ICAEW
REPRESENTATION 107/23

‘RESILIENCE AND RENEWAL’ AUTUMN STATEMENT 2023 REPRESENTATION

Issued 13 October 2023

ICAEW welcomes the opportunity to submit a representation to HM Treasury ahead of the Autumn Statement taking place on 22 November 2023.

There is an urgent need for a clear strategy to increase the resilience of the UK economy to unleash the potential of business and people. ICAEW members operating across every region and every sector of the UK economy are clear – they want an economy underpinned by certainty, clarity, stability, and the right long-term incentives to influence investment, employment and growth.

Importantly, there is a desire to see the government follow through on its existing policy commitments, finish projects that have been started, and invest sufficient resources in government departments and the public sector to deliver this.

ICAEW has identified eight priority policy recommendations for inclusion in the Autumn Statement to promote economic renewal and economic resilience.

1. **Government should take steps to increase productivity through boosting investment and addressing skill shortages**. This should include:
   a. Making full expensing of capital allowances on qualifying plant and machinery investments permanent.
   b. Revamping the Apprenticeship Levy to provide more flexibility to businesses.
   c. Publishing a new AI digital skills and technology plan.
   d. Introducing and promoting the proposed ‘Help to Grow Green’ campaign to help SMEs to upskill, plan and invest in the transition to net zero.

2. **Government should show bold global leadership on sustainability and provide incentives for business investment in net zero aligned R&D**. This should include:
   a. Delivering a net zero investment strategy for the UK that strategically targets relevant business sectors with appropriate incentives, regulation and government spending.
   b. Implementing the recommendation in the Independent Review of Net Zero to “simplify the net zero funding landscape” for all local authorities.
   c. Introducing a ‘Net Zero Delivery Tracker’ to assess the impact of tax and spending measures contained announced at fiscal events on climate and nature goals.
   d. Reviewing whether R&D incentives could be more targeted at sectors with the most productive potential for the UK economy, with special considerations for SMEs.

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3. **Government should publish an overarching tax strategy**. This should include:
   a. Scrapping the Spring Budget and Autumn Statement in favour of a single annual Autumn Budget every year, giving businesses and taxpayers time to plan ahead.
   b. Revising the tax administration strategy including timelines for delayed projects.
   c. Examining how to smooth cliff edges, including in rates, thresholds and allowances, that can influence taxpayer behaviour and give rise to high marginal rates of tax.
   d. Recognising the limitations of HMRC capacity and adopting a 'digital first' position. when devising and implementing tax policy changes.

4. **Government should urgently address poor HMRC service standards** to ensure the tax system remains resilient and HMRC's performance is not a barrier to growth and productivity. This should include:
   a. Publishing a plan alongside the Autumn Statement setting out how HMRC will improve its customer service.
   b. Holding HMRC to account for poor service standards and missing targets.
   c. Ensuring that HMRC has the necessary funding and resources to administer the tax system effectively.
   d. Ensuring that there is appropriate redress for taxpayers who suffer because of poor HMRC service standards.

5. **Government should deliver a public services strategy and urgently address significant problems in local government** that jeopardise effective and efficient use of public money and are not delivering the quality of public services citizens and businesses are paying for and expect. This should include:
   a. Committing to replacing short-term funding pots and competitive bidding by local authorities with stable long-term funding streams.
   b. Co-ordinating a cross-government effort to tackle the backlog of 918 delayed audit opinions for local authorities in England.

6. **Government should intervene to address serious concerns about business banking services and late payments**; **take steps to improve access to finance for SMEs and communicate impact of capital market reforms**. This should include:
   a. Introducing a new version of the Growth Voucher Scheme.
   b. Applying an inflationary increase to British Business Bank Start-Up Loans thresholds.
   c. Taking responsibility for and leading communications to the public about the changes in protection of investors in IPOs and further fundraisings, and to the risk profile of certain funds in DC pension schemes.

7. **Government should publish a roadmap on tax simplification**, explaining how it will be embedded into HMT and HMRC policymaking following the abolition of the OTS.

8. **Government should address gaps in digital tax services**, by undertaking a thorough review with a plan to improve services and develop digital capabilities for the future. This should include a fundamental review of Making Tax Digital for Income Tax Self Assessment.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

For questions on this submission please contact us at representations@icaew.com quoting REP 107/23.

DETAILED COMMENTS

Overview of the UK economy

9. The economic backdrop to this Autumn Statement is tough for people and businesses.
10. The latest results from ICAEW's Business Confidence Monitor (BCM) – one of the largest and most comprehensive quarterly surveys of UK business activity – shows that business confidence in the UK remains weak as concerns about high inflation, weakening customer demand and rising interest rates bite.
11. Sentiment tracked by ICAEW's BCM put confidence at 6.1 on the index for Q2 2023, below the pre-pandemic average of 7.2 from 2010-19. Weekly BCM data revealed that business confidence declined during the research period, standing at -4.0 in the final week of the survey, partly reflecting the impact on sentiment of two interest rate increases in May and June. By sector, confidence in the second quarter was only negative in the property and retail and wholesale sectors, reflecting their direct exposure to rising interest rates and, for the former, a weakening housing market.
12. While inflation remains a key concern there are encouraging signs that inflation will continue dropping back. Selling prices also rose at their fastest-ever rate this quarter, with manufacturers and retailers and wholesalers reporting the biggest increases. However, companies expect selling price inflation to drop to its lowest level since Q4 2021 over the next 12 months, reflecting the slowdown in input costs.
13. Wider economic activity is slowing. Domestic sales growth has slowed to its lowest level since Q3 2021, impeding confidence.
14. Customer demand was a major challenge for over a third of businesses, reflecting slowing sales and an uncertain economic background. Regulations remain a prevalent issue, followed closely by customer demand. Problems created by the tax burden, bank charges, late payments and access to capital are likely to be restraining investment plans, which remain weak.
15. Growth in capital investment spending also slowed and is expected to moderate further in the year ahead, reflecting fragile business confidence.
16. ICAEW believes that although lower energy bills will help support activity, the drag on incomes from high inflation, an onerous tax burden and the lagged impact of rising interest rates means the UK is walking an unenviable tightrope between feeble growth and a full-blown recession.

Resilience and Renewal

17. Poor productivity has held back the UK economy for decades. There is an urgent need for a clear economic strategy to address weak productivity and tepid economic growth, focusing on how to unleash the potential of UK business and communities. Such a strategy needs to address obstacles facing businesses wanting to grow, people wanting to develop, and public services wanting to improve.
18. The Chancellor has identified key growth sectors of Digital Technology, Green Industries, Life Sciences, Advanced Manufacturing and Creative Industries and called on them to increase their investment in the UK. The Government has an important opportunity to support these sectors with targeted business incentives and a co-ordinated industrial strategy that drives the Green Revolution.
19. Settled policies that encourage investment by companies to generate sustainable long-term growth will address this and greatly benefit the communities in which those companies and their supply chains are based. ICAEW members are clear – they want certainty, clarity, stability, and the right incentives to invest, employ staff and grow their business. Constant policy changes undermine business confidence in the UK. The need for greater political consensus and long-term planning is a recurring theme. This is particularly apparent in the context of tax incentives to encourage investment, as introducing reliefs for three years only does not create the certainty required. For this reason, we are calling for the extension of full expensing of capital allowances and clarity over the future of reliefs subject to sunset clauses including the Enterprise Investment Scheme (EIS) and Venture Capital Trust scheme (VCT).
20. Clarity around the regulation of Artificial Intelligence (AI) is needed to give businesses the certainty and confidence to responsibly develop and use AI. The government should quickly provide details of how the central functions identified in the AI regulation policy paper will be set up and how they will operate. This will help alleviate business concerns around working with multiple regulators including duplication, contradiction and remits that are not covered. It will also help address regulator concerns such as access to skills. As AI is global in nature, the government should work with other countries to ensure that any UK regulation is interoperable and supports businesses in operating globally.
21. A long-term fiscal strategy is needed to put the public finances on a sustainable path, addressing the generational challenge of more people living longer, sometimes less healthy, lives and the need for greater fiscal resilience following three successive economic crises in the last fifteen years. Poor quality public services are an obstacle to economic development as well as making all our lives more difficult and wasting the public money spent on them. A public services strategy is needed to deliver high quality public services efficiently with investment in technology prioritised to both improve service quality as well as reduce costs.
22. Investing in strong central and local government finance, counter-fraud and procurement functions, as well as internal and external audit, will be essential for achieving value for money in public spending, especially at a time where there is a need to keep borrowing under control. High quality and timely financial reporting to aid decision-making will be critical. Significant investment will be required in Companies House to enable it to fully utilise the new powers it will hold once the Economic Crime and Corporate Transparency Act is enacted.
23. Although policymakers hold the responsibility for tackling these issues, it's clear that UK business and chartered accountants have a leading role to play in feeding into those solutions and then in implementing them. By extension, they have a key role to play in addressing these critical economic problems that are holding back growth and prosperity in the UK. ICAEW is committed to working with government in a collaborative way to harness the expertise, experience, innovation and entrepreneurship of our members. Our Resilience and Renewal campaign Building an Economy Fit for the Future was recently launched and highlights a number of key challenges for government, but also solutions.

Renewal – creating a modern tax system and investment incentives to boost productivity and support the road to a sustainable economy

Improve productivity through boosting investment and addressing skill shortages

24. From April 2023 until the end of March 2026, companies can claim 100% capital allowances (full expensing) on qualifying plant and machinery investments. **Making full expensing permanent would give companies greater confidence to invest in new technology and machinery and in turn improve their sustainability and productivity.** Recent analysis by the Institute for Fiscal Studies (IFS) has found that estimates of the cost of the policy have been “vastly inflated” and would ultimately be just £1bn to £3bn for each year the relief lasted. This relief is a vital lever to enable the UK to compete for international investment and would ultimately yield a return on investment and demonstrate support for companies investing in the UK.
25. **The apprenticeship funding bands are in need of review due to current inflationary pressures**. The current funding range is £2,500 to £27,000. At present, the maximum funding available for the Level 7 Accountancy or Taxation Professional is £21,00 and the Level 4 Professional Accounting or Taxation Technician is £8,000. The costs of delivering the apprenticeships will continue to rise alongside inflation due to, but not limited to, the increase in cost of assessors, on programme support costs and examination expenses. As the costs of delivering the apprenticeships increase, training providers will look to employers to fund this in the absence of an increase from the Levy scheme. This could, in the long term, reduce the number of employers who undertake the apprenticeship scheme, which could reduce the amount of talent we are able to attract to the profession.
26. The design of the Apprenticeship Levy, including its inflexibility, is an issue regularly raised by ICAEW's members. The Apprenticeship Levy needs to be high enough to enable employers of all sizes to adopt apprenticeships and also the flexibility to train staff in areas where there are skills shortages or emerging skills are needed. **The government should revamp the Apprenticeship Levy to allow firms to use a proportion of their total funding from the Levy on high quality non-apprenticeship training,** such as accredited courses that helps upskill employees to adapt to technological change, the transition to net zero and other big changes in the economy and the workplace.
27. AI is a transformative technology that presents new skill challenges across the UK labour force. While AI has the potential to increase productivity by automating simple tasks and even taking over complex decision making, an empowered and skilled workforce is still required to manage the design and implementation of AI activity and provide oversight. Accountancy and financial services will be heavily impacted by AI and it is important that the UK workforce is equipped to benefit from AI-driven change. Accountants may also have an important role to play in future in auditing AI and promoting AI safety. The **government should publish a new AI digital skills and technology plan** with grants for SMEs to purchase software licenses and hardware, tax rebates for employee training and an expanded AI and digital apprenticeship scheme.
28. There is a need to provide support to incentivise and facilitate investment towards net zero and future skills of the workforce, especially for SMEs. **The Government should implement the Independent Review of Net Zero proposal for ‘Help to Grow Green’ campaign**, offering information resources and vouchers for SMEs to upskill, plan and invest in the transition to net zero.
29. To support people back into work, ministers should focus on two key areas: health and childcare. ICAEW recommends that the government treats the access and availability of affordable childcare as an economic priority, reaffirming the positive announcements in the 2023 Spring Budget. To assist people with long-term physical and mental health conditions to participate in the labour market, or stay in their current roles, ministers need to review the welfare system, pursuing a policy objective of ensuring it has the flexibility and incentives to make sure the people it supports are not financially disadvantaged by working.

Simplifying and incentivising the Net Zero funding landscape

30. The establishment of the United Nations Sustainable Development Goals (SDGs) in 2015 sent a clear and decisive message about the importance of sustainable economies. Halfway to the 2030 deadline, the latest UN SDG Progress Report warns that the world is currently on track to meet only 12% of the SDG targets, with the UK is on course to meet only 17% of its targets. To meet our sustainability commitments, we need to reimagine our economies, how we do business and how our financial systems operate, rapidly shifting financial flows towards net zero, nature positive, socially just outcomes. This is not only the right thing to do; it is an economic imperative. Inertia will be far more costly than decisive action.
31. The UK has made notable advances on some fronts. However, the pace and scale of action falls far short of what's required. Mixed policy signals are stifling investment in low-carbon solutions, threatening UK competitiveness and putting the UK's net zero target at risk. As COP28 approaches, we have an opportunity for world leaders, businesses and civil society to align commitments with action and put us back on track. We urge the UK government to show bold leadership. As other international players such as the US and EU pursue their own industrial strategies to take advantage of the opportunity presented by the transition to net zero economies, the government must be proactive to make the UK economy competitive.
32. **The government should develop a net-zero investment strategy in the UK** (as part of a wider, whole economy UK Transition Plan), that sets out to strategically target the relevant business sectors, at the necessary scale and pace with appropriate incentives, regulatory controls and government spending. **This should be accompanied by the introduction of a 'Net Zero Delivery Tracker'** to assess the impact of financial flows contained in each Budget and Spending Review on climate and nature goals, as well as the overall package's impact on progress towards net zero. This should be underpinned by a clear science-based definition of what is green, and what is not – i.e. the UK's 'green taxonomy'.
33. This should include a commitment to making London the world first net zero & nature positive aligned financial centre and developing a private-public partnership to explore ways to share the risk and reward of green infrastructure projects to sustainable finance.
34. Investment in net zero is one of the biggest growth opportunities for the UK and can play a key role in levelling up the UK regions. Key locations outside London and the South East may have the greatest potential as hubs and clusters of clean growth industries. **Any enhancement to the R&D regime should consider the Treasury's ability to provide more targeted support** as appropriate, for example, in the growth areas of life sciences, advanced manufacturing and digital technology. We also suggest extra relief could be directed towards those sectors that the government wishes to encourage for public interest purposes, such as climate change and nature loss, which would help to satisfy its other policy objectives.
35. The role of the public sector in delivering net zero is critical. Not only must it set an example by eliminating its own emissions, but it has a key role to play in enabling private sector investment and using its regulatory and planning powers to facilitate change. The net zero funding landscape is extremely complicated and inefficient for local authorities and counter-productive for central government. This funding landscape also holds back growth in local economies**. The government should therefore implement the recommendation in the Independent Review of Net Zero to "simplify the net zero funding landscape" for all local authorities.** This should include consolidating different funding pots, reducing competitive bidding processes, giving longer lead-in times where bidding remains and providing funding over the medium- rather than the short-term.

Devising a coherent strategy to underpin a modern tax system

36. **The Government should publish an overarching tax strategy** to establish the route to simplify taxes and digitalise tax collection in order to transform the tax system and make sure it is fit for the future.
37. The UK's tax rates, thresholds and allowances create cliff edges which act as a structural block to growth, inhibiting job creation and economic activity which would otherwise generate tax receipts for the Exchequer.
38. There should be consideration of the impact on HMRC of tax changes including, for example, the increase in the number of taxpayers who will need to complete self assessment tax returns because of the freezing and reduction of bands and allowances. **HM Treasury and government should examine the impact of policy changes on HMRC and its capacity to deliver them.**
39. To provide greater certainty over the tax system and more consistency in policymaking, **the government should scrap the Spring Budget and Autumn Statement in favour of a single annual Autumn Budget every year,** taking place by the end of November, giving companies and families four months to plan for the new tax year.
40. **The tax administration strategy published in July 2021 should be revised** to reflect a more realistic timetable for projects already running behind and extended to a new deadline.

Resilience – supporting businesses and workers

Invest in HMRC to improve service standards and increase accountability

41. Taxpayers' and agents' trust and confidence in HMRC's customer services has reached a new low. Regrettably, ICAEW receives evidence of unacceptable HMRC service performance from members almost daily. The evidence covers both long waits for helpline calls to be answered and letters and other correspondence left unanswered, with some correspondence delays of well over a year.
42. **HMRC's service standards need to be addressed as a top priority** to ensure the tax system remains resilient and HMRC's performance is not a barrier to growth and productivity. Poor HMRC service performance is having a significant negative impact on the economy by increasing costs thereby hampering the efficiency of taxpayers, agents and HMRC itself. There is also a risk of a reduced level of compliance and an increase in the tax gap.
43. Reports from members highlight problems right across HMRC services. For example, the new VAT registration service introduced in 2022 has caused major problems for businesses and agents. Some of these have been resolved, but the service level agreement remains at 40 working days which is considerably longer than was experienced with the previous service – 15 days – and acts as a drag on growth and productivity as businesses wait for a VAT registration number to start trading. Research and development (R&D) tax relief is another major area where taxpayers and agents are experiencing extensive delays and, in some cases, rejection of valid claims.
44. HMRC recently announced that from October 2023 it will no longer operate a 10-minute service level on its Agent Dedicated Line (ADL) and will re-route enquiries on PAYE. This provides further evidence of a continued decline in HMRC's performance and comes after years of performance falling below expected standards, with little sign of any improvement likely soon.

45. Feedback from an ICAEW member highlights the level of frustration:

> *"This is not acceptable. Before Covid we almost always got through in less than a minute and the HMRC staff were actually good enough to resolve matters that I couldn't resolve online. Now I have given up phoning and gone back to writing letters in the post. The current waiting times for those being answered is 3 to 6 months. I'm not going to wait on hold for 10 minutes for some untrained assistant to tell me "I'll send that to the XYZ team and they will get it sorted" when I know that half the time it doesn't get sorted and a month later I've got the client on the phone complaining why it hasn't been sorted. I will carry on writing letters in the post, then I have an exact record to refer to, and evidence of the disgraceful level of service from HMRC".*

46. To restore confidence, **HMRC should urgently publish a plan setting out how it will improve its customer service and how it will be held accountable for poor performance and missed targets.** Improvements are needed now, and this is HMRC's and government's problem to solve. Communications should be honest about HMRC's reduced resources and its attempts to manage them rather than suggesting that improvements are being made.

47. ICAEW members increasingly mention HMRC's lack of accountability. This was also highlighted in the report of the Charter Stakeholder Group. There is little or no recourse for costs incurred by taxpayers and agents because of HMRC delays and inefficiency. The concerns were summed up neatly by one comment made by an agent in the 2022-2023 Charter Report as follows:

> *"There are no consequences if HMRC gets things wrong. They hold taxpayers and agents to much higher standards than they hold themselves and there is little or no recourse for the extensive costs and time-wasting caused by HMRC incompetence and delays. They should be held to the same standards (deadlines) and pay compensation when they get things wrong - this might focus their minds and make them try to do things better. At the moment, there is no incentive for them to improve at all!"*

48. HMRC needs to be incentivised to be more efficient and effective. The government should hold HMRC to account for poor service standards and missing deadlines. **There should be appropriate redress for taxpayers who suffer because of poor HMRC service standards** which could include, for example, a more straightforward process to reclaim extra costs incurred due to HMRC delays and incorrect processing.

49. A **thorough review into HMRC's resources and capabilities should be undertaken** to determine whether it can operate effectively and to develop improved digital services for the future.

50. **Government should ensure that HMRC has the necessary funding and resources to administer the tax system effectively**. Increased investment in HMRC is almost certain to be needed to develop better digital services and to improve customer support until such time as these digital services can be demonstrated to reduce phone and telephone demand.

Fix problems in local government

Stable long-term funding for local authorities

51. **Stable long-term funding streams should replace short-term funding pots and competitive bidding by local authorities**. Too much time and effort is wasted on internal transfers of money within the public sector instead of enabling local authorities to focus on delivering the public services and infrastructure that businesses and communities need.
52. Many local authorities are struggling financially and some may need recapitalising if they are to be able to survive without needing to resort to s114 notices that can devastate local services and result in the deferral of critical infrastructure that is needed to support economic growth.

Tackle the local authority audit crisis

53. The growing crisis in local audit that has led to most local authorities in England being two or more years behind on publishing their audited financial statements. These delays are not just a compliance issue; the accounts are fundamental to how our local democratic institutions operate at a time when many authorities are struggling amid difficult economic conditions.
54. Without up-to-date audited financial statements, critical processes for accountability, governance, internal financial control, risk management, strategic decision-making, regulatory and system oversight cannot function properly.
55. **A cross-government effort is required to resolve tackle the backlog of 918 delayed audit opinions** and get the local audit system working again.
56. Investment is also needed in local authority finance teams to improve the quality of records subject to audit and of draft financial statements and to provide the capacity needed to tackle the backlog of financial statements that have yet to be audited.
57. Better quality and more understandable financial statements are also a critical component in improving governance in local authorities, addressing weaknesses such as those that have led to the failure of some local authorities and potential failures of others.
58. The shadow local audit system leader within the FRC needs greater powers over local authorities in addition to the FRC's oversight of audit firms. Currently there is no enforcement mechanism over the quality or timeliness of the financial statements prepared by local authorities and the quality and accuracy of their accounting records.

Improve access to finance for SMEs and communicate impact of capital market reforms

59. SMEs seeking finance typically face challenges due to the risk inherent in financing such businesses. Certain difficulties faced by SMEs are more acute at present due, in a large part, to global market and UK economic conditions and wider issues in the aftermath of COVID-19.
60. Access to capital plays a huge role in encouraging investment. The credit crunch during the global financial crisis was particularly acute and even though it recovered to some degree, funding remains a growth challenge for many businesses. ICAEW's BCM found that 11% of businesses cited access to capital as a growing challenge between Q3 2018 and Q2 2023, compared to 8% over the previous five years. Global economic conditions have influenced investor sentiment thus reducing availability of risk capital, including venture capital. Certainty of government policy will help.
61. The Mansion House compact aims to boost access to capital for unquoted companies, through a commitment by DC pension providers to aim to allocate at least 5% of their default funds to unlisted equities by 2030. **The government should spearhead and coordinate communication to trustees and members of DC pension schemes** so that they are fully informed about the implications for the risk profile of affected funds.

62. **The government should also lead a campaign to inform investors and potential investors about its ambitious reforms of the UK's capital markets.** These include replacing established investor protections in the listing regime with disclosures. As acknowledged by the Financial Conduct Authority in a speech in March 2023, *"there will need to be clear acceptance that some investors, even those who do read and understand every word of the disclosure, will lose money, not just uninitiated retail investors"*. The government has a responsibility to work with regulators and market participants to communicate and signpost advice and guidance.
63. Very often, the blockage to accessing finance is not the quality of the business, but the quality of the application for finance. **The government should explore a new version of the Growth Voucher Scheme** that closed to new applications in March 2015. The scheme helped over 28,000 small businesses access strategic advice on areas including financing that could help them grow. Three-quarters of these businesses received a voucher that offered up to £2,000 to cover half the costs of buying strategic business advice from private sector suppliers.
64. **The government should also enable larger Start-Up Loans via the British Business Bank.** The threshold of £25k is unchanged since the start of the scheme in 2012 and should have an inflationary increase applied as a minimum. The guarantee support should also be simplified.
65. ICAEW members have noted that government grants to help small businesses set up a website do not extend to setting up the e-commerce element. This could be remedied to support efforts by the E-Commerce Trade Commission to support small businesses to start or grow their export business.
66. ICAEW's member helpline has heard frequent accounts of difficulties experienced with business and charity banking. Examples of these have included bank requests for audited accounts from businesses below the statutory threshold, for independent confirmations of future performance. Members also report closure of business and personal bank accounts with limited notice and charities struggling to open accounts. The government has recently enhanced procedures for banks regarding personal bank account closures. Further consideration should be given to whether the same rights can be extended to business bank accounts.
67. ICAEW has welcomed recently announced government plans to extend the Reporting on Payment Practices and Performance Regulations 2017. This will mean new metrics for reporting, including value, so that the value of invoices, including invoices paid late, will be incorporated. Cash flow is critical for small businesses, particularly against a backdrop of ongoing economic challenges, and the new measures announced should improve payment culture and reduce the time wasted chasing debt. But there's still plenty of work to do. As one ICAEW member put it at a recent roundtable discussion with the Small Business Commissioner, "everyone is paying everyone late". Until legislation is introduced to reinforce payment terms, it's likely to remain an acute problem for Britain's small businesses.

Roadmap for tax simplification

68. Meaningful tax simplification requires a clear plan, focused resource, accountability, and investment. Complexity – in both the UK tax administration system and tax legislation – is a key issue for our members, especially when combined with the challenges they face in getting help from and engaging with HMRC customer services and systems.
69. ICAEW, alongside other professional bodies wrote to Ministers outlining nine processes that are needed to enable HM Treasury and HMRC to focus on simplicity in tax policy and administration.
    a. Identify the characteristics of tax simplification.
    b. Ensure someone is accountable for delivery of tax simplification.
    c. Include simplification declarations in tax information and impact notes.

d. Gain external input to policy design and implementation.
e. Seek feedback from a broad range of stakeholders.
f. Ensure HMRC and Treasury engagement groups include tax simplification as a standing objective.
g. Increase awareness and improve guidance.
h. Allow time for development and integration of systems.
i. Adopt a consistent approach across tax regimes.

70. Following discussions with officials we sent a further joint letter to the FST on 15 September setting out proposed next steps. We echo the calls made in the letter in this submission: HMRC should form a regular discussion group with professional bodies; implement a plan or roadmap to signal government intention and commitment to tax simplification; and provide feedback on each of the nine recommendations set out above.

71. The letter also expressed concern that without a clear plan, focused resource, accountability and investment, it is going to be very difficult to deliver meaningful simplification and build trust that simplification is genuinely being embedded in the policy making process and given adequate weighting.

72. **Government should publish a roadmap on tax simplification**, explaining how it will be embedded into HMT and HMRC policymaking following the abolition of the Office of Tax Simplification.

Address gaps in digital tax services

73. ICAEW has regularly highlighted concerns to HMRC in respect of digital services. At present, there is no prospect of any improvement. To restore confidence, **HMRC should address concerns about gaps in digital services,** by undertaking a thorough review with a plan to improve services and develop digital capabilities for the future.

74. Any tax policy changes should adopt a ‘digital first’ position, i.e. ensure that they can be implemented digitally, before they are implemented in order to reduce administrative burdens and consequent time costs placed on HMRC and taxpayers. Many HMRC digital services are designed in isolation and are not comprehensive. Building good digital systems requires proper investment.

75. Agents often have to resort to using the phone or writing to HMRC only because they are unable to resolve their clients’ issues digitally. We think that there may be scope to refocus HMRC resources onto the development of digital services that will reduce phone and post demand in the short to medium term. This is particularly the case for digital services for agents. ICAEW has previously shared with HMRC a list of improvements to digital services that would reduce demand on phone and post services, but HMRC does not appear to have the desire and/or resources to address them.

76. ICAEW fully supports the digitalisation of the tax system. However, **HMRC should undertake a fundamental review of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA)**. In our view the current plans are not deliverable by 2025 for an adequate pilot and 2026 for the first >£50k turnover tranche, despite the reduced scope.

77. There are several fundamental design issues that have not been resolved and uncertainty and disengagement amongst software developers, taxpayers and agents. It is unclear how HMRC will provide the necessary customer support during the transition (during which demand is likely to increase) given its current resources. We doubt that, as designed, MTD ITSA will realise its objectives, either in terms of closing the tax gap due to error and failure to take reasonable care or making it easier for taxpayers to comply with their tax obligations. Removing or deferring the quarterly reporting element would go a long way towards improving the current worrying situation.