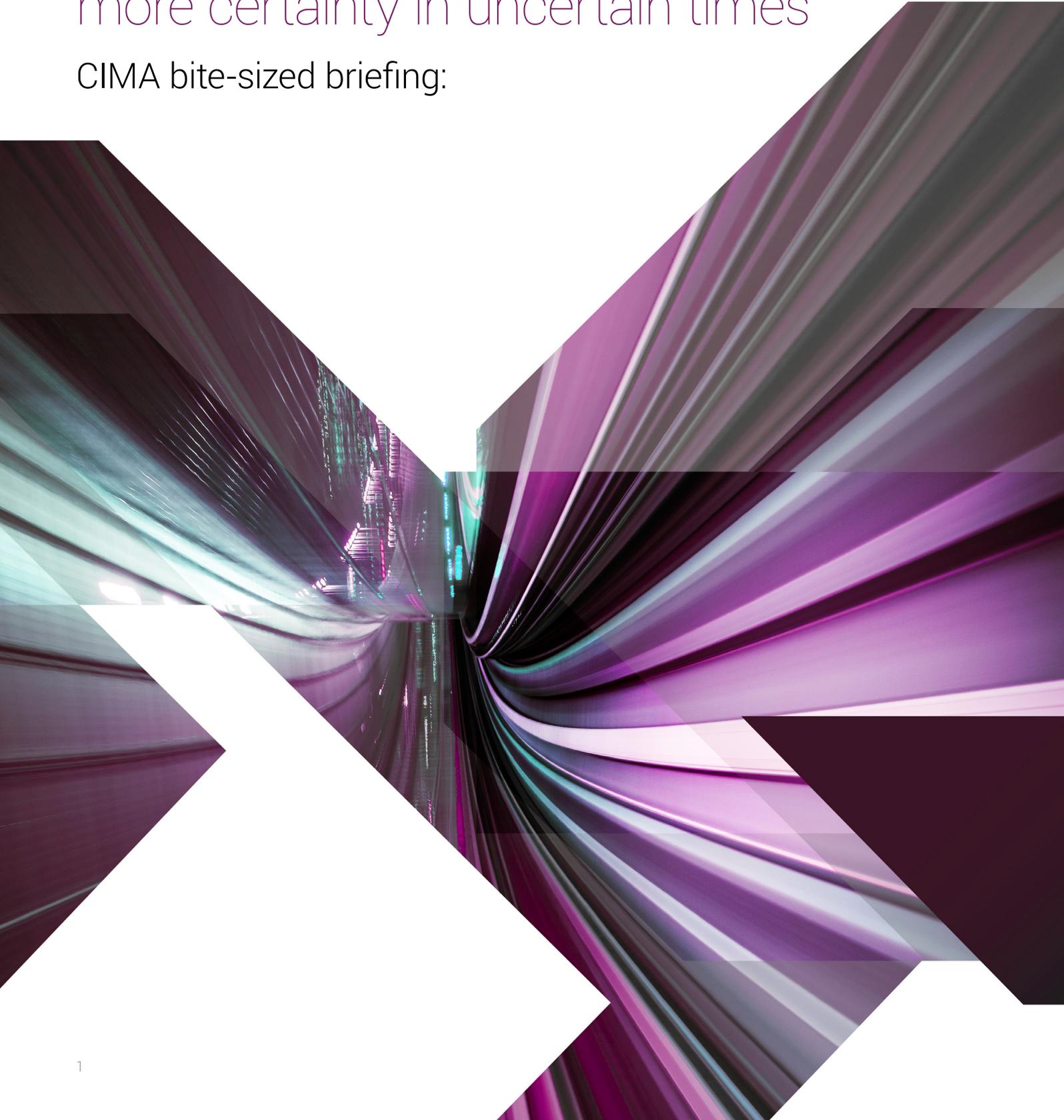




How the UK government can support businesses by providing more certainty in uncertain times

CIMA bite-sized briefing:



Proposal

The Chartered Institute of Management Accountants® (CIMA®) urges the UK Government to:

- ▶ Outline tax plans for at least the next two years to provide some clarity for businesses and consumers.
 - During the two years, the Chancellor could reduce taxes but would be committed to not making changes that increase taxes.
- ▶ Pause planned changes to business regulations and have a moratorium on new regulations until the economic crisis has passed.

About CIMA

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders. Chartered Global Management Accountant® (CGMA®) is the most widely held management accounting designation in the world. It distinguishes more than 137,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management.

CIMA is a founding member of the Association of International Certified Professional Accountants® (the Association), which combines the strengths of the American Institute of CPAs® (AICPA®) and CIMA to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents more than 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. In the UK alone, CIMA has more than 80,000 members working across all sectors. With broad reach, rigour and resources, the Association advances the reputation, employability and quality of CPAs, CIMA and CGMA designation holders and accounting and finance professionals globally.

One of the core missions of the organisation is to develop research and analytical thinking of the challenges faced by our management accounting professionals and also the wider and global finance sector.

Contact

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Overview

Businesses face a uncertain and challenging business environment as they adapt to the pandemic shock and the change in trading terms due to Brexit. In addition, there have been potential long-term changes to working practices and consumer demand that the rise in home working is generating and adapting to new and changing operational guidelines and rules to support the public health fight against COVID-19.

Business needs certainty and stability to plan investment and the UK Government can help contribute to this by providing clarity on their tax and regulation plans for the next few years. Many SMEs are already calling for this.¹

The pandemic has required significant investment to adapt business premises to the social distancing provisions and national lockdowns and now tier-based controls. Business has also experienced a decline in revenue.² The pandemic has distracted and, in some cases, prevented businesses from conducting their work. Even where the government has subsidised business during this period, it will soon seek to recoup the cost of this support through taxes on those same businesses and their consumers. The Office for Budget Responsibility predicts that between £21 and £46 billion of tax increases and/or spending cuts will be needed to bring the budget back in balance by 2024.³

'Companies also face challenges with Brexit and the deal announced between the EU and UK will take time for companies to adapt to it and understand its full implications.' For example, the cost of customs declarations is projected to be £7 Billion per annum to UK business.⁴ Businesses may need to make changes in their supply chains or invest in developing new export markets as the trading environment changes. In the short-term, KPMG predicts that Brexit will wipe off 2.9 percentage points from UK growth in 2021.⁵ Possible Brexit benefits include new trade deals and opportunities to cut regulation or better tailor it to the needs of the UK economy, but these benefits are likely to be achieved in the medium-term and not in the immediate future.

Both Brexit and the pandemic may fundamentally change the nature of work. The rise of home working will create economic disruption and could alter consumer behaviour in the long-term as companies adapt to the new business environment.⁶ This means that there is unlikely to be a return to normal and a wide range of businesses are having to fundamentally rethink their business models. This is not an ideal time for the UK Government to impose additional taxes and regulations to contribute to costs and uncertainty.

¹ [Business calls on Chancellor for stability and certainty in economic statement \(inews.co.uk\)](#)

² [Coronavirus and the economic impacts on the UK - Office for National Statistics \(ons.gov.uk\)](#)

³ [Tax rises and spending cuts of up to £46bn needed after Covid crisis, warns spending watchdog | The Independent](#)

⁴ [British business faces £7bn red tape bill under Brexit border plan | Financial Times \(ft.com\)](#)

⁵ [Brexit to blow £50bn hole in UK's economic recovery from coronavirus pandemic, says KPMG | The Independent](#)

⁶ [Embedding new ways of working post-pandemic | Reports | CIPD](#)

Outline tax plans for businesses for at least the next two years to create a less uncertain tax environment for businesses.

Businesses need as much certainty as possible from the government, especially in economically challenging times. One important way government could provide this is to outline their tax plans for the next two years for businesses. This would give businesses knowledge of the tax framework they will be operating in for the medium-term and mean they can make better investment decisions.

A 2011 Treasury Select Committee report said: 'Tax policy is only one of the factors on which businesses and individuals make their decisions, but lack of stability and clarity about the direction of travel in tax policy will, over time, undermine the competitiveness of a tax system and make it impossible for businesses to plan. If tax policy is to support growth, then the direction of travel of tax policy should be clear'.⁷

This shows why tax policy and clarity around it is so important for businesses. In these economically uncertain times, one way the government can create some certainty for business is to be clear on its tax plans for the next few budget cycles.

The government has the power to be able to do this and should do so to give businesses some certainty in a crucial area to their operations in these uncertain times.

Put on hold plans for changed business regulation until the economic crisis has passed.

The government has plans for a whole range of changes to business regulation, from changes to environmental rules to plans to reform how company audits and regulation of business take place. While we support many of the planned reforms, we think that during the economic crisis, it would be best for these to be paused to allow time for businesses to recover.

Businesses need to focus on changing their models to cope with the reality of their changed operating environment and on how they can start to recover and build and grow again. By adding regulatory change on top of this during this already difficult time for businesses, the government will be forcing businesses to put resources elsewhere when they should be solely focused on recovery.

A pause on additional business regulation plans will support businesses to recover, support jobs and mean Britain is on the pathway to economic recovery sooner. The recent Centre for Policy Studies report titled, *After the Virus: A Plan for Restoring Growth*, called for 'A moratorium on all new non-urgent regulation on business, and a cross-government review of which regulatory measures could be delayed or waived'. We would support such a policy.⁸

For more information about these proposals and CIMA's other policy suggestions for economic recovery and paying back the costs of the pandemic, please read our report

[Budgeting for Recovery and a Long-Term Economic Future for the UK.](#)

⁷ [House of Commons – Principles of tax policy – Treasury \(parliament.uk\)](#)

⁸ [cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf](#)



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