on which tax systems rely. There is an opportunity to improve efficiency across government and for business, including agents, to modernise how UK tax authorities work with professional accountants.

Government and HMRC should recognise the value of timesaving and trust offered by professional body regulated agents. We believe there would be benefit to the exchequer and HMRC in restricting areas of tax to professional body qualified agents. HMRC should seek to enable professional body regulated agents to provide services which can provide time and resource savings for HMRC, for example, restricting the claiming of tax incentives, like Research and Development (R&D) to professional agents and in areas such as altering information like tax codes. Too often, agents report long and expensive delays for them and HMRC in sorting low tax risk administrative areas and are frustrated that improvement measures which would enable them to 'self-serve' more efficiently, are not being prioritised.

### HMRC Service Standards

We have highlighted in many submissions to government<sup>8</sup> that the service standards provided by HM Revenue and Customs (HMRC) continue to be unacceptable. This creates significant issues for businesses, their agents, for HMRC itself and more critically for the UK tax system and the economy.

Despite raising concerns directly with HMRC, standards are not improving, as noted in the recent HMRC Charter report<sup>9</sup>. We have repeatedly highlighted the need for investment in HMRC to tackle this area. Repeated surveys of our members demonstrate declining performance over time:

<b>To what extent, if any, have HMRC services levels impacted on productivity and efficiency for your organisation and/or your clients' organisations?</b>		<b>Oct 2023</b>	<b>Mar 2024</b>	<b>Aug 2024</b>
	<b>Positive impact</b>	4%	2%	1%
	<b>No impact</b>	33%	25%	7%
	<b>Negative impact</b>	52%	66%	89%
	<b>N/A</b>	10%	7%	3%

<sup>8</sup> [ACCA most recent budget submission](#)

<sup>9</sup> [HMRC Charter annual report 2023 to 2024 - Charter Survey](#)

While ACCA welcomes the additional investment in HMRC announced in the Autumn Budget, we are concerned that this does not address the scale of underperformance.

- Further investment needs to be made in the ongoing training of HMRC staff to ensure that agent and tax payer questions are effectively answered, repeat correspondence is connected and knowledge is transferred so customer service improves.
- As highlighted above, requiring certain areas of tax to be dealt with only by professional body regulated agents would reduce the overall level of fraud and error in tax submissions given the professional and ethical standards that agents are required to uphold.
- We are aware that HMRC will shortly launch a consultation on e-invoicing. This is a focused initiative that could assist businesses securing prompt payment, improved access to finance, and reduced tax risk for the exchequer and businesses. This should be a focused area of work for HMRC within the spending review period.
- Making Tax Digital (MTD) – we wrote to the Exchequer Secretary to the Treasury in 2024 to highlight our concerns about the impact of introducing MTD for Income Tax and Self-Assessment in 2026. We are concerned the proposed approach to gathering quarterly information is overly-complex, with knock-on cost implications for small businesses and the self-employed, as well as for HMRC’s workload. We propose a revised, simpler, approach to the information provided on a quarterly basis to increase the chance of achieving the aims of the project. In the interim, there is a need to ensure HMRC is sufficiently resourced to implement this significant change project.

## **Corporate Governance**

ACCA believes that in order to nurture growth, action is needed to strengthen and simplify the regulatory framework. We are supportive of measures to strengthen trust and public confidence, which brings benefit to society and the UK economy more generally. We believe that both internal and external investment are hindered by uncertainty and instability in the economy.

In our response to the industrial strategy consultation<sup>10</sup>, we noted that high quality corporate governance drives performance and accountability and the UK remains a global leader when it comes to corporate governance, with countries around the world looking to UK leadership.

Notwithstanding this leading position, we believe planned reforms to audit, and corporate governance are essential to enhance trust in financial reporting and corporate governance. While we were pleased to see this referenced in the King’s Speech, the legislation has not yet progressed, and recent media reports suggest potential for watering down proposed reforms. We

---

<sup>10</sup> [ACCA Industrial Strategy Response](#)

believe that the legislation to establish the new regulator, the Audit, Reporting and Governance Authority (ARGA), should be introduced without further delay. It should:

- Establish ARGA on a statutory footing, with a statutory levy.
- Ensure a focus on the responsibilities of all directors.

Pushing forward with audit reform will highlight the importance of the UK being a good place to invest and do business, and finally making real progress on audit and corporate governance policy.

While we note and welcome the reforms being undertaken through Companies House, we remain concerned about the lack of a single reference point for all company data. We believe the government should explore, through ARGA or Companies House, the development of a single reference point designed and built for end-user requirements.

## **Trade**

Accountancy is a cornerstone profession of international trade and building on our recent feedback<sup>11</sup> to government on the UK's trade strategy. In relation to the Spending Review, the government should:

- Ensure there is sufficient access to finance, particularly for SME exporters. Utilise the experience of the British Business Bank on the provision of their programmes and build market capacity to provide cost effective insurance for SME exporters, for example considering how a pooled arrangement might be more effective. Programmes like BBB's British Growth Partnership (BGP) and Industrial Strategy Scale-Up would also support businesses to grow internationally, while staying and growing in the UK.
- Commit to funding of relationship building entities with a long-term settlement to allow these bodies to focus on long-term relationship building. As part of our global footprint supporting the accountancy profession, we rely on partnerships with organisations with similar goals, including the British Council, the UK-ASEAN Business Council, and the UK India Business Council.
- Continue to fund recently launched Soft Power Council and related activities to ensure that the UK's soft power assets are mobilised to support the Government's ambitions. ACCA and the accountancy profession is well placed to play a central role in supporting the Government's soft power and broader economic growth aims.
- Recognise the value of the UK's R&D and innovation ecosystem and the role it plays in international investment (including FDI). Ensure that any new schemes further encourage firms to experiment and develop new productivity-boosting solutions.

---

<sup>11</sup> [ACCA Trade Strategy Response](#)

## Public Sector

As the government seeks to respond to unprecedented pressures on public services, our recent research<sup>12</sup> on public sector productivity highlights the importance of changes to public finances in order to drive a more efficient, outcome focused, longer-term approach:

- Align budgets with strategic priorities.
- Commit to multi-year budgets to incentive investment (whether in frontline services or new digital systems) and drive greater use of preventative spend when budgeting.
- Leverage technology and data analytics to streamline processes and support evidence-based decision-making, including supporting investment in incremental improvements in public sector digital systems.
- Ensure adequate funding is available to train public sector workers on new approaches and systems, as well as incentivising collaboration with other parts of the public sector to drive modernisation.

## Skills

Demand for professional finance skills is growing, with many employers unable to recruit the talent they need. Across the wider economy, spending on training has declined amongst a complex skills landscape where employers struggle to navigate training opportunities and funding.

To address the skills and employability challenges within the UK<sup>13</sup>, ACCA's four key skills recommendations are as follows:

- Introduce a Skills Tax Credit Pilot<sup>14</sup> which enables SMEs to offset up to £5,000 of the cost of selected accredited training from their tax liabilities.
- Review the career guidance and support landscape in England to identify gaps or weaknesses in provision.
- Review the apprenticeship levy to ensure it is fit for purpose but retain funding for higher-level apprenticeships where they contribute to the overall industrial strategy.
- Ensure that mutual recognition of professional qualifications and trade in services are at the heart of ongoing and future Free Trade Agreement negotiations between the UK and other nations to expand opportunities for exchange of talent and support social inclusion.

---

<sup>12</sup> [ACCA A productive approach: Finance professionals improving public sector productivity](#)

<sup>13</sup> [ACCA Policy Prospectus](#)

<sup>14</sup> [ACCA Skills development: Policies for enhancing the employer ecosystem](#)



## Sustainability and AI

ACCA is leading the profession worldwide in inspiring, educating and ensuring that professional accountants are essential drivers of a sustainable future for business, society and the planet. Accounting professionals play a vital role in making businesses sustainable, reporting on that sustainability, and assuring those sustainability reports. While the UK is a leader on many aspects of sustainability, there is undoubtedly more to do to meet our climate ambitions.

- Support businesses to prepare for change by developing a clear roadmap to achieving net zero in the UK, including fiscal change and support for business. This would be a relatively low cost for government but would provide businesses with the understanding of where government activity will occur and what would require business to invest for themselves.
- We believe the British Business Bank's Growth Guarantee Scheme and Green GGS would support businesses to invest in the right places alongside that roadmap.
- Support the development of an ecosystem for trustworthy AI within the context of a clear, prescriptive government-led, principles-based regulatory framework.
- Adopt the 'Think Small First' principle to ensure business guidance is proportionate, practical and achievable for smaller firms. Similarly, the UK's climate reporting policy should ensure all businesses, but particularly micro and small businesses, have good support to understand, measure, disclose and reduce their carbon emissions.
- Engage the business and professional services sector to the workstreams of the Net Zero Council to ensure connectivity between business activity, data collection and reporting, ensuring interoperability so business can take advantage of international markets to grow.