Budget 2026 – Stakeholder Representation

Comments from ACCA to a public consultation issued by HM Treasury

9 September 2026

About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), the only truly global professional accountancy body. Since we were founded in 1904, we've been breaking down barriers to the accountancy profession. Today we proudly support a diverse community of over 266,100 members and 546,500 future members in 179 countries.

We're redefining accountancy. Our cutting-edge 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 lead and drive sustainable value in organisations and economies worldwide.

Guided by our purpose and values, we're leading the accountancy profession for a changed world. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that focuses on people, planet and prosperity to create value for all.

Find out more at: www.accaglobal.com

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GENERAL COMMENTS

- In the UK ACCA has over 105,000 members working in accountancy and finance roles up and down the country, across all sectors, public and private, from micro businesses to large firms, helping individuals, organisations, and businesses to thrive. As a chartered professional body, we operate in the public interest; ensuring our members operate to the highest technical and ethical standards, and we conduct independent research globally to advance the profession for the public good.
- The accounting profession makes a significant contribution to the UK economy. In 2022, it is estimated that the profession directly contributed £80.7 billion to UK GDP and was responsible for an estimated tax contribution of approximately £10.1 billion to the UK Exchequer[1].
- Accordingly, the Professional and Business Services sector is identified as one of the eight key sectors in the UK's Modern Industrial Strategy. We work closely with government and other partners to realise the accountancy profession's growth potential, both in the domestic market and, through the promotion of the UK's expertise and high standards, internationally.
- As trusted advisors to business, our members are well-placed to provide early and unique insight into business confidence and economic circumstances. This submission is informed by insight shared by ACCA members working in sectors from financial services, and industry, to public practice and the public sector, across all parts of the UK. The tell us that business confidence is muted and lacks the confidence in the economy that businesses need to invest and grow.

Key recommendations:

- Reducing tax complexity is key for business confidence and growth: Our tax system is too complex, leaving it open to time-consuming mistakes, unintended consequences, ineffective growth incentives, abuse by bad actors in the market and an avoidable increase in HMRC's workload. The government should avoid any further complexity in the system, but we need to see a long-term programme of tax review and planned, phased simplification. We should start with commissioning analysis to provide a deeper understanding of the root causes behind Corporation Tax's contribution to the UK tax gap. Ultimately, coupled with greater responsibility for professionally qualified tax agents, this would reduce the possibility of fraud and error and reduce demand on HMRC services.
- Reducing business costs is a must: Business costs are an acute challenge preventing investment and growth in the economy, with two thirds of our members reporting a negative outlook for the UK economy. Further help on business costs is required, especially for tax-generating labour-intensive sectors such as hospitality. To support growth, we believe the government should selectively reduce the rate of VAT on labour intensive businesses to 5% including hospitality and leisure.
- Business environment stability is essential: Businesses are pessimistic about the outlook

[1] https://www.ccab.org.uk/the-accountancy-profession-in-the-uk-and-ireland-2/

for the economy, driven by continued uncertainty about the government's response to the challenging fiscal environment. While we welcome the government's ten-year plan, firms want clarity about tax and spend plans so they can plan ahead.
- Focus on HMRC training and capacity to improve efficiency and efficacy of the tax system: While we have seen a marginal reduction in levels of dissatisfaction with HMRC from our members, service levels are still too low, not least given the substantial changes arising from the roll out of Making Tax Digital. We recognise the investment made in HMRC's tax investigation and recovery capacity, but we also need to see investment in the training and capacity of those handling routine tax enquiries, including the appropriate uses of AI. Professional agents can be part of the solution – enabling them to undertake more tax tasks, would further reduce the pressure on HMRC.
- Strategic retention of apprenticeship funding for key sectors: Retain apprenticeship levy funding for higher-level (Level 7) apprenticeships where they contribute to the overall industrial strategy or up to the age of 24 alongside the government's other incentives to support young people into work. Indicators suggest that staff investment is low and for growth sectors the ability to access and develop talent is vital. There is a risk to further growth if firms start to offshore activity to address a lack of available talent and lack of support to invest in the development of new talent.

Simplifying the UK's Tax System

We believe that the complexity of the UK's tax system holds back investment and economic growth.

Through our strong body of research[2], 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. This creates unnecessary extra burdens for HMRC, unnecessary work for agents correcting HMRC and undermine tax-payer confidence. Tackling such complexity needs to be a priority for the government.

With the UK's tax gap estimated at £59.2 billion for 2024-25, it seems likely that complexity plays some role in our failure to collect estimated tax due, with Corporation Tax responsible for the greatest gap, according to HMRC. We believe it's crucial to better understand what drives confusion and problems with our tax system. As a first step, we are keen to see further analysis done on the Corporation Tax gap, exploring the areas of biggest loss and understanding the root causes behind non-collection.

Undertaken with stakeholders, including accountancy professional bodies such as ACCA, such analysis would help us understand the causes behind the Corporation Tax problems. For

[2] https://www.accaglobal.com/gb/en/professional-insights/global-profession/foundations_tax.html

example, are there opportunities for reform and simplification or is better guidance and education required? Alternatively, this may be an area of tax subject to specific abuse that requires better targeted compliance.

Longer term, to future proof the UK's tax system, and in line with ACCA's tax tenets[3], 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 publication *Where next for tax and ethics in the 21st century*[4]? While we recognise wholesale change to the tax system would present too high a risk to stability and confidence, a commitment to a framework for the systematic review and phased implementation of changes is required.

For businesses, the complexity of our system absorbs precious business time. It means an individual micro or small business has to navigate a multiplicity of different systems and thresholds across the tax system, rather than the system working around the small business. Whether VAT, ITSA, Corporation Tax, or Capital Gains Tax, or reporting requirements for MTD ITSA, there are many different cliff edges for small businesses and none of them are consistent, while overlaps in reliefs such as Investment Allowances makes them less effective. Even within these groupings, there are further complications, including differences for certain sectors, cash or accruals-based accounts (MTD ITSA reporting and unincorporated businesses is based on cash, while VAT could be based on accruals, cash or flat rate) and sliding scales of marginal rates; all of which can make it more difficult for a business to calculate its tax liability, cause confusion and take up precious time which should be focused on business growth.

Each time changes are made to one fiscal measure, this will often have knock-on implications on behaviour, for example the implications for employment from changes to Employers' NICs and a small business's Employment Allowance. Similarly, where thresholds continue to be frozen, we increasingly bring previously non-taxpaying individuals into scope of the tax system. Typically, these will be pensioners, unrepresented individuals and the low-paid, further adding to HMRC's workload. Careful consideration should be given to whether the costs of compliance associated with such changes, as well as public confidence, are outweighed by monies raised.

Lastly, as the UK increasingly considers how further fiscal devolution can support the growth ambitions of the UK's nations and regions, we should consider how to achieve greater devolution within the context of a modern, simplified tax system. As a global organisation, ACCA would be pleased to work with the UK government to understand how different countries

[3] https://www.accaglobal.com/uk/en/professional-insights/global-profession/twelve-tenets-of-tax.html, https://www.accaglobal.com/uk/en/professional-insights/global-profession/tenets-of-business-law.html and https://www.accaglobal.com/uk/en/professional-insights/global-profession/tenets-of-good-corporate-governance.html
[4] https://www.accaglobal.com/gb/en/professional-insights/global-profession/policy-taxation.html

balance the needs of geographically divergent tax landscapes with an effective, efficient tax system.

Improving HMRC and recognising the Value of Professional Agents

As highlighted above, incremental complexity in our tax system has undoubtedly added to HMRC's workload in recent years. Recent changes, such as Making Tax Digital for Income Tax and Self-Assessment (MTD ITSA), which represents a significant difference in how many taxpayers file information with HMRC, will also have had an impact on capacity.

Last month saw the first filing deadline for the first stage of MTD ITSA. While it is too early to tell if this has achieved the objective set by the government, it has undoubtedly created new requirements for HMRC, in relation to new systems, guidance and communications with taxpayer and their agents. We are concerned that HMRC is not well positioned to cope with these additional burdens.

In recent years we have repeatedly highlighted that service standards provided by HMRC to taxpayers and their professional agents are unacceptable. Feedback from our members suggests that improvements are being seen in the service provided, which we welcome alongside the publication of the transition roadmap, but it still represents significant underperformance. We know from research undertaken jointly with the OECD and other bodies[5] that tax morale tracks closely with taxpayers' experiences of their local administration creating a virtuous circle of improved compliance and reduced administrative costs where effective and easy to use services are provided free of charge. Conversely a poor opinion of the tax authority's interactions with taxpayers will lead to reduced trust and runs the risk of eroding voluntary compliance.

Despite raising concerns with HMRC both directly and through our engagement in the Charter Stakeholder Group, progress on aspects of customer service is too slow. Too often, agents report being treated poorly by HMRC representatives and are frustrated that improvement measures which would enable them to 'self-serve' more efficiently, are not being prioritised. We have repeatedly called for greater investment in HMRC to tackle this area. While we believe some of these concerns have been heard by HMRC, repeated surveys of our members demonstrate sustained negative impact on productivity and efficiency, with some of our members documenting the unproductive hours they spend on hold to HMRC telephone lines each month.

In response to the question: 'To what extent, if any, have HMRC services levels impacted on productivity and efficiency for your organisation and/or your clients' organisations?' we have monitored HMRC's performance over time:

[5] Public Trust in Tax 2025: Asia and beyond and earlier reports in the series

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	Oct 2023	Mar 2024	Aug 2024	Mar 2025	Aug 2025	Aug 2026
Positive impact	**4%**	**2%**	**1%**	**1%**	**2%**	**4%**
No impact	**33%**	**25%**	**7%**	**21%**	**29%**	**28%**
Negative impact	**52%**	**66%**	**89%**	**67%**	**57%**	**54%**
N/A	**10%**	**7%**	**3%**	**11%**	**12%**	**14%**

We note the additional resources committed to improving HMRC's compliance activity in recent years. However, we strongly believe that improving the capacity and capability of frontline staff at HMRC should be a priority. Further investment needs to be made in the ongoing training of HMRC staff to ensure that agent and taxpayer questions are effectively answered, repeat correspondence is connected and knowledge is transferred so customer service improves.

A clear solution to help relieve pressure on HMRC, would be to enable professionally qualified agents to undertake more tax-related tasks, such as altering tax codes, on behalf of taxpayers. Such agents are regulated by their professional bodies and expected to uphold high professional and ethical standards, ensuring accountability in the system. Furthermore, ensuring only professional agents can undertake certain tasks, such as claiming certain tax incentives, would help to 'protect' the system from bad actors, who have previously exploited loopholes that arise from complexity within the tax landscape.

The UK government has acknowledged the value of ensuring good advice for taxpayers by moving forward with the recent registration of tax advisors, as well as continuing discussions about how to further raise standards and ensure taxpayers can have confidence in the advice they receive. We welcome this progress but believe there is more to do to recognise the role of professionally qualified advisors and the value they bring to our tax system.

Maximising Business Confidence

Evidence from our members, and the businesses and organisations they advise, suggests sustained negative sentiment about the UK's economic prospects. Reducing costs on business and creating the right conditions for growth must be priorities for the government.

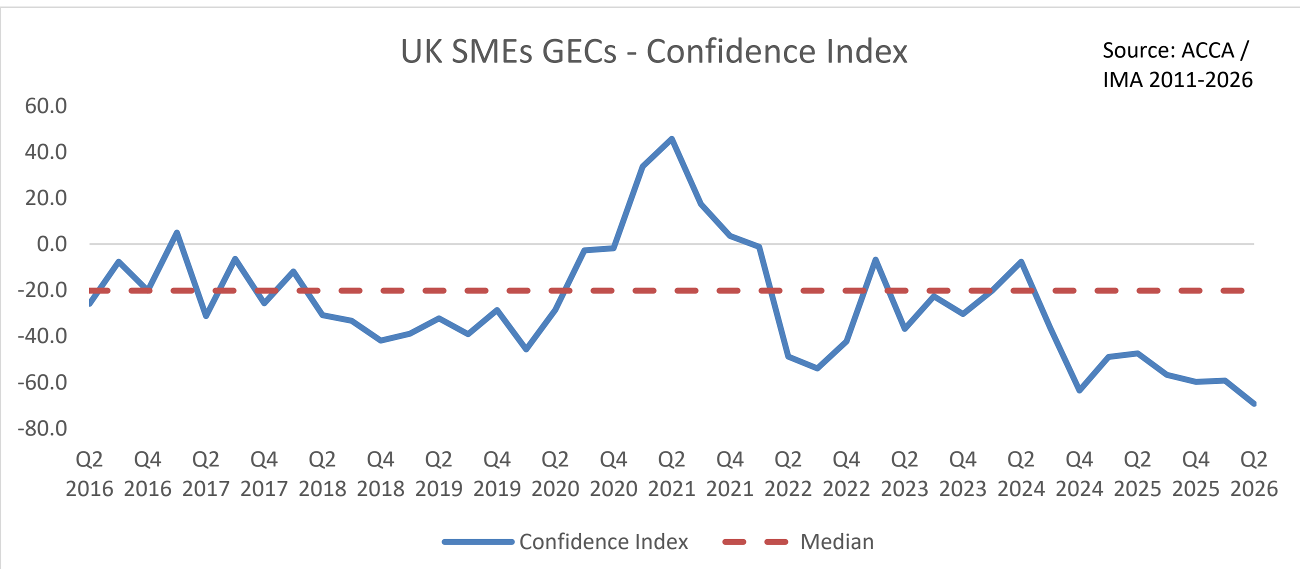
Ahead of this submission, ACCA asked members working in, and advising, businesses across the UK for feedback on the current business environment in the UK. From survey work conducted with our members in late summer, a picture of fragile confidence in the economy emerges:

- Almost two-thirds (65%) feel the outlook is negative for the UK. Only 4% report a positive outlook. While these results are similar to last year, they contrast with results from 2024 and 2023 where 43% and 18% respectively perceived a negative outlook.

- As last year, the perception of the greatest challenges facing organisations was a tie between current state of the economy (e.g. confidence and uncertainty) and managing increased costs, both at 26%.
- The top priority of accountants for the government to address at this budget is to create the right environment for economic growth (39%) followed by clarity on tax and spending plans for the medium term (20%).
- When asked about areas of taxation which cause challenges for businesses, employment taxes come out on top, cited by almost half of respondents and significantly higher than any other areas of tax.

This recent snapshot of our UK members indicates a prolonged concern about business confidence in the UK. This survey echoes the findings of UK businesses within our global survey[6].

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 looks at global conditions and regional comparisons. Our statistics demonstrate challenging conditions for UK businesses since the 2024 Budget and highlight some concerning trends.



UK SME business confidence has fallen dramatically since Q4 2024 and has remained subdued since, significantly below its historical average. In this quarter, confidence has fallen to a new record low. Our data also shows weakness in the Employment and Capital Expenditure indices, which speaks to significant caution among firms. Elevated cost pressures remain a major problem, with over 80 per cent of respondents reporting increased costs in Q2, well above the series average.

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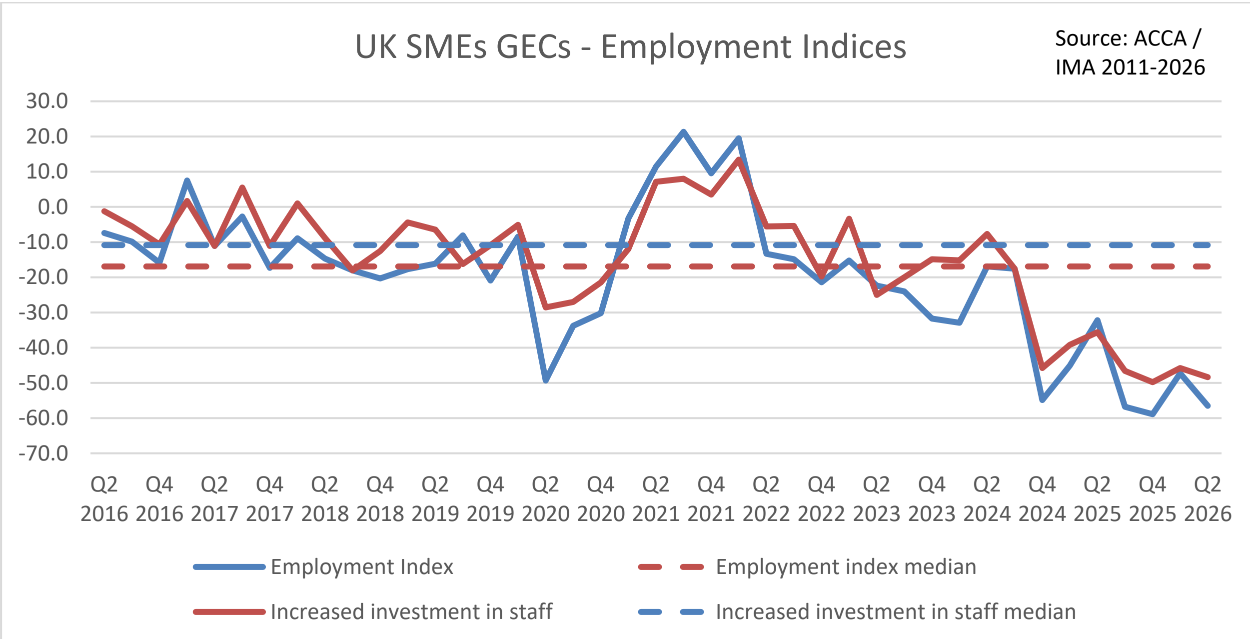
[6] Global Economic Conditions Survey: Q2, 2026 and UK SME confidence slumps



An uncertain and unpredictable global economic backdrop has undoubtedly been a factor weighing on the sentiment of UK SMEs in recent years, for example higher energy costs due to the Middle East conflict were a headwind for businesses in Q2 2026. Providing as much stability as possible in the UK business environment will therefore be important and we welcome the Prime Minister's focus on a ten-year plan.

However, businesses have also told us about the impact of domestic policy choices, notably higher wage costs and employment taxation, as well as reporting requirements (such as Making Tax Digital).

We are persuaded that further assistance is required for sectors acutely affected by cost pressures. Noting that the UK's hospitality VAT rate is an outlier internationally, ACCA believes that there is a case to selectively reduce the rate of VAT on labour intensive businesses, including hospitality and leisure, to 5% (an existing rate, thereby minimising the impact on systems), in order to encourage growth, employment and associated tax flow. To maximise the benefit for the wider economy the change should be a permanent structural feature so business can have the confidence to make long term plans and investments based on a stable foundation.

Combined with high business costs, limited economic growth and the youth employment concerns highlighted by the recent Milburn Review, we believe that reducing the cost base on these labour-intensive sectors could alleviate some of the impact caused by the increase in employer national insurance contributions, increased minimum wage and changes to workers' rights. Indeed, in our most recent survey, employment taxes were cited by nearly half of respondents as an area of taxation that has the greatest negative impact on organisations.

Finally, business investment could also be boosted by further reform to investment allowances and tax reliefs. Greater clarity is needed for growth-ambitious businesses and individuals looking to invest. These allowances and reliefs need to remain up-to-date, modern and factor in the changing nature of work and the impact of technologies. According to our latest survey, more than one-third (36%) of accountants felt investment allowances to be the most effective measure to boost business investment.

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. We believe further support is required to encourage employers to invest and that across government, skills funding decisions should be aligned across economic priorities, such as the industrial strategy.

To address the skills and employability challenges within the UK, ACCA has four suggestions:

- Review the decisions made on the approach to apprenticeships in England:
  - the apprenticeship levy should be kept under review to ensure it is fit for purpose
  - funding for higher-level apprenticeships in England should be restored in areas where they contribute to the overall industrial strategy or up to the age of 24 alongside the government's other incentives to support young people into work.
- 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.
- Introduce a Skills Tax Credit Pilot[7] 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. In addition, require those setting career guidance policy to review cross-government priorities to ensure consistency of message and alignment of strategic priorities.

[7] ACCA 2024 Skills development: Policies for enhancing the employer ecosystem