

Unlocking business: Reform driven by you

Open call for evidence issued by the Department for Business and Trade (DBT) and HM Treasury

Comments from ACCA to DBT and HM Treasury

16 December 2025

REF: TECH-CDR-2290

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 257,900 members and 530,100 future members based in 180 countries and regions.

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 are strengthening and building a profession that drives a sustainable future for all.

Find out more at: www.accaglobal.com

For further enquiries please contact:

Glenn Collins

Head of Technical and Strategic Engagement

Glenn.Collins@accaglobal.com

Joe Fitzsimons

Regional Lead Policy and Insights - EEMA & UK

Joe.Fitzsimons@accaglobal.com

Christian Novak

Policy Manager - EEMA & UK

Christian.Novak@accaglobal.com

GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the joint call for evidence from the Department for Business and Trade (DBT) and HM Treasury on modernising the regulatory environment to support business. From public, private, and diverse sectors to micro business and large firms, ACCA's UK members work in a wide range of accountancy and finance roles. As trusted advisors to business, they are well-placed to provide early and unique insights into business confidence and economic circumstances.

ACCA recognise the importance of regulation and its role underpinning the UK's reputation as a place to do business. A strong, modern, institutional, and legislative framework is key to ensuring the UK meets its potential. It is similarly crucial in responding to a changing world on trust, sustainability, and AI. In turn, ACCA highlights examples of regulation where it can assist in boosting confidence through market transparency and trust. We also acknowledge the added burdens, costs, and wider impacts when regulation is ineffective.

We note that the call for evidence is focused on identifying individual regulations causing issues. However, we highlight that it is often the cumulative burden of regulation that poses the greatest difficulty to smaller businesses—rather than individual regulations. ACCA has repeatedly highlighted the complexity of the tax system, including the challenges associated with navigating different thresholds in relation to grants, taxation, and rateable grants. Piecemeal changes cascade downward, increasing complexities and small-scale errors requiring compliance.

By adopting a more holistic approach, businesses would have more certainty and stability. It is through this lens we highlight regulatory issues that would benefit from modernisation or review into their effectiveness. Alongside responses to specific questions, ACCA makes the following recommendations:

- The UK's tax system is complex and difficult to navigate. Building on the principles of Simplicity, Certainty and Stability, commit to a programme of tax simplification to encourage innovation and economic growth.
- Legislation to establish the Audit, Reporting and Governance Authority (ARGA) should proceed without further delay. This will give businesses certainty and ensure the UK maintains its reputation for the highest standards of corporate governance.
- Improving data sharing between regulators would reduce the duplication many businesses experience. Parallel processes and overlapping obligations create complexities in compliance.
- ACCA recommends adopting a one-minus-two approach whereby for every new business law adopted, two unnecessary laws are removed. Periodic and post implementation reviews can ensure regulation remains effective.

- Develop world-leading legislation promoting the ethical and responsible use of AI in a safe and transparent environment. The UK's principles-based approach to AI should be accompanied by adequate safeguards with standards oversight to ensure consistency.
- The environment in which UK GDPR was introduced in 2018 differs from that in 2025. ACCA believes a review of the current regime would contribute to identifying elements that may require modification.

Section 1: Identifying regulatory burdens to business growth and innovation

Question 1

- a) Are regulations in your sector imposing unreasonable costs on your business's current activities? **Yes**
- b) Are there regulations which are limiting your ability to grow your business further and/or innovate for the future? **Yes**
- c) Do you think regulations in your sector are creating more unnecessary problems (costs or restrictions) for certain types of businesses or business activities than others? **Yes**
- d) If you have answered "yes" to any of the above questions, please give specific examples with evidence below, if possible, naming individual regulations, or regulatory activities.

While there are instances of regulation imposing unreasonable burdens on businesses, ACCA is supportive of measures to strengthen trust and public confidence—both of which bring benefits to society and the UK economy.¹ For example, we view planned reforms to audit, and corporate governance as essential to enhancing trust in financial reporting and corporate governance. We do not believe these reforms represent a regulatory burden, rather they enhance our global reputation for sound governance.

ACCA believes the Audit, Reporting and Governance Authority (ARGA) would set clear expectations and accountability from boards, management, and auditors. The shift of the FRC to ARGA as a clear independent watchdog will strengthen oversight of audit quality so that audit firms can be held properly to account, introducing changes needed since the collapse of Carillion in 2018. We believe that the legislation to establish the new regulator 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.²

Pushing ahead with reform can contribute to closing the wider expectation gap across audit. Supported by a global survey of 11,000 members of the public, ACCA's 2019 research, *Closing the expectation gap in audit* highlights how the public sees audit as part of the solution for preventing company failure.³ Yet the profession's evolution to do so is contingent on addressing well-publicised 'knowledge' and 'performance gaps' across audit.

ACCA notes that the call for evidence precludes parts of the regulatory system where the government has initiated examinations since the 2024 General Election. However, we acknowledge government efforts to reform late payment legislation and support business

¹ ACCA response to HM Treasury (2025), *Budget 2025 – Stakeholder Representation*. Response available [here](#).

² Ibid.

³ ACCA Policy and Insights (2019), *Closing the expectation gap in audit*. Report available [here](#).

cashflow.⁴ We also foresee positives arising from increasing the powers of the Small Business Commissioner, especially at a wider cultural level to drive the right behaviour.

Question 2

a) How can we cut down on the paperwork and administrative burdens created by regulation and regulators, and with what positive effects?

Greater data-sharing across government can reduce administrative burdens that ACCA members observe. SIC codes represent an example of duplication across HMRC and Companies House. For example, ACCA has questioned in the past why HMRC does not transmit SIC codes and other basic information as a business moves through different taxation regimens.⁵ This includes when a business registers for VAT. A joined up digital infrastructure would enable the flow of such data automatically.

We observe duplication across submission of both annual accounts and corporation tax filings. The requirement to file separately with HMRC and Companies House is complicated further by the misaligned deadlines. The prevalence of companies filing two tax returns to cover first accounting periods (that are very slightly longer than 12 months) is another example. With the additional return often of limited value, the byproduct is disproportionate compliance costs.

Section 2: Direct costs of regulation on business

Question 3

a) What information or reporting does your business have to provide to regulators that creates unnecessary burdens? **Refer comments below.**
b) How much money and staff time does your business spend meeting these requirements?
c) What changes would you make to reduce these burdens?

ACCA welcomes the opportunity to provide insight into areas where the requirements to provide information or reporting to regulators creates unnecessary burdens. Based on select member feedback, we draw attention to the following, including:

- Complexity of behavioural penalties
- Financial reporting requirements for SMEs
- Documentation requirements to fulfil supply-chain VAT requirements
- Senior Accounting Officer (SAO) regime obligations
- Business rates and need for practical guidance.

⁴ ACCA response to DBT (2025), *Late payments consultation: tackling poor payment practices*. Response available [here](#).

⁵ ACCA response to HMRC (2022), *Improving the data HMRC collects from its customer*. Response available [here](#)

Behavioural penalties

Emphasising the principles of simplicity and certainty, ACCA sees a balanced tax system as supporting compliant taxpayers while effectively targeting criminal abusers. ACCA welcomes the government's intention to simplify behavioural penalties and develop draft legislation. However, we note the nuance in the government's response, especially the emphasis on early disclosure and encouraging taxpayers to quickly correct issues. Given the rollout of MTD and HMRC's vast datasets, the focus must be on the quality of disclosure.

Objectivity should be at the forefront of changes to penalty rates and those concerning escalation. When penalties are changed, a review of the factors influencing behaviour should be considered to ensure their effectiveness.

Financial and climate reporting

Reporting needs to balance the costs of preparation with the benefits of transparency. ACCA encourages a review of financial reporting requirements for SMEs. From discussions with select members, some query the value of Directors' reports and areas outside the core elements of financial statements—namely the income statement, balance sheet, and cashflow statement. With respect to trade credit and perspectives of investors, it would be a helpful exercise to understand the information that they find most useful.

In setting reporting standards and reporting requirements, regulators need to be mindful of the trickle-down effects. As work continues on the UK's climate reporting standards, we welcome minimal modifications to the global standards upon which they are based. Unnecessary modifications can exacerbate fragmentation and the ability to compare UK-entities across a global baseline.⁶ For businesses reporting across different regions, there is the potential duplication of effort and the cost of providing information outweighing the benefits.

VAT supply chains

ACCA draws attention to difficulties surrounding VAT on supply of services to customers outside the UK. Following the end of the Brexit transition period, all goods leaving the UK for export are treated as 'zero-rated.' However, this is conditional on fulfilling HMRC's different evidentiary requirements.⁷ From customs declarations to proof of transport and inter-company correspondence, the document collation process is a labour-intensive exercise. ACCA draws attention to frustration in cases where a business is unwittingly caught up in suspected supply chain fraud. Based off select member feedback, HMRC often lack the capacity to respond to approaches querying how to avoid the recurrence of such penalties.

⁶ ACCA response to DBT (2025), *Exposure draft of UK SRS S1 and UK SRS S2*. Response available [here](#).

⁷ ACCA Technical factsheet (2022), *International VAT*, available [here](#)

Senior Accounting Officer (SAO) Regime

The SAO regime is another area that would benefit from updating. For qualifying companies that meet the turnover condition of £200 million, the Senior Accounting Officer ensures a company establishes and maintains appropriate tax accounting arrangements.⁸ To comply with the regime an SAO must also provide a certificate to HMRC after the end of the financial year. ACCA is aware of friction between HMRC and Companies House requirements.

Business rates

In Budget 2025, the Chancellor announced permanent lower business rates for some retail, hospitality, and leisure properties from April 2026. Although a positive development for businesses in those sectors, the new five-category multiplier structure must be backed by practical guidance. ACCA welcomes the government's recent call for evidence on designing a fairer business rates system. For the system to encourage investment like it seeks to, it must strike a balance of certainty, stability, and simplicity.

Further Regulatory Activities

Question 5

- a) Do regulators make other demands of your business outside these categories which result in it facing unnecessary challenges? **Yes**
- b) If yes, what does your business have to do which you feel is unnecessarily burdensome?
- c) How much money and staff time does your business spend meeting these requirements?
- d) What changes would you make to reduce these burdens?

Under the UK General Data Protection Regulation (UK GDPR), Subject Access Requests (SARs) keep businesses accountable for their approach to information governance. Under Article 15, the GDPR gives individuals the right to request copies of their personal data. While the law empowers individuals, there are safeguards to keep requests manageable. This is reflected in *Principle (c): Data minimisation* and organisations only processing what is necessary.

The environment which GDPR was introduced in back in 2018 is different to that in 2025. While the regime was designed to enable targeted transparency, ACCA highlights the growing prevalence of 'catch-all information requests'—where an organisation is asked to provide everything they hold. Unfortunately, the right to submit such a request has the potential to be misused with the intent of causing a burden on organisations. ACCA believes it would be useful to undertake a review to understand how the UK GDPR is functioning. The exercise would also help identify potential improvements.

⁸ HMRC internal manual, *Senior Accounting Officer Guidance*, available [here](#).

Question 6

- a) Do you believe the regulators you deal with adequately support economic growth in your sector? **Refer comments below.**
- b) If not, how could this be improved if they had a stronger legal duty to promote economic growth?

Innovation is incentivised via tax reliefs and in particular research and development-based tax reliefs (R&D). While ACCA strongly supports R&D initiatives that encourage investment, improvements are needed. While reform has helped drive out some unscrupulous operators, we have heard feedback that it is causing problems for small businesses applying for R&D credit.⁹ Delays carry a cost, and ACCA is aware of cases where R&D enquiries have taken over two years to resolve.

As ACCA explained in comments to HMRC in May 2025, a full enquiry is a costly and time-consuming process. Furthermore, it is also often disproportionate to the claim value. We list several potential remedies, including a new partial enquiry power, joint obligations, and embedded time frames.¹⁰ ACCA believes HMRC should undertake further work to determine whether a single model of clearance might be useful. A tiered clearance model is one option, allowing businesses and their agents to select the path most beneficial to their growth plans.

Regulatory Structures and Strategic Prioritisation

Question 7

- a) Would combining or streamlining the number of regulators save your business money? **See comments below.**
- b) If yes, please provide further detail on which regulators and the duplication involved.

Data sharing

When considering changes of this scale, ACCA believes it is helpful to understand whether desired outcomes can be met by existing regulators working better together. The regulatory environment currently presents a range of challenges for organisations, particularly in navigating complexity. ACCA refers to the areas highlighted in response to Question 3, where requirements to provide information or reporting to regulators create unnecessary burdens. In some cases, the response to an issue could be achieved through improved data sharing across government.

Any future consolidation of regulators should be centred on clearly understanding the problem that needs solving. This also includes the context in which desired objectives are to be delivered. The rationale is similarly as important. In practice, this means explaining how intended changes in outcomes will be produced. The following stand as examples where this could be improved.

⁹ ACCA response to HMRC (2025), *Tax Administration Framework Review: new ways to tackle non-compliance*. Full response available [here](#).

¹⁰ ACCA response to HMRC (2025), *R&D tax relief clearances*, available [here](#).

AML

ACCA has significant concerns with the government's proposal to make the FCA the sole AML regulator for professional services firms.¹¹ The change would see the FCA assume the responsibilities of the 25 professional body supervisors (PBSs) across 60,000 regulated firms.¹² The PBSs oversee a range of different sectors and businesses sizes, meaning the FCA will be tasked with building expertise from the ground up. The case for change centres on 'simplification and strengthening the UK's defences against illicit finance.' However, ACCA believes insufficient weight is given to the scale of the challenges involved. Those include the risk of regulatory fragmentation from creating an additional regulator on top firms' professional bodies. Equally relevant is the substantial commitment of resources, what happens during the interim, and added costs (both in terms of practitioner's time and fees).

Local audit

ACCA welcomed proposals earlier in the year to set up a single body responsible for the oversight of audits of English local authorities.¹³ Whilst the consultation document rightly seeks to emphasise how the Local Audit Office (LAO) differs from the former Audit Commission, there is little detail on the LAO's resourcing. Another example concerns the introduction of an element of public provision of audit. While in theory this could provide a broader and more sustainable base for local audit provision, the proposals are silent on exactly how the goal will be achieved.

Question 8

- a) In which areas do regulators need clearer and stronger guidance from government? To balance competing priorities / To manage risk / To support growth / To improve regulator accountability / To help regulators in another way / They do not need more
- b) Please provide further information about the regulators and evidence for needing such guidance.

In a fast-changing world, SMEs need encouragement to invest and innovate. ACCA promotes adoption of the 'Think Small First' principle to ensure business guidance is proportionate and practical. In responding to the government's consultation on a *UK Trade Strategy*, we drew attention to trade guidance targeted at SMEs and ensuring it remains up to date.¹⁴ This is critical to helping smaller businesses embrace new opportunities. Those include navigating trade agreements (like the CPTTP) and raising awareness of the British Business Bank and their market

¹¹ ACCA press release (October 2025), *Government proposals to transfer anti-money laundering enforcement to FCA*, available [here](#).

¹² Refer ACCA's October 2025 press release [here](#) and earlier [response](#) to FCA (2023), *Reform of Anti-Money Laundering and Counter Terrorism Financing Supervisory Regime*.

¹³ ACCA press release (February 2025), *ACCA welcomes proposals and calls for clear strategy for England's local authority audit overhaul*. See [full release](#)

¹⁴ 17 January 2025, *ACCA comments to DBT on a UK Trade Strategy*. Response available [here](#).

programmes. While ACCA acknowledges recent improvements, we encourage further investment to promote its timely delivery.

Section Three: Indirect Costs of Regulation on Business

Regulator Delays and Timeliness

Question 9

- a) Do regulators have the right KPIs to measure their performance? **Refer response to 9c**
- b) Do they provide updates on progress in reaching decisions?
- c) Please provide specific examples referring to named regulators.

Regarding regulators' KPIs to measure performance, ACCA underlines the value of periodic reviews to ensure regulation remains up to date and appropriate for society's current needs. Additionally, for new regulations, prompt post-implementation reviews are critical to assessing effectiveness and reducing the compounding of inefficiencies over time.

It is important to consider how information available via KPIs is addressed, as set out in our response to Question 10 and comments on HMRC response times. To have the desired effect, a framework to address adverse KPIs identified should be in place.

Question 10

- a) Has your business experienced delays by regulators? **Refer comments below.**
- b) If yes, specify the regulator and relevant process.

The effectiveness of regulation is often determined by enabling processes and systems. As highlighted in response to Question 2, greater data-sharing across government can reduce administrative burdens. Key benefits of joined up digital infrastructure include removing both information silos and instances of duplication. This can free up resources for both businesses and regulators.

In terms of specific delays, ACCA continues to raise awareness about improving HMRC service levels. Common issues include lengthy wait times to speak with an HMRC staff member, alongside correspondence managed in silos.¹⁵ ACCA is aware of open queries taking years to reach a resolution. The level of frustration is evident in responses dating back to October 2023 to the following question: "To what extent, if any, have HMRC services levels impacted on productivity and efficiency for your organisation and/or your clients' organisations?"

¹⁵ ACCA Letter to Chancellor Jeremy Hunt MP (2024), *Budget 2024 – Stakeholder Representation*. ACCA's complete response can be accessed [here](#).

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

Research undertaken by the Association of Revenue and Customs (ARC) further crystallises the issue. HMRC received 38 million phone calls in 2023, with an average wait time of 24 minutes. ARC estimated that across the UK, 15.2 million working hours were spent on hold.¹⁶ We see merit in the ARC’s recommendation that investment in compliance should contain an impact assessment on how additional responsibilities stand to affect customer service.

Question 12

a) How could regulators make decisions faster and reduce delays?

ACCA notes the response given to Question 10 and taxpayers’ confidence in HMRC effectively answering their questions. One measure to relieve pressure on HMRC is allowing professionally qualified agents to undertake more tax-related tasks.

Regulators’ Operational Processes and Behaviours

Question 13

a) Can you provide examples of where regulators use outdated or unnecessarily complex processes? **Yes**
b) If yes, please provide evidenced examples.

The effectiveness of regulation is often determined by the enabling processes and systems. As highlighted in response to Question 2, greater data-sharing across government can reduce administrative burdens. The benefit of joined up digital infrastructure is that it can remove both information silos and instances of duplication. This can free up resources for both businesses and regulators.

The piecemeal nature of the UK’s tax system is perhaps the best example of ‘outdated’ and ‘unnecessarily complex’ processes. We draw attention again to the need for a structured framework that facilitates structured review and implementation of tax simplification measures. SMEs must navigate a multiplicity of different systems and thresholds. Speculation about measures to increase tax, such as reducing the VAT threshold, further exacerbate complexity. From VAT, MTD, ITSA, Corporation Tax and Capital Gains Tax, there numerous cliff edges for small

¹⁶ Association of Revenue and Customs (2024), *Funding the Nation: Optimising HMRC*. The report can be accessed [here](#).

firms and none of them are consistent. The review framework should be government-wide and link all relevant work streams.

Question 14

- a) Do regulators provide sufficiently clear guidance about their requirements and processes? **No**
- b) Do regulators clearly explain how their decisions, guidance and rules affect business and consumers? **No**
- c) If not, please provide evidenced examples.

ACCA sees openness and transparency as foundational elements in facilitating the right conditions for business.¹⁷ A ‘culture of open consultation’ is one of the enablers to bring this principle to life. For these reasons, stakeholder engagement should be a baseline expectation in charting the direction of reform. In ACCA’s view, it is important that regulators recognise that they are not necessarily best placed to appreciate the factors influencing business decisions.

In ACCA’s recent comments on the FRC’s Small and medium-sized enterprises market study we stressed the importance of practical, example-based guidance that SMEs can use.¹⁸ Explanatory materials should be simple to follow and apply at each stage of the audit process. To enhance the efficiency of SME audits, we pointed to the value of sector-specific guidance – especially in flagging common patterns and allowing for more tailored interventions.

Question 15:

- a) What changes should regulators make to their internal procedures to reduce administrative costs?

ACCA recommends that as a matter of practical expediency, policymakers should consider adopting a one-minus-two approach whereby for every new business law adopted, two unnecessary laws are removed.¹⁹ In that same vein, when new regulatory frameworks are introduced, legacy rules addressing the same harms should be retired.

The FCA’s conduct framework, which has accumulated layers over time without corresponding removal of legacy requirements, is one such example. ACCA members report operating under Treating Customers Fairly principles, the Insurance Conduct of Business Sourcebook, PROD 4 product governance rules, and the Consumer Duty. These frameworks overlap substantially and all remain in force—necessitating compliance with both new principles and old prescriptive rules.

¹⁷ Ibid.

¹⁸ ACCA response to FRC (2025), *FRC small and medium-sized enterprises market study*. Response can be accessed [here](#).

¹⁹ ACCA Policy and Insights report (2020), *Tenets of business law*, available [here](#).

Challenging regulators' decisions

Question 16

- a) Are mechanisms for challenging a regulator's decision unnecessarily complex or burdensome? **Yes – refer comments below**
- b) If yes, in what ways?
- c) How much money and staff time does your business spend on these challenges?
- d) Have you decided to leave a decision unchallenged due to the cost?
- e) If yes, please give details.
- f) What changes would you make to appeal mechanisms?

Greater use of dispute resolution mechanisms is central to facilitating the right conditions for business.²⁰ To encourage broader usage and confidence in such pathways, recourse must remain timely, cost-effective, and confidential.

ACCA's Alternative Dispute Resolution (ADR) service commenced in 2007, and we believe it is a tool that can be better utilised.²¹ ADR is typically used when a tax dispute has reached an impasse. Common reasons include difficulties establishing or understanding the relevant facts; diverging interpretations of the law is another example. Depending on the complaint and parties' willingness to engage, ACCA aims to resolve complaints referred to conciliation within three months of allocation to an investigator. For consumers and traders, it is a quicker and cheaper alternative to court.

ACCA acknowledges that ADR is not appropriate in all circumstances, especially on technical issues and those requiring a disciplinary disposal. However, as communicated in HMRC's recent consultation document on increasing its usage, ACCA believes there are grounds to open ADR to a broader cross section of society. This includes reducing the current list of exclusions, such as fees disputes and transfer information cases.

Section Four: Opportunity Costs of Regulation

Question 17

- a) Have you decided not to bring a product or service to market because of regulatory issues? **Refer comments to 17b.**
- b) If yes, please provide examples.

ACCA refers to responses provided to Questions 18 and 19. For sectors where the government wants to encourage investment, SMEs require a predictable long-term runway. This long-term approach is similarly applicable to uptake of R&D initiatives.

²⁰ Ibid.

²¹ ACCA response to HMRC (2025), *Improving HMRC's approach to dispute resolution*. Response can be accessed [here](#).

Question 18

- a) Have you decided not to adopt new technology or working practices in the UK Because regulatory obligations or uncertainty? **Refer comments below.**
- b) If yes, please provide examples.

For businesses, certainty is key to confident decision making—without it, they cannot plan or budget for future actions. This same sentiment applies committing capital to adopting innovative technologies – a key part of which is AI. For the UK to realise its ambition of becoming a world leader in AI, it necessitates a balanced approach spanning practical use cases, ethics, skills, and regulation. ACCA has previously identified the following four areas as integral to the sector’s long-term sustainable development.²²

1. Support the development of an ecosystem for trustworthy AI within the context of a clear, prescriptive government led regulatory framework
2. Use global networks and partnerships to raise awareness of the UK’s AI initiatives and approach, and support inter-operability and harmonisation of standards across jurisdictions wherever possible
3. Multi-stakeholder approach that allows for an inclusive, society-wide voice to inform the approach to AI regulation and its deployment
4. Focus training incentives for businesses and wider workforce on productivity-boosting outcomes²³

The UK’s present approach is underpinned by five cross-cutting principles that regulators interpret and apply. Those include the Information Commissioner’s Office (ICO), the Competition and Markets Authority, and the Financial Conduct Authority (FCA). This is reflective of ACCA’s own position, which is regulating ‘outcomes’ rather than the technology itself.

Businesses value certainty, and SMEs are less likely to commit capital without it. With the government leaving open the possibility of placing its cross-cutting principles on statutory footing, it is vital that emerging issues do not fall between the remits of different regulators. The same applies to understanding what influence, if any, this might have on levels of investment by SMEs.

Question 19

- a) What improvements in the regulatory environment could better support innovation and adoption?

Supporting SMEs in the sustainability transition

ACCA has previously highlighted the value of a clear roadmap to achieving net zero, including fiscal change and support for business.²⁴ Further, the UK’s climate reporting should ensure all

²² ACCA response to DBT (2024), *Invest 2035: The UK’s Modern Industrial Strategy*. The complete report can be accessed [here](#).

²³ ACCA-EY joint response (2023), *Building the Foundations for Trusted AI*. Complete report can be accessed [here](#).

²⁴ *Accounting for a better world: An ACCA policy prospectus for the UK* (2024), available [here](#).

businesses have good support to understand, measure, disclose and reduce their carbon emissions. Recognising the capacity constraints of SMEs compared to larger entities, ACCA has recommended the following areas of government and regulatory support:

1. **Proportionate reporting** – work with the ISSB to develop a voluntary, simplified SME reporting standard.
2. **Automated tools** – support the development and deployment of automated reporting tools and invest in digital infrastructure to make information gathering and reporting as straightforward as possible.
3. **Phased implementation** – provide transitional reliefs to allow time for smaller entities to build necessary systems and skills.
4. **Technical assistance** – develop guidance on preparing sustainability-related information. For example, non-mandatory technical guidance on the application of the reporting requirements and a collection of frequently asked technical questions and their solutions to support application.
5. **Capacity building and training** – encourage large companies to offer training to and provide cross-collaborative opportunities for SMEs where appropriate.²⁵

R&D tax reliefs

As noted in our response to Question 6, tax reliefs and R&D-based tax reliefs can help incentivise innovation. While ACCA strongly support those that encourage investment, improvements are needed.

AI & Skills Development

Building on our comments to Question 18, ACCA identifies the importance of skills development, proportionate guidance, and international alignment. ACCA's Global Talent Trends is the largest annual talent survey of accountancy and finance professionals globally. The 2025 edition contains insights from over 10,000 respondents across 175 countries. The UK results point to the very real risk of employers falling behind in AI.²⁶ For example, while 70% of respondents expressed confidence in learning and applying such skills, less than a quarter said their employer was offering relevant learning opportunities.

Recent research by ACCA and EY identifies growing awareness of 'AI Assessments' to evaluate AI systems. Their main function is ensuring that technology is well governed, legally compliant, and meets user expectations.²⁷ ACCA's *AI monitor* series draws attention to the ethical considerations that AI usage brings, likewise those concerning governance and risk

²⁵ ACCA response to DBT (2025), *Exposure draft of UK SRS S1 and UK SRS S2.*, pp. 18-19. Response available [here](#).

²⁶ ACCA Global Talent Trends 2025, *UK regional findings*, available [here](#).

²⁷ ACCA-EY joint report (2025), *AI Assessments: Enhancing Confidence in AI*, available [here](#).

management.²⁸ To mitigate the risk of fragmentation, ACCA sees value in a stronger central support function that fosters consistency across sectors.

Recognising the potential knowledge deficit, ACCA recommends introduction of a Skills Tax Credit Pilot to incentivise training.²⁹ By offsetting up to £5,000 of the cost of selected accredited training from an employer's tax liabilities, the targeted incentive would empower eligible organisations to bridge the digital skills gap they face. SMEs tend to operate on narrow margins, so ACCA has proposed applying the eligibility criteria that exists under the Employment Allowance.

Question 20:

a) Are there areas where you would like to see the government test new approaches to regulation? **Yes**

Access to finance continues to be a challenge for SMEs and ACCA continue to highlight this. Enhanced data sharing can help drive efficiencies across SME access to finance.³⁰ This could include greater AML information sharing, especially to support due diligence and risk assessments.

Greater collaboration can reduce duplication and promote faster turnaround times of the required due diligence. It can give lenders a more accurate picture when considering approvals, removing the likelihood of repeated document requests. Supplementary to this is the development of a single reference point designed and built for end-user requirements.

Question 21:

a) Please provide details of any international best practices the UK should consider adopting.

As announced during Budget 2025, ACCA notes the government's commitment to introduce mandatory e-invoicing for all VAT invoices from 2029. This includes for business to business (B2B) and business to government (B2G) transactions under a decentralised model. In line with our May 2025 comments, ACCA points to standardisation and alignment with international standards (like PEPPOL).³¹ We would encourage government to consider a phased implementation to allow capability and capacity to grow and to learn lessons from those entities most equipped to undertake this at the outset.

²⁸ ACCA Policy and Insights (2025), *AI Monitor: Exploring the trends, innovations, and challenges of AI*. Report available [here](#).

²⁹ ACCA response to DBT (2024), *Invest 2035: The UK's Modern Industrial Strategy*.

³⁰ ACCA response to DBT and HM Treasury (2025), *Open call for evidence: Small business access to finance*.

³¹ ACCA response to HMRC (2025), *Promoting electronic invoicing across UK businesses and public sector*. Available [here](#).