

Budget 2025 – Stakeholder Representation

Comments from ACCA to a public consultation issued by HM Treasury

15 October 2025

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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** 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

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GENERAL COMMENTS

- In the UK ACCA has over 100,000 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 Exchequer¹.
- 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. The tell us that business confidence is muted and lacks confidence in the economy that businesses need to invest and grow.

Key recommendations:

- Reducing business costs is a must: Business costs are an acute challenge preventing growth in the economy. Where possible, the government should seek to reduce costs for businesses, prioritising sectors most at risk, such as hospitality. The review of business rates is a welcome announcement. While we recognise the challenging fiscal environment, the government should avoid any further cost increases for business.
- Business environment stability is essential: Businesses are pessimistic about the outlook for the economy, driven by continued uncertainty about the government's response to the challenging fiscal environment. Firms want clarity about tax and spend plans so they can plan ahead, recognising that this will involve tough decisions. Specifically, businesses need to have confidence that the measures announced represent a stable plan for the remainder of the parliament.
- Reducing tax complexity is key for growth: Our tax system is too complex, resulting in unintended consequences for businesses and the economy and stifling growth. A key outcome for the budget should be to reduce the number of different thresholds small businesses trip over as they grow, and the time they spend navigating this. While we urge the government to avoid any further complexity in the system, we would like to see a long-term programme of tax review and planned, phased simplification, starting with streamlining thresholds for smaller businesses. Ultimately, coupled with greater

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

responsibility for professional agents, this would reduce the possibility of fraud and error and reduce demand on HMRC services.

- **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. 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. Professional agents can be part of the solution – enabling them to undertake more tax tasks, would further reduce the pressure on HMRC.
- **Strengthen UK governance enhancing trust:** Planned reforms to audit, and corporate governance are essential to enhance trust in financial reporting and corporate governance for the UK. We do not believe these reforms represent a regulatory burden, rather they enhance our global reputation for sound governance. The government needs to re-prioritise legislative reform and place ARGA on a statutory footing, with a statutory levy, and ensure a focus on the responsibilities of all directors. Similarly, planned reforms to late payment rules are an important way to boost cashflow for SMEs in the UK and should proceed without delay.
- **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. 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.
- **Funding to strengthen international partnerships:** Stability to build international partnerships will be key to boosting the UK's trade potential. Multi-year funding commitments for organisations crucial to supporting the UK's soft power, such as the British Council, would be a useful step. Similarly, the government should continue to explore options to improve insurance costs for smaller firms seeking to export.

Maximising Business Confidence

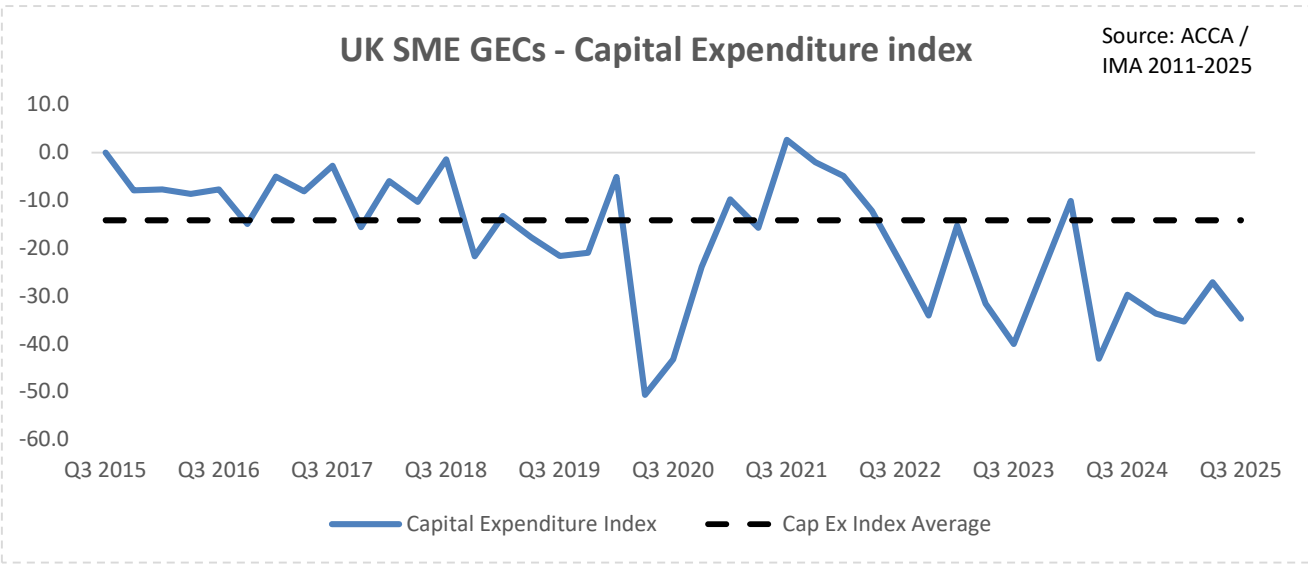
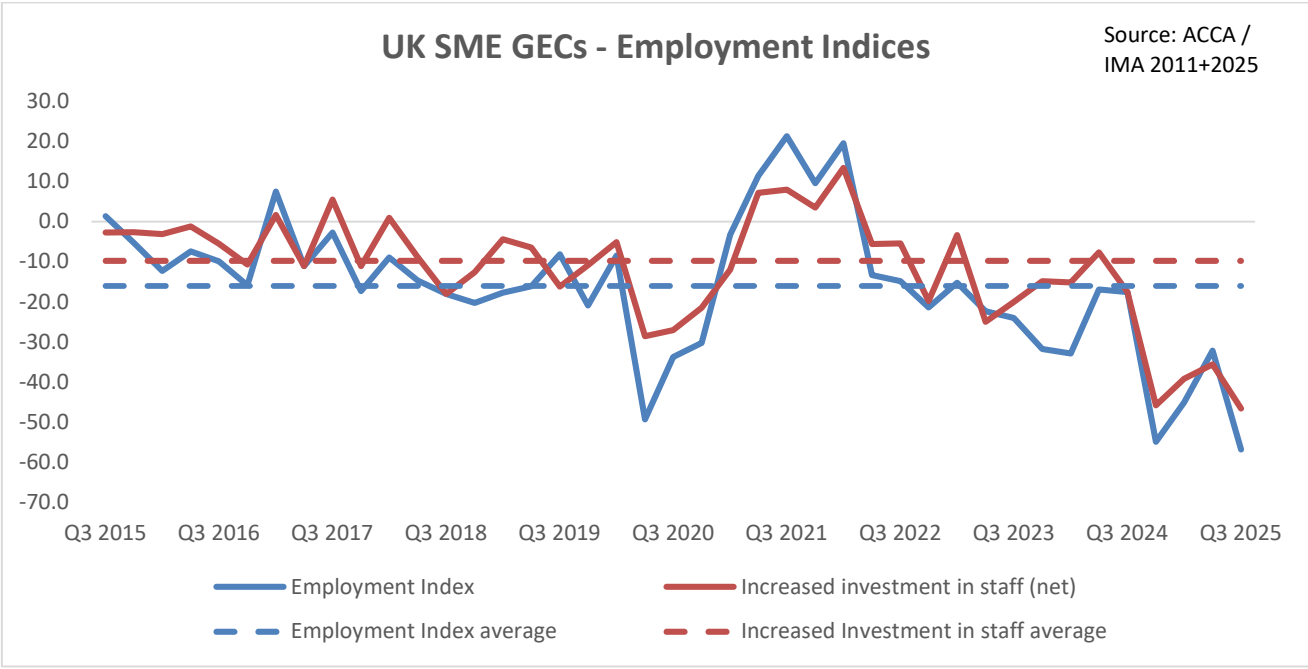
Ahead of this submission, ACCA asked members working in, and advising, businesses across the UK for feedback on the current business environment in the UK. From survey work conducted with our members in late summer, a picture of fragile confidence in the economy emerges:

- Almost two-thirds (64%) feel the outlook is negative for the UK. Only 6% report a positive outlook. This contrasts with 43% who had a negative outlook a year ago.
- Unsurprisingly, the largest group (30%) cite business confidence/uncertainty ('the general state of the economy') as the biggest challenge facing firms, closely followed by the impact of business costs (25%).
- The top priority of accountants to boost the economy is to reduce costs on business (30%).
- Notably, the sense of uncertainty about future prospects for the economy which had dissipated to some extent in 2024, has returned. While reducing costs is the top priority cited to boost the economy, the next highest priority (19% of respondents) is the importance of providing clarity and certainty about the government's tax and spending plans for the next four years.
- When asked about areas of taxation which cause challenges for businesses, employment taxes come out on top, by a considerable margin.

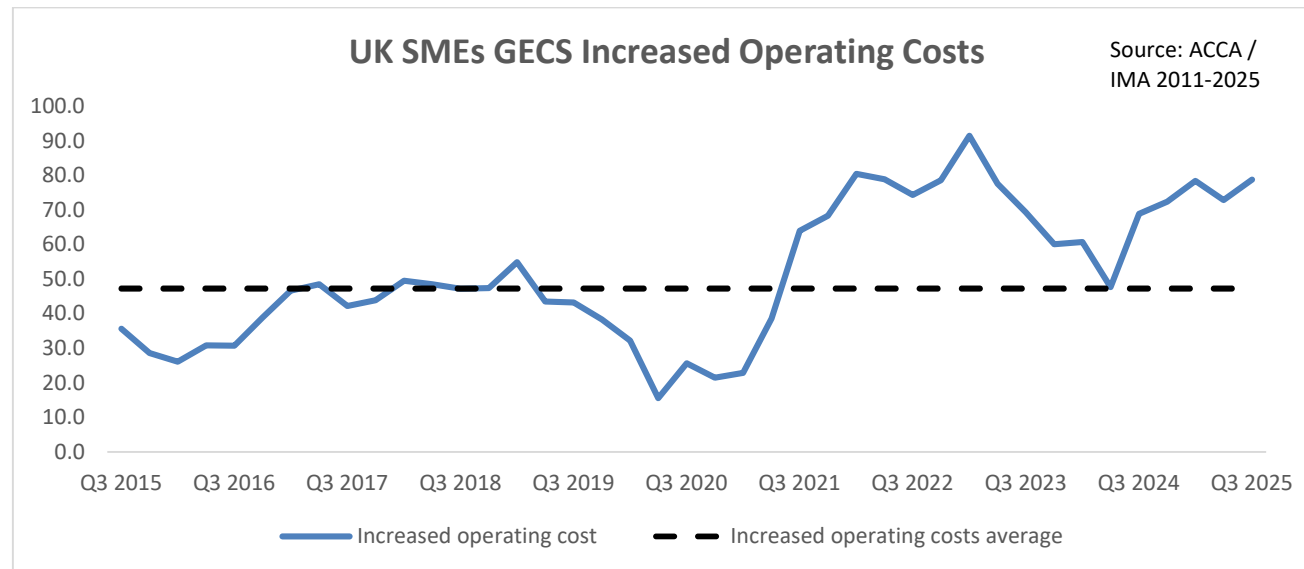
This recent snapshot of our UK members suggests a deterioration in confidence in recent months. Our latest data confirms this negative picture.

Our global quarterly survey of economic conditions, completed in partnership with the Institute of Management Accountants, will be published in late October, with data gathered between 2-16 September 2025.

The UK SME sample from Q3 2025 indicated worsening economic conditions, with falls in key measures on confidence, capital expenditure, employment and new orders. The employment index fell to its lowest ever score and the confidence index fell to its second lowest. For both indices the two lowest scores have been in the last 12 months, from Q4 2024 and this quarter. These indicators are all significantly below the historical averages, these averages track sentiment quarterly from Q4 2011 to the present.



Indicators of corporate stress also denote a challenging picture with increases in problems accessing finance, operating costs, concerns about customers and suppliers going out of business, with the concerns about suppliers jumping sharply this quarter. Our index tracking operating costs had a brief reduction last quarter, but that movement has been completely reversed this quarter and is now recording its fourth highest score. This index is significantly above its historic average and has been since Q3 2021, with only a minor respite in Q2 2024.



Overall, this evidence from finance professionals across the UK suggests unease about prospects for growth, with acute concern about business costs and continued uncertainty about the future tax plans of the government. This is supported by anecdotal feedback from ACCA members, who regularly cite concerns about businesses' ability to manage rising costs. In particular, while we note that the changes to Employers' NICs have winners and losers, we have heard frequently about the negative impact on some firms, with notable concerns in certain sectors, especially hospitality.

Simplifying the UK's Tax System

Through our strong body of research², 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, through the numerous, small-scale errors made by taxpayers that require compliance activity. More critically, this does not create the right fiscal environment for growth. Over the years negative impacts on the business environment, arising due to unintended consequences of these piecemeal changes, have compounded and action is needed.

The complexity of our system 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. Speculation about measures to increase tax, such as reducing the VAT threshold, would further exacerbate this complexity.

Whether VAT, Making Tax Digital (MTD) ITSA, Corporation Tax, Capital Gains Tax, there are many different cliff edges for small firms and none of them are consistent. Even within these

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

groupings, there are further complications, including differences for certain sectors, cash or accruals-based accounts (MTD ITSA and unincorporated businesses is based on cash, while VAT could be based on accruals, cash or flat rate), sliding scales of marginal rates and so on; 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.

Furthermore, 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. Equally, on pensions, the mechanics of how employee and employer contributions are dealt with are complex. There is a risk that the addition to basic rate and restriction on higher rate may fail, due (in part) to increased use of salary sacrifice and incorporation options for those at higher rates and use of increased employee contributions at the lower rates, with a knock-on impact on monies raised and thus, the policy intention of the proposal.

The extension of thresholds being frozen, which otherwise would have increased in line with inflation, exacerbated by recent measures such as the clawing-back of liability arising from winter fuel payments, will 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. Notwithstanding the fairness of fiscal drag, it seems likely such individuals present a low value return to the Exchequer, the time, effort and resources to recoup these funds may not ultimately be good value.

Building on ACCA's tax tenets³ 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*⁴?

While wholesale change of the tax system in one go would present too high a risk to stability and confidence, we believe that business confidence would be improved by the commitment to review and simplification, with the creation of a framework for the systematic review and phased implementation of changes to the tax system. This is critical to creating a business environment that nurtures growth, and to prevent any further compounding of unintended consequences of tax policy, into the future. For example, the government could consider how to phase out the complicated marginal rates of Corporation Tax, to move to a simpler system.

Improving HMRC and the Value of Professional Agents

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>

As highlighted above, incremental complexity in our tax system has undoubtedly added to HMRC’s workload in recent years. This is likely to be exacerbated further by changes such as simple assessment (a knock-on effect of drawing more taxpayers into the tax regime) and the roll out of MTD ITSA. Given its track record, we do not believe that HMRC is well positioned to cope with these additional burdens.

We have highlighted in many submissions to government that the service standards provided by HM Revenue and Customs (HMRC) to taxpayers and their professional agents are unacceptable. Feedback from our members suggest that small improvements are being seen in the service provided, which we welcome, but it still represents significant underperformance.

By way of example, the system for VAT registration is not working. Applications to HMRC, which used to be completed in days, now face delays of up to eight weeks, causing knock-on impacts for the business trying to register. Businesses cannot legally charge VAT until their registration is complete, however are liable for VAT from the point of application, thus incorporating any trade conducted over that eight-week period. Despite the vast majority of small firms simply looking to do the right thing and comply with their tax duties, this represents an almost-insurmountable bureaucratic hurdle for them to cross. We would have serious concerns about the impact on delays of bringing yet more businesses into the VAT regime, were the VAT threshold to be significantly reduced.

Despite raising concerns directly with HMRC, standards are not improving, as noted in the recent HMRC Charter report⁵. 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. Repeated surveys of our members demonstrate significant and 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:

	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%

We strongly believe that capacity and capability of frontline staff at HMRC should be a priority.

⁵ [HMRC Charter annual report 2023 to 2024 - Charter Survey](#)

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.

Another solution that would 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. We recognise recent HMRC consultations in this area, however, we believe there is the potential to move faster by recognising professionally qualified agents.

Improving 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 draft Industrial Strategy, 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 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 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.

Boosting International Trade

Accountancy is a cornerstone profession of international trade and building on our recent feedback to government on the UK's trade strategy. Our recent research on global trade⁶ found that while tariffs may continue to have a major impact on trade flows, business leaders remain relatively upbeat about global trade prospects for their companies. While 85% of respondents were concerned about the impacts of tariffs on their organisations, the results show company bosses surprisingly positive about the future. The survey found optimistic views, with 56% of respondents expecting their organisations to increase their amount of global trade 'significantly' or 'somewhat' in the next three to five years. But with a note of caution, 23% expected trade to decrease 'somewhat' or 'significantly'.

As we highlighted in our submission 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.
- 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 China British Business Council. The UK government should commit to strategic funding of relationship building entities long-term.
- 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. The recently launched Soft Power Council and related activities need continued funding to ensure that the UK's soft power assets are mobilised to support the Government's ambitions.
- In considering further changes to the UK's R&D and innovation ecosystem recognise the value of these programmes to international investments, ensuring that any new schemes further encourage firms to experiment and develop new productivity-boosting solutions.

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, ACCA's four key skills recommendations are as follows:

- Introduce a Skills Tax Credit Pilot⁷ which enables SMEs to offset up to £5,000 of the cost of selected accredited training from their tax liabilities.

⁶ [ACCA 2025 The outlook for global trade: perspectives from business leaders](#)

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

- 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:
 - the UK Government Invest 2035 industrial Strategy highlights that the UK's professional and business services operate with a comparative advantage
 - accountancy leaders tell us that they would potentially reduce the number of trainees in their business if the apprenticeship route were withdrawn and consider offshoring some entry level roles, which would impact the competitiveness of the profession in the UK and could negatively impact the opportunities outlined in the Industrial Strategy
 - the withdrawal of funding for L7 Apprenticeships for older learners could negatively impact social mobility in the profession.
- 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.