



25 February 2026

Rt Hon. Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

Dear Chancellor,

SPRING FORECAST

The Government and ICAEW share a clear ambition: to make the UK one of the most attractive places in the world for businesses and investors, and to turn that ambition into stronger, sustainable growth. We recognise the difficult fiscal environment you have inherited and the importance you have placed on maintaining credibility with markets; stabilising the public finances and continued confidence in UK gilts are important achievements.

As we look toward the Spring Forecast and the year ahead, our recommendation is that the Government builds on this platform by creating the conditions for business-led growth through greater policy clarity, fiscal stability and progress toward a simpler, more predictable tax system.

Our 200,000 members and students advise over three million businesses in every sector and region of the UK, and 84% of FTSE 100 boards include an ICAEW member, giving us a distinctive perspective on the conditions needed for sustainable growth. The latest ICAEW Business Confidence Monitor (published January 2026 – see enclosed summary) shows confidence has fallen for a sixth consecutive quarter, with the index dropping into negative double-digit territory and concern about the tax burden at a survey record high. Many businesses report that uncertainty and complexity are holding back investment. Our members are clear that, without visible progress on the foundations for growth, the UK risks falling behind as a destination for capital and talent. This is not yet a crisis, but it is a warning signal that should be heeded.

We recognise that the Spring Forecast is not intended to be a major policy event. Rather than setting out detailed proposals, we wish to show ICAEW's commitment to working with you to foster a more stable and supportive environment for business over the remainder of this Parliament. In that context, we focus on three broad areas where Government can help underpin business led growth.

First, on tax and spending, we encourage a clear medium-term framework for taxation that gives businesses confidence about the direction of travel. Decades of incremental change have left the tax system complex and difficult to navigate, particularly for smaller firms. ICAEW would welcome a structured dialogue with HM Treasury and HMRC on how best to use the tax system to support investment and productivity, simplifying rules and administration in ways that reduce uncertainty and compliance costs while helping businesses to grow.

ICAEW

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The Spring Forecast is an opportunity to signal an intention to consult on fundamental tax reform over the coming decade, setting out a stable near term framework alongside a phased roadmap toward a simpler, more efficient and pro-growth tax system.

Secondly, commitment to a simple operating environment for the entrepreneurial SMEs that are the foundation of our economy. The introduction of Making Tax Digital (MTD) for income tax from April 2026 will mark a major change in record keeping and reporting requirements for many small businesses and landlords. While digitalisation may drive efficiency in the medium-term, the immediate experience for many will be of an additional state imposed administrative burden. Our members tell us that preparedness for MTD is worryingly low. To support smaller businesses, we urge government to expand efforts to publicise the change, including through communications around the Spring Forecast. ICAEW and its network of members across the country are ready to help support the dissemination of this information.

Lastly, underpinning all of this is the need to preserve fiscal credibility while doing more to unlock private-sector investment. We urge the Government to commit to a long-term fiscal strategy that puts the public finances on a more sustainable path, recognising that no government will be able to pursue its priorities and invest in growth without effective and cost-efficient public services and a more resilient fiscal platform.

Our members are clear that stability is essential, and that without stronger growth the pressures on the public finances will only intensify over time. Taken together, visible progress on tax, administrative burdens, and public finances would create better conditions for investment and signal that the UK intends not only to improve its fiscal position, but to translate that into stronger growth. The alternative is a prolonged period of weak investment and disappointing productivity that makes the public finances harder, not easier, to manage.

ICAEW would welcome the opportunity to work with you on these priorities. We would be pleased to convene a roundtable of members including FTSE chairs, CFOs and SMEs to test options for a simpler, more growth-oriented tax framework. We can also contribute technical expertise to work on audit and corporate reporting reforms, and support officials in developing a clearer long-term narrative on the sustainability of the public finances.

I would personally welcome a meeting following the Spring Forecast to discuss how we can take this work forward ahead of the Autumn Budget 2026.

Yours sincerely



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ICAEW BUSINESS SENTIMENT SNAPSHOT

Evidence from the Business Confidence Monitor (Q4 2025) and Member Insight (Q1 2026)

ICAEW members report an economy entering Q1 2026 with weak confidence, high-cost pressures and constrained investment appetite, but with pockets of resilience and conditional optimism if policy stability and growth-enabling measures can be delivered.

The Q4 2025 Business Confidence Monitor shows confidence falling deeper into negative territory, reflecting the cumulative impact of tax burden concerns, regulatory uncertainty and subdued demand. Member feedback since yearend reinforces this picture, with businesses focused on cash protection, cost control and selective investment rather than expansion.

Core findings from ICAEW's Q4 Business Confidence Monitor

- The UK Business Confidence Index fell to –11.1 in Q4 2025, its lowest reading since 2022.
- 64% of businesses reported tax as a growing challenge, the highest proportion on record. Regulatory concerns were also at record highs in several sectors.
- Domestic sales and exports were subdued, though firms expect some improvement over the next 12 months, particularly among exporters.
- Employment growth dropped further, some sectors reported job losses, and capital investment intentions remain weak.
- Confidence fell across most sectors, with Construction, Retail & Wholesale, and Property among the weakest, while IT and communications remained relatively more resilient.

Member insight: what businesses are experiencing now.

Cost pressures remain acute. Businesses report difficulty passing on higher employment, energy and business rates costs, particularly in consumer-facing sectors.

One healthcare member commented: *“There’s no point making a loss year on year – rent is too high to sustain, which is further impacted by business rates”.*

Members also highlighted regulatory impacts, including the Employment Rights Act, with warnings of 10–15% increases in staffing costs for seasonal and flexible businesses, and the limitation of Level 7 apprenticeship funding already affecting recruitment strategies.

Qualitative member feedback suggests emerging selectivity in investment decisions, driven in part by cost pressures and cash constraints. A hospitality business in London told us, *“we’re being squeezed on revenue, squeezed on cost and consumer sentiment is not there either”.*

Implications for the Spring Forecast

The evidence suggests business confidence remains fragile, with firms highly sensitive to any further increases in complexity, cost or uncertainty.

Members are looking for stability and predictability in tax and regulation, targeted support for skills and productivity, and clear signals that government recognises cumulative cost pressures even where headline inflation has eased.

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