ICAEW
REPRESENTATION 39/26

CALL FOR EVIDENCE: BUSINESS SYSTEMS INTEGRATION

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ICAEW welcomes the opportunity to comment on the Call for Evidence: Business Systems Integration published by HM Revenue & Customs on 12 March 2026, a copy of which is available from this link.

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ICAEW
Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

KEY POINTS

1. We welcome the government's continued focus on growth and agree that supporting small and medium sized businesses is essential to delivering this mission. We see the value in future-proofing business skills through increased technology adoption, recognising the significant opportunity digital tools present to reduce administrative burdens and improve business productivity.
2. However, in gathering views for this response, some concern was raised about how the information generated through this exercise might be used in future, particularly if it informs regulatory direction or expectations. It is therefore important that any findings are not drawn beyond their original purpose. Small businesses are highly diverse in structure, capacity and need, and the insights gathered through this exercise should be understood as reflecting only a subset of businesses, rather than the full range of sectors represented by small and medium-sized enterprises (SMEs).
3. In that context, care should be taken to avoid generalisations when drawing broader policy conclusions. The suitability and value of integration will vary significantly according to individual business circumstances, and a one-size-fits-all approach would not be appropriate.
4. It is, however, reassuring that the outcomes of this call for evidence are not intended to mandate integration across all businesses. Maintaining flexibility and allowing businesses to adopt integration where it is appropriate to their circumstances is an important principle.
5. A consistent theme in this response is the cumulative effect of integration requirements. While individual changes may appear manageable in isolation, their combined impact can be significant and may deter adoption. This is closely linked to the challenge of legacy systems, which remain common among established businesses. The cost, complexity and operational risk of updating or replacing these systems can be substantial and, in some cases, prohibitive.

ANSWERS TO SPECIFIC QUESTIONS

BARRIERS AND OPPORTUNITIES

Question 27: What behavioural factors do you think could discourage businesses from integrating? (such as perceived difficulty, uncertainty towards change, concerns about data privacy or security)

6. One key factor is the low prioritisation of operational tools relative to commercial or revenue-generating systems. Where choices need to be made between the two, businesses may favour tools that are seen as directly driving sales or growth, while operational or back-office systems are viewed as overheads. This reflects a perception that integration and efficiency tools are undervalued despite their potential to deliver longer-term productivity gains.
7. A related behavioural factor is short-termism. Businesses may prioritise investments with visible and immediate returns, particularly in pressured operating environments. The benefits of systems integration, such as reduced administrative time, improved data accuracy, or better compliance, are often incremental and harder to measure than revenue impacts, which can reduce their attractiveness in investment decisions.

8. Another factor is choice overload and uncertainty. The wide range of available software products, providers and integration options can feel overwhelming, especially for smaller businesses with limited digital capability or advisory support. The time required to assess options and determine the best fit can discourage action.
9. We also note that poor past experiences with digital tools or earlier implementation projects can create lasting risk aversion. Where businesses have experienced disruption, unexpected costs or limited benefits from previous investments, integration may be perceived as risky or uncertain. This can lead to hesitation, particularly where the benefits are indirect, longer term or difficult to quantify. In some cases, this risk aversion is reinforced by high-profile IT failures or cyber-attacks, which can heighten concerns about the potential consequences of integrating systems.
10. These factors suggest that behavioural barriers related to perceptions of value, risk, prioritisation and uncertainty can play a role in limiting uptake of integration, alongside more traditional cost considerations.

Question 28: What technical challenges do you believe might prevent or discourage businesses from integrating? (such as compatibility, accuracy, data privacy or security)

11. There are a number of technical challenges that can prevent or discourage businesses from integrating their systems, particularly where existing technology setups are complex or legacy-based.
12. A key challenge is compatibility and interoperability. Many businesses use a mix of systems, such as accounting software, Electronic Point of Sale (EPOS), booking platforms and industry-specific tools, that were not designed to work together. In addition to these technical limitations, commercial constraints can further restrict integration: some software providers limit access to their APIs, keep them closed, or only permit connections with selected “approved” partners. Older or bespoke systems may also lack modern Application Programming Interfaces (APIs) altogether or only support basic data exports (for example via comma-separated values (CSV) files), limiting opportunities for real-time or automated integration.
13. Beyond system design and access constraints, the absence of a widely adopted common data standard for financial information remains a significant barrier. Unlike in some other countries, where standardised frameworks such as Sweden’s SIE format provide a shared method for transferring accounting data between software providers, the UK landscape remains fragmented. As a result, integrating systems often requires an additional mapping layer, typically external to the systems themselves, to translate between different data structures and formats. This increases complexity, cost and the risk of failure, further limiting seamless interoperability.
14. This compounds with fragmented software ecosystems. Even where integrations exist, they may require multiple connectors, middleware solutions or third-party add-ons, increasing technical complexity and the risk of failures or data inconsistencies.
15. Another barrier is data quality and accuracy challenges. Differences in data structures, data definitions and coding (for example VAT treatment, product categories or transaction timing) can result in errors or reconciliation issues when systems are integrated. Where confidence in data accuracy is low, businesses may prefer manual processes.
16. Data privacy, security and permissions management also present technical challenges. Businesses can be concerned about how data flows between systems, how third-party applications access sensitive financial or banking information, and how permissions are controlled and audited. Even when systems are secure, unclear or fragmented permission models can discourage integration.
17. There can also be challenges relating to the reliability and ongoing maintenance of integrations. Integrations may break or degrade over time due to software updates, API changes, or vendor roadmap decisions, creating ongoing technical dependency on suppliers and increasing operational risk. In some cases, this risk is heightened by commercial factors: where software providers are acquired or change strategy, integrations with third-party systems

may be deliberately withdrawn or restricted in favour of their own products. This can create vendor lock-in, disrupt existing business processes, and require costly system changes.

18. More broadly, uncertainty about future technology developments can act as a technical deterrent. Rapid advances in areas such as automation and artificial intelligence may lead businesses to question whether investing in more complex integration architecture now will remain compatible or scalable in the medium term. Emerging approaches, such as model context protocols (MCPs) and other efforts to standardise how AI systems interact with external tools and data, may further reshape integration requirements, increasing uncertainty about which technical approaches will prove durable.

Question 29: What financial barriers do you believe might prevent or discourage businesses from integrating? (such as cost of software, implementation costs)

19. Financial barriers play a significant role in discouraging businesses from integrating systems, and these often interact with behavioural factors. We note that it is frequently the cumulative financial impact, rather than a single cost, that deters businesses.
20. A major barrier is the lack of clarity around the business case or return on investment (ROI). Where the financial benefits of integration are uncertain, incremental, or difficult to quantify, it can be challenging to secure executive or owner sign-off, particularly when competing with other investment priorities.
21. Our members also observe that, while software licence costs are relevant, they are rarely the main deterrent. Instead, businesses are often discouraged by the stacked nature of costs across multiple systems, such as core accounting software, bank feed add-ons, EPOS or e-commerce connectors, receipt capture tools, expense management applications and payroll bolt-ons. Individually, these costs may appear affordable, but taken together they can amount to hundreds of pounds per month, creating affordability concerns, particularly for smaller businesses.
22. In addition, some providers are increasingly placing key integration capabilities behind higher-tier pricing, effectively charging a premium for access to APIs. This means businesses may need to upgrade or incur additional costs simply to enable integrations, further increasing the overall cost burden.
23. Implementation and onboarding costs are also a significant barrier and are often under-estimated. These can include data migration, chart of accounts mapping, configuration, training and process redesign. In the first year, these costs can exceed ongoing software fees. The perceived and actual costs associated with change management and implementation effort can therefore slow or stall decision-making.
24. Additional financial barriers our members noted include:

- **Existing contractual commitments**, where businesses are locked into current providers or face penalties for early termination
- **Long contract lengths and ongoing subscription commitments**, which require sustained financial commitment and increase perceived risk
- **Integration and development costs**, particularly where bespoke work or non-standard systems are involved
- **Costs of external support**, such as consultants or advisers needed to scope, implement or maintain integrations
- **Uncertainty over the total cost of the project**, including future upgrades, scaling requirements or additional integrations
- **Cash-flow constraints**, which limit the ability to absorb upfront or transitional costs even where long-term savings are anticipated
- **Lack of a pre-planned budget** for digital transformation or systems integration

25. These factors suggest that financial barriers extend beyond headline pricing, and include uncertainty, risk exposure, opportunity cost and the ability of businesses to manage cumulative and transitional costs over time.

Question 30: Are there any other barriers you think might prevent or discourage integration?

26. Beyond behavioural, technical and financial factors, there are a number of practical and contextual barriers that can prevent or discourage businesses from integrating systems.
27. A key barrier is time and capacity constraints. Many businesses, particularly smaller ones, lack the management bandwidth to step back and properly assess their needs, identify suitable solutions, and oversee implementation. Even where integration is viewed positively, the time required to scope, plan and manage change can be prohibitive alongside day-to-day operational demands.
28. There can also be a knowledge and information gap. Many business owners lack a clear understanding of what effective integration looks like in practice, what is achievable using currently available tools, and how integration should be tailored to their specific sector, size, or stage of growth. This uncertainty can delay or prevent action, particularly in the absence of trusted and impartial guidance. For example, some SMEs do not adopt even basic forms of integration, such as connecting accounting software to bank feeds, reflecting limited awareness of what is possible and the potential operational and efficiency benefits.
29. Our members also note the reliance on their expertise to initiate and support integration for some businesses. Where advisers are not confident, proactive or technology-forward, businesses are unlikely to progress integration independently. This creates an uneven landscape in which uptake depends heavily on the digital capability of external support rather than business need alone.
30. Operational disruption and timing considerations are also a factor. Integration activity can be difficult to schedule around peak trading periods, periods of growth, or regulatory deadlines. Even where long-term benefits are recognised, concerns about short-term disruption to business operations can lead to deferral.
31. Change fatigue is an additional contextual factor. Businesses have experienced multiple recent and upcoming regulatory and systems changes, including Making Tax Digital (MTD) for VAT, the forthcoming expansion of MTD for Income Tax Self-Assessment, and Companies House reforms, which can create reluctance to undertake further system changes in the short term.
32. Finally, some businesses may delay integration due to strategic uncertainty, shaped by the pace and fluidity of the technology market. Rapid advances in areas such as automation and artificial intelligence mean that many businesses no longer view software investments as long-term commitments, but as shorter-term, adaptable solutions. As a result, there is a growing preference, particularly among SMEs, for readily deployable solutions requiring minimal configuration. This shift in mindset can reduce appetite for more complex or bespoke integration projects, as businesses may be reluctant to invest time and resources in building integrations for systems they may not expect to use in the medium term.
33. Taken together, these factors suggest that even where attitude, technology and affordability align, wider capacity, advisory, operational and contextual barriers can still limit the adoption of integrated business systems.

Question 31: Are there any integrations that would benefit your business/clients/members that are not currently available?

34. While there are many potential integrations that could be beneficial, a key gap is the limited interoperability between systems provided by competing vendors. In practice, many software solutions, particularly within the accountancy sector, do not integrate effectively with one another. Practice management systems, in particular, are often cited as having weak integration capabilities. As a result, many mid-sized firms have developed their own bespoke integrations, such as custom data feeds into business intelligence or data warehouse solutions, to bridge these gaps. This highlights both the demand for improved interoperability and the limitations of current market offerings.

Question 32: What could be done to make integration of business systems better for small businesses?

35. Integration of business systems could be improved by reducing both cost and technical complexity for small businesses. More readily deployable solutions requiring minimal configuration, alongside open and well-documented APIs, would make it easier for businesses to connect systems without specialist support.
36. There are also lessons from the e-commerce sector, where integration is designed to be seamless and user-friendly, for example through widely adopted approaches such as single sign-on. Applying similar principles could reduce friction and increase uptake.
37. Greater adoption of common data standards and increased transparency from software providers would further support a more interoperable and accessible ecosystem.

FOR TAX ADVISERS

Question 40: In what situations might you advise for or advise against a business integrating their systems?

38. Businesses should assess system integration based on their specific operational needs, costs, risks, and strategic objectives. What is appropriate for one business may not be suitable for another, so broad generalisations should be avoided.
39. Integration may be beneficial where it improves efficiency, data accuracy, scalability, or reduces manual processes. However, businesses may decide against integration where costs, complexity, security concerns, or limited operational benefit outweigh the advantages.
40. The role of advisers is not to promote or discourage integration, but to ensure businesses understand the available options, associated implications, and can make informed decisions appropriate to their individual circumstances.
41. In general, it was observed that:

Recommend Integration	Do Not Recommend / Proceed with Caution
High transaction volumes or multiple sales channels; Need for real-time financial visibility; Clear inefficiencies from disconnected systems	Very low transaction volume; Poor underlying processes; Systems stable with no major issues
Supports growth and scaling; Enables data and technology use (e.g. AI)	Does not align with strategy; Business already undergoing major changes
Strong ROI; Budget available	Costs outweigh benefits; Weak financial position
Leadership capacity; Positive culture for change	Management lacks capacity; Resistance to change
Clear plan and training; Strong partners; Reliable integrations	No clear roadmap; Poorly supported integrations; Lack of partners
Benefits realised early; Good timing	High disruption risk; Poor timing (peak periods etc.)

Question 41: Do you have any other comments on the integration process?

42. Our members noted that the current market is increasingly crowded, with a growing and often overwhelming range of products. As integrations between products become easier to build,

they are becoming an expected feature; products that do not offer integration may struggle to remain competitive.

FOR SOFTWARE AND BUSINESS SYSTEMS PROVIDERS

Question 42: Do you think the current availability of integrations meets the needs of sole traders and small businesses? Can you identify any gaps?

43. For many common use cases, the mainstream accounting platforms (such as Xero, QuickBooks, FreeAgent and Sage) broadly meet the needs of sole traders and small businesses, particularly around core functions like bank feeds, invoicing and basic payroll.
44. However, notable gaps remain. Industry-specific integrations, including those in trades, hospitality, healthcare and professional services that rely on time recording or work-in-progress, are often limited, expensive or poorly tailored to sector-specific workflows.
45. Integration with government services also remains patchy. Data flows between accounting software and HMRC systems (for example PAYE, CIS, VAT penalties and Self Assessment statements) are incomplete, and Companies House integrations are largely one-way, restricting automation and reconciliation.
46. In addition, cash-basis sole traders are often served by consumer-grade tools that work at very small scale but do not integrate well or scale as the business grows, making later transitions more difficult and disruptive, hindering business expansion.
47. While integration availability is strong for standard cases, gaps persist for sector-specific needs, government data connectivity and businesses transitioning from micro to more complex operations.

Question 46: Are there opportunities for industry and government to support business system integrations?

48. There are clear opportunities for both industry and government to support improved business systems integration. We note that given the pace of change in the software market, it is unlikely to be practical for government to keep up with individual products or provide detailed product-level guidance. However, government can play a valuable role in supporting the conditions for better integration, particularly for small and micro-businesses with limited resources and capacity.
49. One significant opportunity is the expansion of government-backed, freely available APIs, particularly for HMRC and Companies House data, beyond what is currently available. Improved access to reliable, standardised government-held data would reduce duplication, improve data accuracy, and enable more seamless integration. To maximise this benefit, there is also a need for greater consistency in how these APIs are designed and accessed. A common set of design principles or a unified framework for connectivity, rather than requiring separate onboarding processes and credentials for each service, would reduce complexity for developers and encourage wider adoption, supporting a more integrated digital ecosystem.
50. There is also scope for targeted financial support mechanisms to encourage adoption of integrated digital systems. Grant funding or tax-relief schemes, similar in intent to Help to Grow: Digital, but more focused on integration and interoperability, could help offset adoption costs and improve the quality of business record-keeping.
51. Industry bodies and professional organisations also have an important role to play. They can publish real-world case studies showing how integration works in practice for different business types, alongside impartial assessments of integration approaches rather than promotion of specific products.
52. Practical training and awareness-raising would also support adoption. This could include demonstrations, workshops, and concise guidance aimed at demystifying integration and helping businesses understand what “good” looks like, without requiring deep technical knowledge.
53. Finally, there may be value in exploring certification or accreditation models for integration partners or providers. A light-touch certification approach could help businesses identify trusted

providers and reduce the risk associated with selecting integration support, provided this does not restrict competition or innovation.

54. The most effective support is likely to be a combination of open standards, accessible data, targeted incentives, trusted guidance and skills development, rather than attempting to direct or mandate specific technical solutions.

Question 47: Do you think that standardised protocols or government-supported frameworks would be feasible and/or desirable to help improve the accessibility and quality of business systems integrations?

55. There is a potential role for government in supporting lightweight frameworks or generic solutions aimed at businesses with very limited resources, particularly micro-businesses. For these businesses, complexity and fragmentation in the software market can be a significant barrier. Government-endorsed frameworks, guidance, or reference architectures could improve decision-making and help ensure that core business data is captured and structured more consistently.
56. In some cases, targeted subsidy or funding for appropriate software solutions could also help improve the quality of business record-keeping, reducing errors and lowering the number of businesses struggling to manage their financial data effectively. Any such intervention would need to remain flexible and avoid prescribing specific products.
57. The success of Open Banking demonstrates that regulated standards can unlock significant value when well designed. By providing a common, trusted approach to data access and permissions, Open Banking reduced duplication, increased competition, and enabled new entrants to participate. A similar approach for core business data, such as sales, purchases, payroll and tax-relevant information, could deliver comparable benefits, particularly if it builds on existing standards such as PEPPOL for e-invoicing rather than creating entirely new infrastructure.
58. Standardisation in this area could reduce integration costs, improve data quality, and significantly lower barriers for smaller software vendors, while giving businesses greater confidence that systems will work together reliably.
59. However, there are important risks to manage. Over-engineering standards, or developing frameworks that are overly complex, could slow adoption and limit effectiveness. Any approach would need to be lightweight, outcome-focused, and genuinely adopted by industry, rather than simply published. Ongoing governance, industry participation and real-world testing would be critical to success.

Question 48: Do you think there are other practical steps government could take that would help improve the availability, quality, or uptake of business systems integrations?

60. There are a number of practical, non-prescriptive steps government could take to improve the availability, quality and uptake of business systems integration.
61. One option would be to support the development of sector-specific, moderated communities or forums, potentially in partnership with industry bodies. These could give businesses access to trusted, practical insights, shared experiences and product considerations that are relevant to their sector. For many small businesses, the challenge is not a lack of products but a lack of balanced, validated information, and such communities could reduce the burden of independent research.
62. Government could also expand digital skills and capability support for micro-businesses, delivered through trusted intermediaries such as accountants, bookkeepers, trade bodies and local business networks. These intermediaries are often best placed to translate integration concepts into practical business decisions and to support implementation in context.
63. From a policy perspective, it would be beneficial to avoid introducing further Making Tax Digital-style mandates until the software ecosystem is genuinely ready, with reliable, interoperable and well-supported integrations available across a wide range of sectors. Premature mandates risk reinforcing resistance and change fatigue, rather than encouraging voluntary uptake.

64. Clear and consistent messaging on the benefits of integration would also support adoption. This should focus not only on compliance, but on tangible gains such as reduced admin time, improved data accuracy, better cash-flow visibility and long-term productivity. Businesses are more likely to invest when the value proposition is clear and relatable.
65. The most effective practical steps are likely to be those that reduce effort, clarify value and lower risk for businesses, while working alongside industry rather than attempting to dictate technical solutions.

Question 49: Are there emerging technologies that you believe could help improve or automate the business systems integration process?

66. For some businesses, emerging technologies do more than enhance integration; they reduce reliance on it by enabling systems to converge within a single, real-time operating environment.
67. Large language model (LLM) applications can automate tasks such as data reconciliation, query handling and anomaly detection, reducing manual intervention and error rates.
68. Combined with technologies such as Optical Character Recognition(OCR), structured e-invoicing, embedded finance, and real-time payments, businesses can shift from complex system integration toward intelligent automation, where data flows are monitored and corrected dynamically with less manual reconciliation.