



29 January 2024

Rt Hon Jeremy Hunt MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

*Dear Chancellor,*

## **SPRING BUDGET – ICAEW SUBMISSION**

Thank you again for meeting with us last week and giving us the opportunity to discuss how ICAEW and its members can contribute to resilience and renewal in the economy. Our formal representation to HM Treasury on the Spring Budget was submitted on 24 January: this letter summarises its main points.

ICAEW supports over 200,000 chartered accountants and students worldwide. In the UK, our members in business (as leaders in finance and management) and in practice (as external business advisors) guide more than three million companies, in every region, sector and level of the economy.

The ICAEW Business Confidence Monitor (BCM) is one of the most comprehensive quarterly surveys of UK business sentiment and at the end of 2023 it was showing an economy struggling to regain momentum. Weakened customer demand, significant tax burdens and high interest rates have resulted in a deterioration in key business indicators. While there was a slight increase in confidence compared to the previous quarter, it was noticeable that businesses were still less optimistic than before the COVID-19 pandemic.

As well as drawing on BCM, our pre-Budget submission reflects the direct feedback we collect every week from our members on the business frontline. There is a strong desire to see greater economic stability, underpinned by long-term incentives to influence investment, employment and growth, as follows:

### **1. Long-term certainty and tackling obstacles to growth.**

Businesses and investors want a vision that identifies and champions the technologies of the future. As part of this vision, Government should set out a programme for reform in planning, housing, infrastructure, energy, security and transport. ICAEW therefore recommends:

- Addressing structural supply deficiencies by establishing a National Supply Side Commission.

#### **ICAEW**

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- Boosting entrepreneurship by introducing Business Start-up Passports and reintroducing Growth Vouchers, which previously helped 28,000 small businesses to access growth-critical finance.
- Investigating R&D cashflow barriers for SMEs, poorly optimised schemes and inadequate support from HMRC. Incentives should be aligned between HMRC and DBT, so there are clear guidelines and visibility on what qualifies as R&D.

## **2. A tax strategy for a modern, simplified, digital tax system.**

Businesses would keenly welcome a strategy which simplified taxes and digitised collection, making the system fit for the future. Making Tax Digital (MTD) will work best when the underlying tax rules are simplified. To achieve this, bold decisions are needed, and existing tax policies must change. To deliver a digitalised tax system fit for the future, ICAEW recommends:

- Reviewing 'cliff edges' on rates, thresholds and allowances and removing disincentives to growth and productivity.
- Ensuring tax policy change is consistent with a strategy to simplify taxes and reduce administrative burdens on taxpayers and HMRC.
- Reviewing HMRC's capabilities to address current and future demand and improving service standards. HMRC should be incentivised to improve its performance and be held accountable to taxpayers when delays incur costs.

## **3. Bold global leadership on net zero and green transition.**

The UK has made notable advances on net zero, but mixed policy signals are stifling investment in low-carbon solutions, threatening competitiveness, and putting the net zero target at risk. As a result, the UK is on course to meet only 17% of its SDG targets. We urge Government to show bold leadership to ensure the UK gets back on track. To seize the opportunities of net zero, ICAEW recommends:

- Developing a net zero investment strategy and Transition Plan for the whole economy, which includes decarbonising the public sector alongside funding support for business transition.
- Embracing London's opportunity to be the world's first net zero and nature-positive financial centre by using the UK Infrastructure Bank for new private-public partnerships that share the risk and reward of green infrastructure projects.
- Prioritising consultation with industry to deliver the CBAM levy, an essential step to decarbonising the economy.

## **4. Equip businesses and workers with the skills of the future.**

Businesses need support to secure talent to drive growth, and Government should provide the leadership to enable this revolution. ICAEW members highlight the importance of a flexible and resilient workforce that adapts to an ever-changing environment. Schools and businesses have a role in shaping the curriculum so young people are more aware of career pathways and opportunities. To address skill shortages, ICAEW recommends:

- A skills strategy that promotes digital skills and equips businesses, especially SMEs, with the talent to deliver the net zero transition. This should include national financial and technical literacy standards in schools.
- Extending the success of apprenticeships by providing flexibility to businesses, reviewing funding bands and reducing bureaucracy. For example, the current maximum funding for the Level 7 Accountancy or Taxation Professional is £21,000 and needs updating.
- Modernising the Shortage Occupation List to enable more targeting of specific skill groups and qualifications, rather than just focussing on job roles.

Thank you once again for your time on 16 January. I would welcome an opportunity to discuss these priorities with you again later in the year.

Yours sincerely



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