



# Policy Voice full survey results January 2025

- Boosting Business Confidence
- The Spending Review
- The Administration of Tax
- International Trade
- Technology Adoption

Number of respondents: 687

Survey Dates: 10 – 30 January 2025



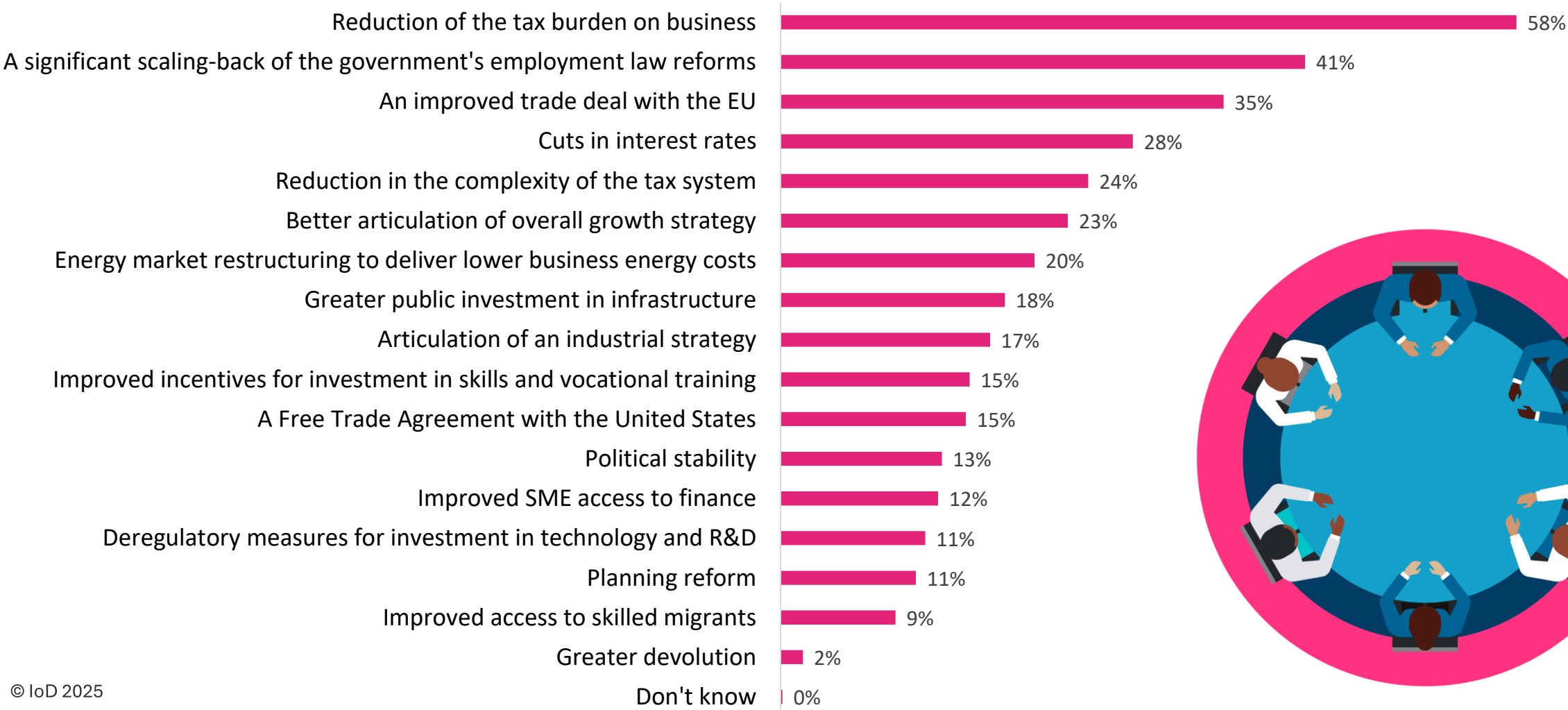
# Boosting Business Confidence

At the start of 2025, business confidence in UK economic prospects stands at historically depressed levels. We wanted to know what business leaders thought the government should now do to best boost confidence. The data from this question will be used to shape our advocacy throughout 2025.



Business costs need to be addressed to truly lift business confidence

Which of the following would do most to boost business confidence in 2025? Please choose up to three.



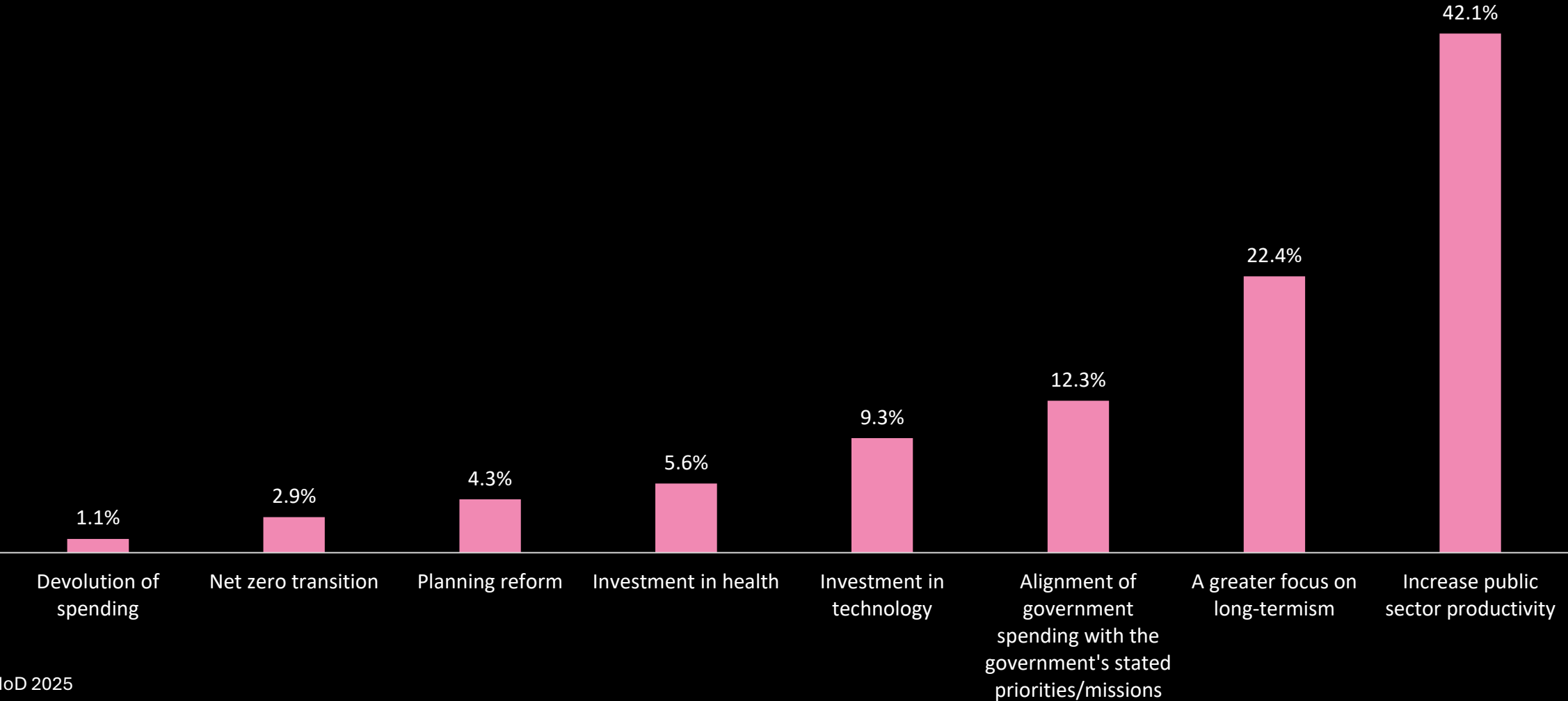
# The Spending Review

Data from this question will be used in our submission to HM Treasury ahead of the Spending Review in the spring.



42% of business leaders want to see an increase in public sector productivity prioritised in the Spending Review

What do you think should be the top priority for the public sector Spending Review?



# The Administration of Tax

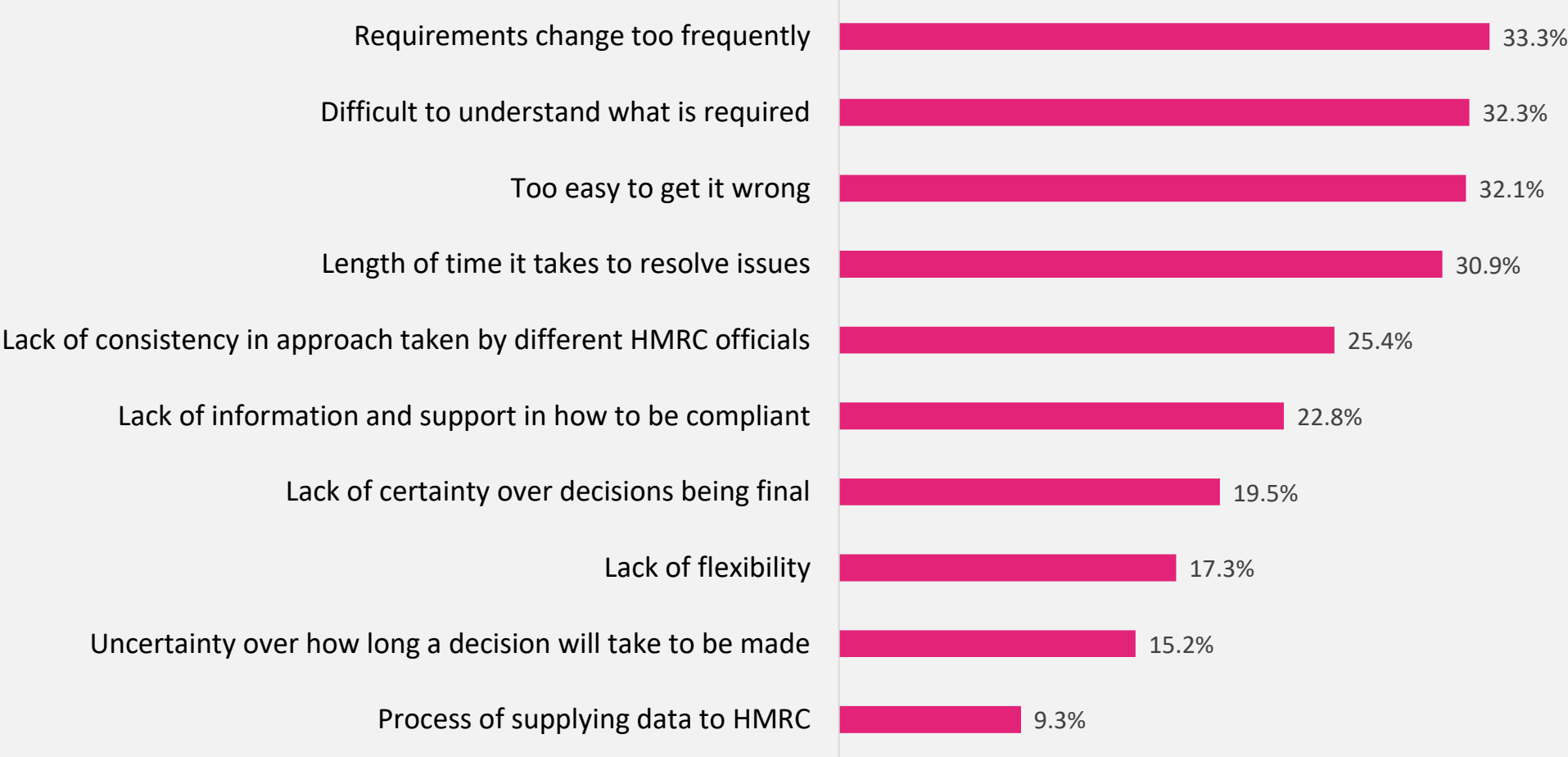
The government are due to announce a package of measures to simplify tax administration and improve the customer experience in spring 2025 with a focus on reducing burdens on small businesses.

HM Treasury and HMRC are interested in receiving feedback from business. Data from the following questions will be used to shape our conversations with senior officials.



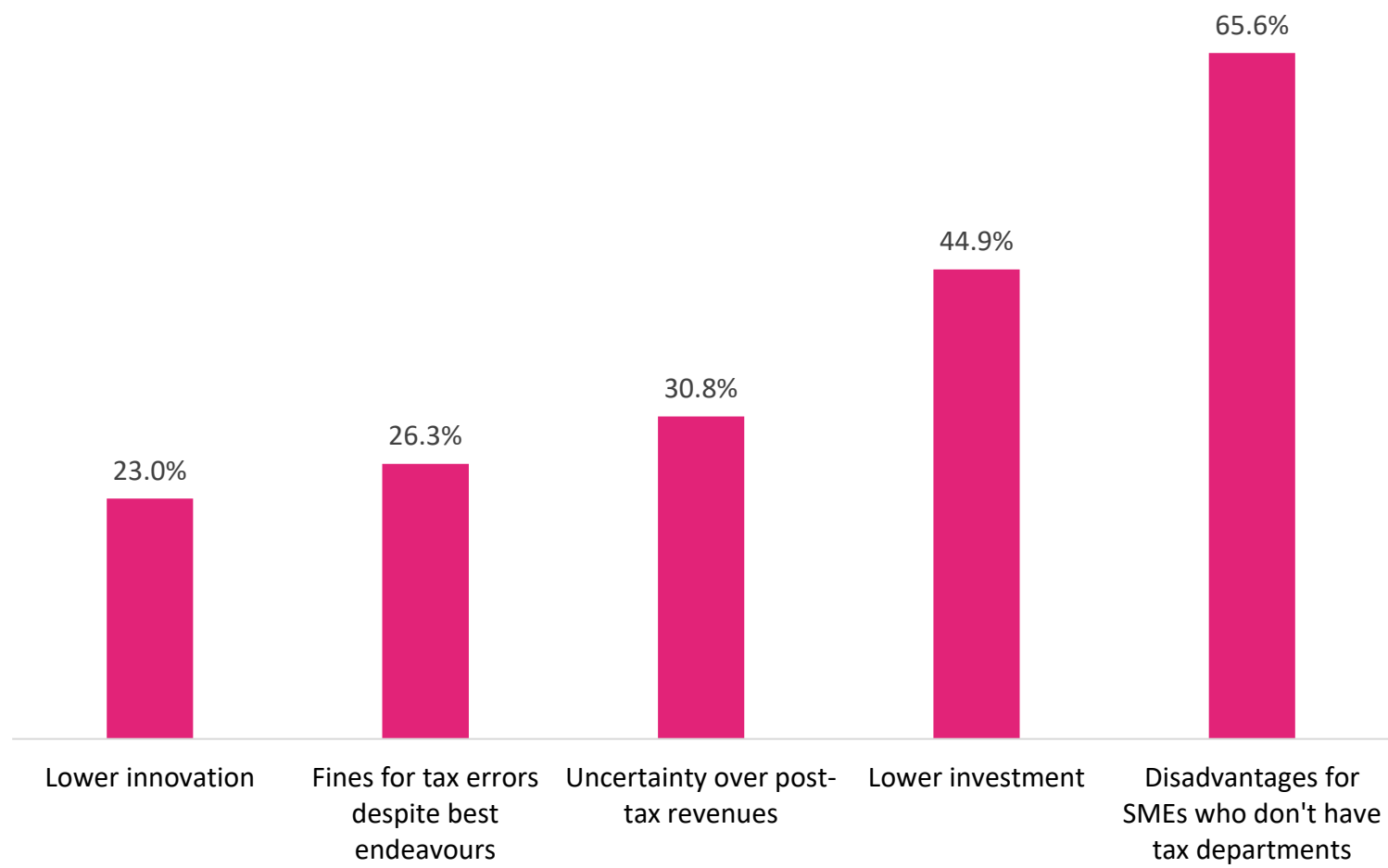
**Business leaders struggle with frequently changing tax requirements, and difficulty in understanding them**

**What are the most significant issues you face when navigating the UK's tax system?**



SMEs are disproportionately affected by tax complexities due to capacity

What are the consequences of that complexity?

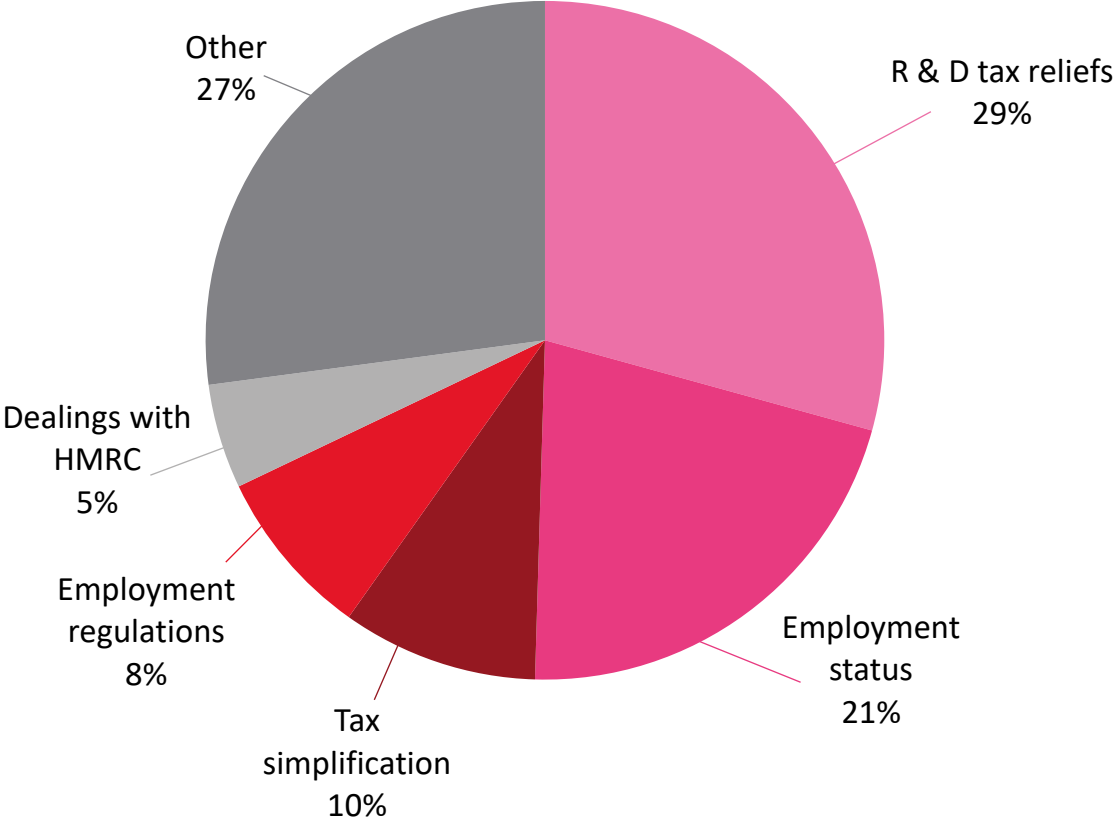






## R&D tax relief processes and changing employment status requirements top list of tax challenges businesses face

Which ONE area of the tax system do you find most challenging to navigate?



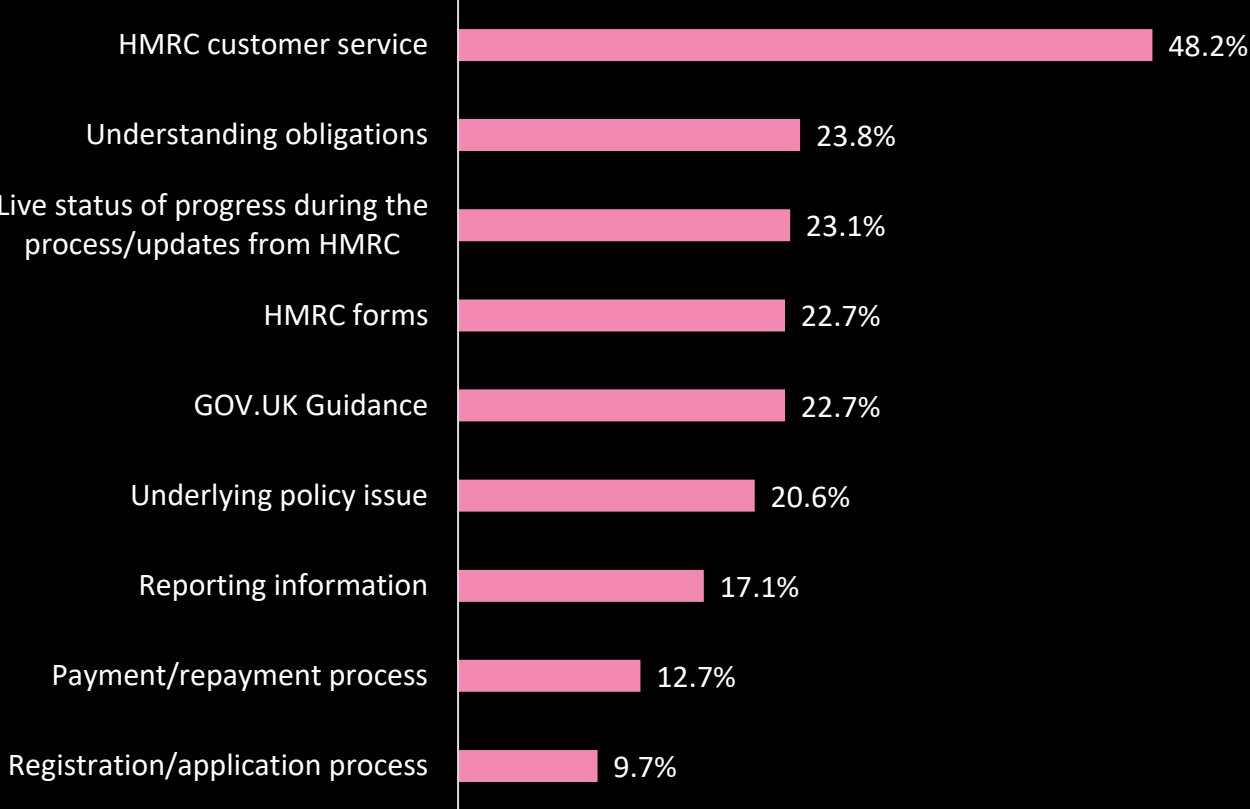
Although the majority of our members cited issues such as the complexity of the process of claiming R&D tax reliefs and the changing employment status landscape, almost a third of our members also cited other issues that they manage when faced with the tax system.

For example, the withholding of tax claims, EIS/SEIS eligibility, what counts as an allowable expense and SME requirements. A large number of respondents, when commenting on the challenges they faced in other areas, also cited their dealings with HMRC as a great challenge – due to waiting times, difficulty in getting hold of the right representative, a lack of adequate knowledge in the departments, and frequently changing regulations.



Roughly half of IoD members would like to see the HMRC customer service reviewed

Which parts of the process for that area should be prioritised for review?  
Please select all that apply.



When asked to give specific examples of how costly or difficult the tax system is to navigate, members largely fell into four camps.

Firstly, many of the comments focused on the time it takes to get through to HMRC, and the service they receive when they do get through:

*“Just getting through to talk to HMRC you wait generally for an hour and in more complex situations you need to contact them more than once.”*  
(Professional, scientific and technical activities, East of England, 0-1 employees/sole trader)

*“Enormous waiting times on HMRC helplines followed by unclear advice”* (Financial services, London, 100-249 employees)

*“The length of time it takes to get a response from HMRC is ridiculous. Even to get calls answered takes time we don’t have.”* (Administrative and support services, Scotland, 0-1 employees/sole trader)



**Secondly, those who do not have the time, expertise or resources to deal directly with HMRC, or navigate the tax system more generally, have had to employ help externally – spending more money than they would have wished to, to make sure they're getting it right.**

*"We have to use tax advisors as it's too onerous for us as a business and therefore twice as costly" (Mining and quarrying, East Midlands, 100-249 employees)*

*"It is time-consuming and challenging to navigate HMRC independently. As a result, accountants often bear the burden, leaving business owners without control or a clear understanding of their financial situation." (Other services, London, 0-1 employees/sole trader)*

**SME's are particularly struggling with this issue:**

*"We pay our accountants to do it. It's a significant cost to us but we don't have the time to do the work internally. An SME is pushed to the limits now, and due to the increasing cost of employing more staff and added complexity of the new regulations, this is not an option for us." (Professional, scientific and technical activities, West Midlands, 2-9 employees)*

*"As a SME, we don't have a tax department and filing is complex, especially if we get it wrong. To that end we really have no choice but to buy this as an expensive service from our accountant and a tax advisor." (Professional, scientific and technical activities, London, 2-9 employees)*

*"As an SME that's in the S end of the definition having to employ KPMG for tax advice and still have uncertainty as to whether the tax return will be challenged is a big waste of time and money." (Information and communication, South West England, 2-9 employees)*



**Thirdly, some members have chosen to look internationally for solutions to these challenges:**

*“R&D tax credit used to be simple and we could do it ourselves. Now we have to use a specialist company which cost £3000 last year and also many hours of extra work for us internally. Add that to the reduction in relief and I am starting to wonder if it's worthwhile; the alternative would be to outsource more of our R&D internationally.”*  
(Information and communication, East of England, 2-9 employees)

*“It is easier to offshore functions than comply with UK regulations and taxes”* (Financial services, London, 250+ employees)

*“Because of the UK employment law complexity and IR35 we no longer focus on work in the UK.”*  
(Information and communication, South West England, 2-9 employees)

Lastly, the majority of the comments focused on the changing tax requirements and associated legislation. These changes often bring greater costs for business, and so, some have chosen to reduce their hiring capacity. Others have also drawn attention to the sometimes, either limited, or dated knowledge of HMRC agents – who also have to stay up-to-date with frequent changes.

*“The problems are frequent changes (eg employer national insurance), increasing complexity and cliff edges and other structural features in the tax system that require additional work to structure transactions in a certain way, or suboptimal commercial decisions because of the tax”*  
(Professional, scientific and technical activities, London, 2-9 employees)

*“Since 2018 the requirements for compliance with LFT1 have changed annually, and each time they become more prescriptive. Last year we are compliant, this year we have to change operational processes to maintain compliance. The process changes are not driving any improvements in environmental issues, nor are they improving the quality of the output.”* (Water supply, sewerage and waste management, London, 250+ employees)

*“R&D applications that are clearly valid being rejected because HMRC staff do not understand their own policies.”* (Manufacturing, Northern Ireland, 50-99 employees)

*“Have avoided taking on full time staff to enable growth because of the administrative burden/cost of tax administration given a business with uncertain and fluctuating income streams.”* (Other services, London, 2-9 employees)

*“We made a long term plan to take advantage of sustainability offerings. By the time it went through our planning and the local planning area the subsidies had gone.”* (Education, South West England, 100-249 employees)

# International Trade

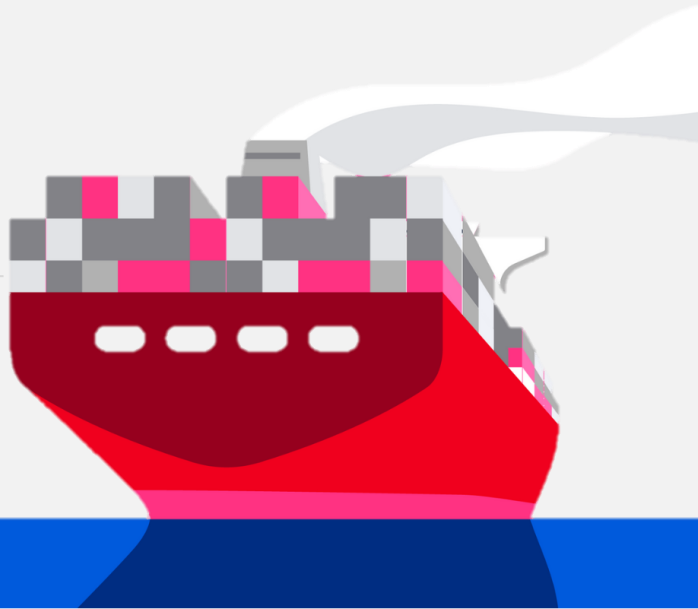
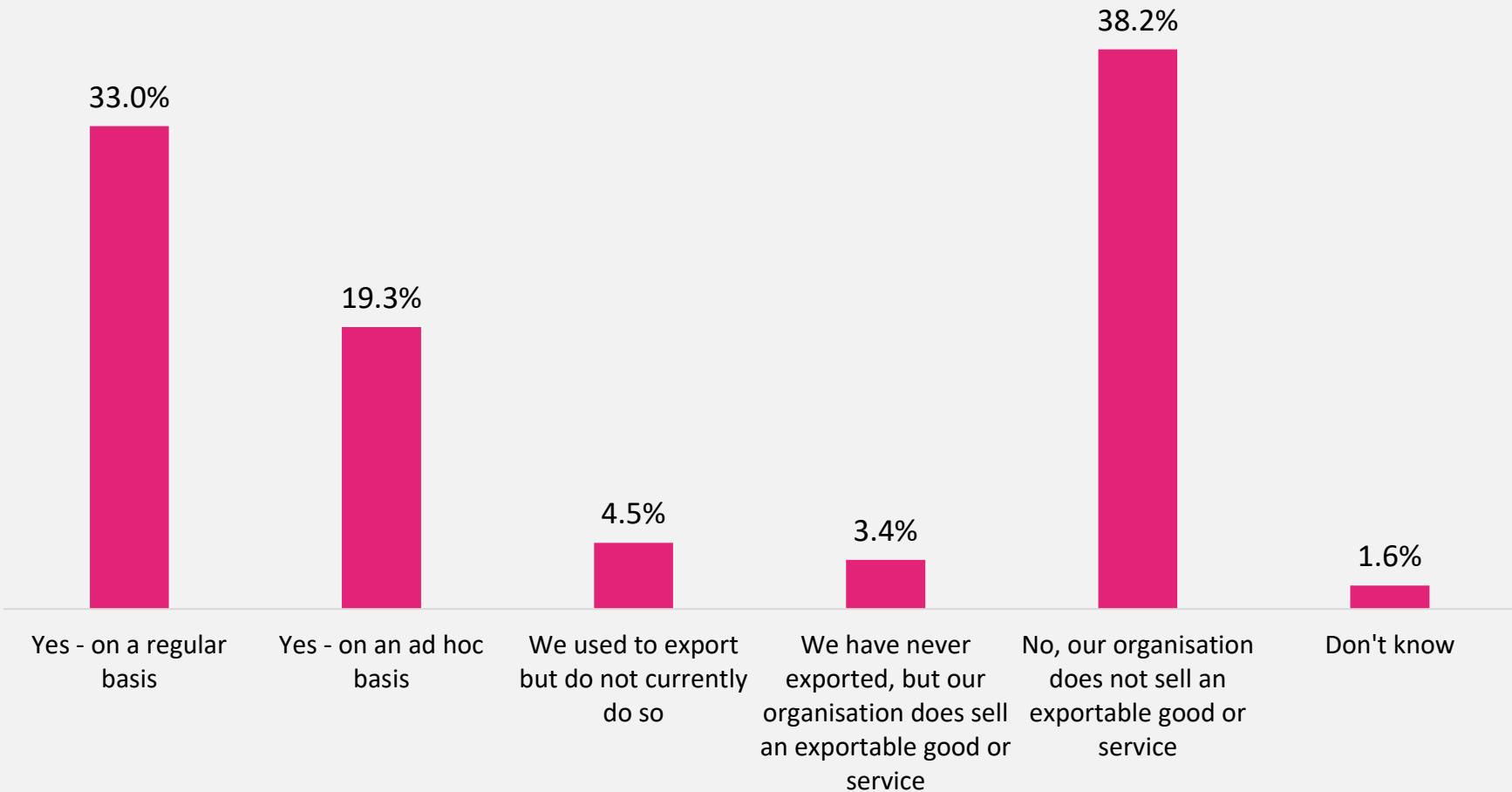
These questions were asked ahead of an event we are hosting with the Bank of England Monetary Policy Committee on the global trading environment.

We will also use the data to contribute to our asks on how the UK should reset its relationship with the EU and leverage exports to boost growth.



The IoD membership is largely split when it comes to exporting, with the majority not involved in export activity

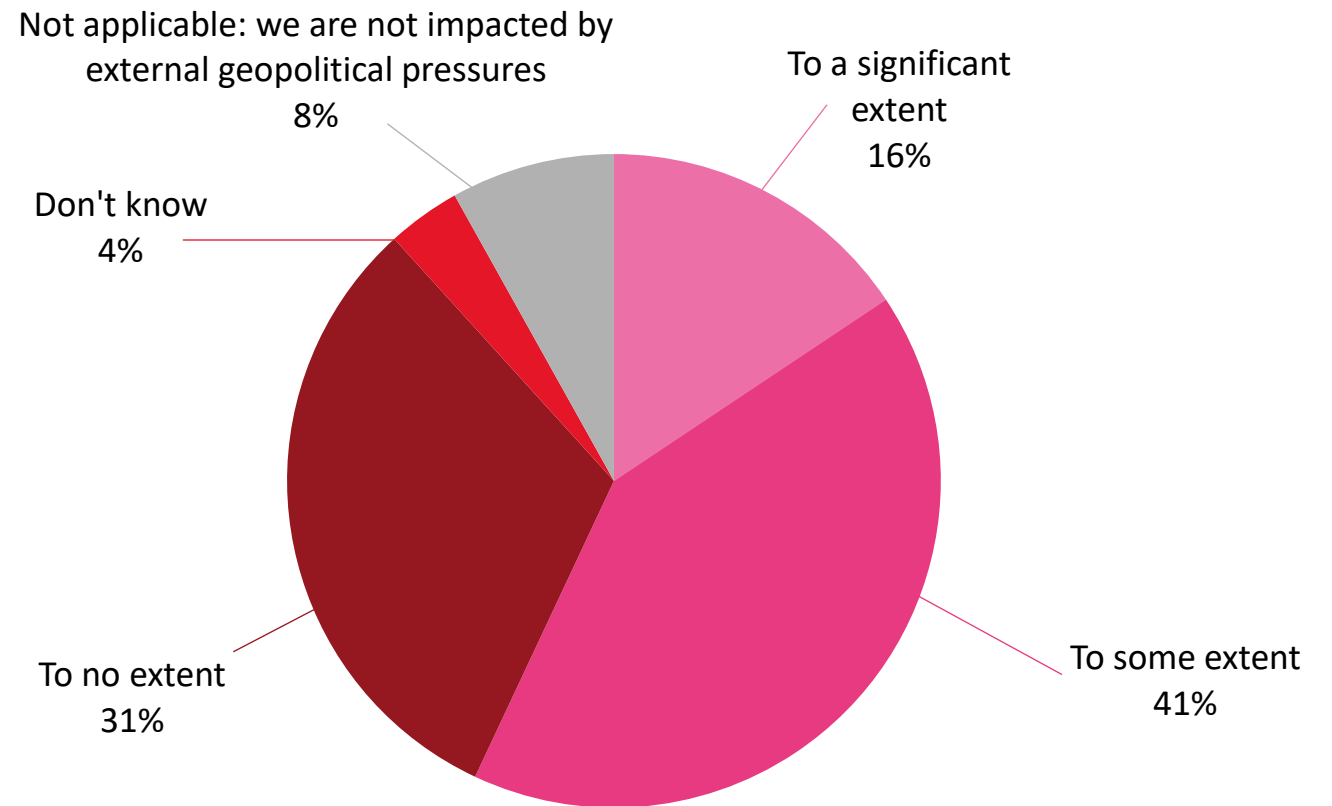
Have you ever exported goods and/or services internationally?





## Geopolitical pressures are causing most business leaders to re-examine export markets

**To what extent are rising geopolitical pressures, such as the election of President Trump or global conflicts, causing your organisation to re-examine export markets?**



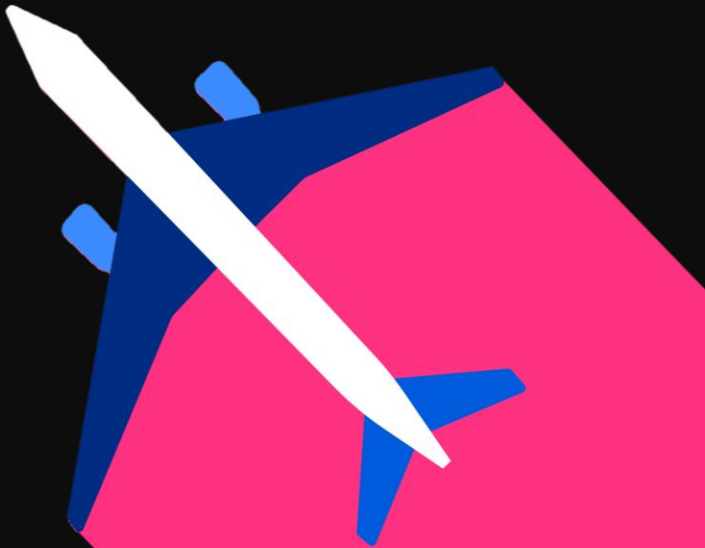
*This questions was only answered by those who said 'Yes' to 'Have you ever exported goods/and or services internationally?'*



**Business leaders who have never exported believe they haven't had the time to explore exporting opportunities**

You said your organisation has never exported, but sells an exportable good or service.

**Which of the following have contributed to why your organisation has never exported?**

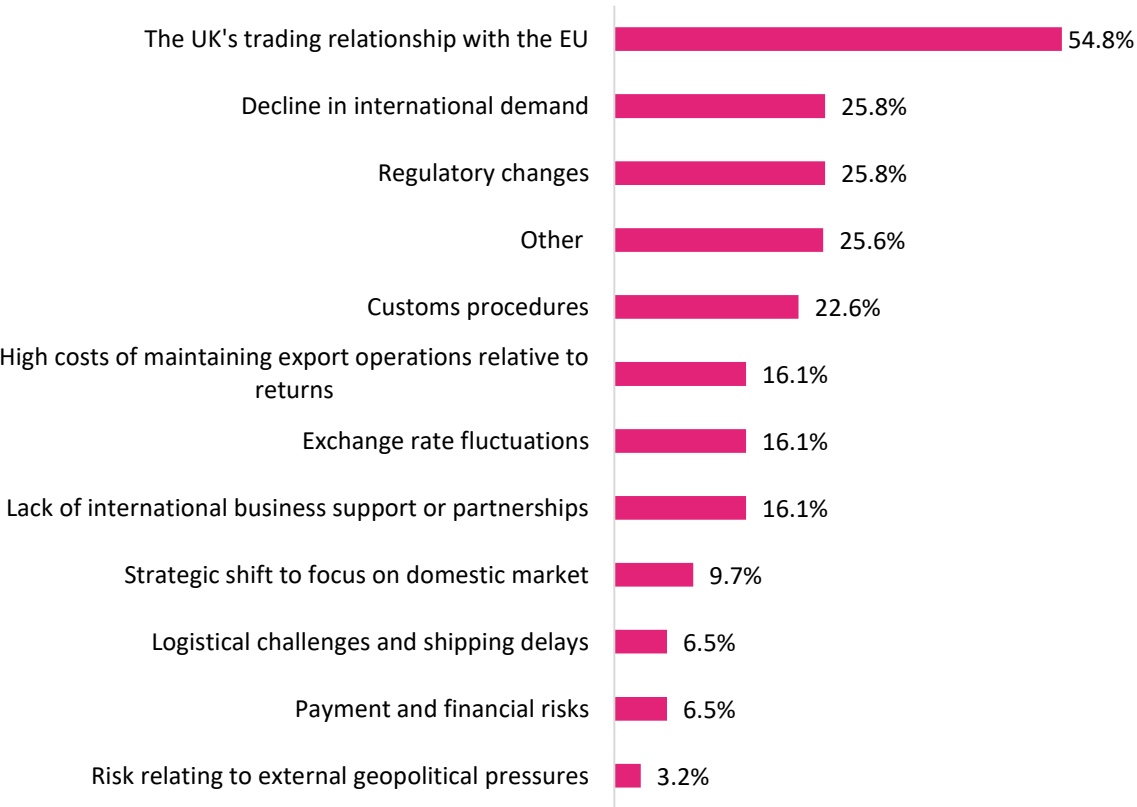






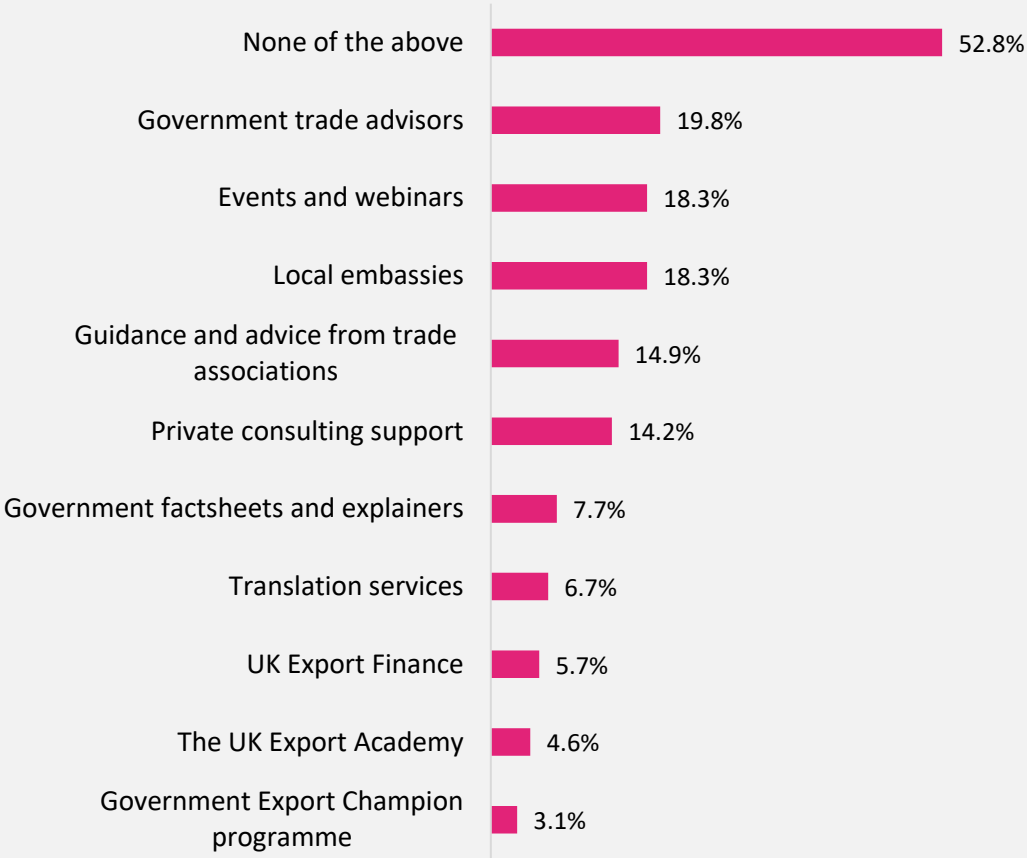
## Brexit has caused businesses to stop exporting

You said your organisation used to export but do not do so currently. **Which of the following, if any, have contributed to why you stopped exporting?**



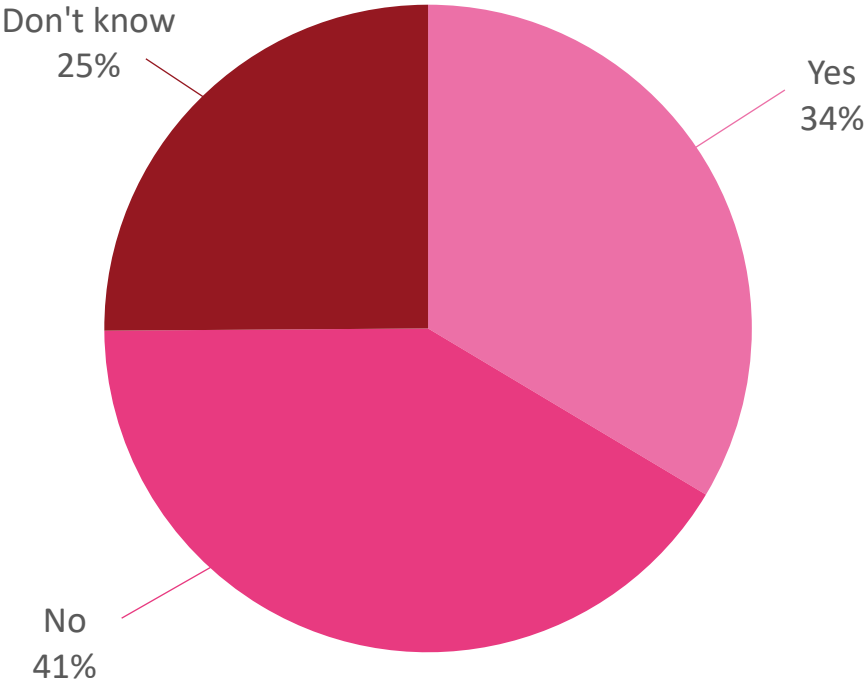
## IoD members haven't benefited from exporting support

**Has your organisation ever benefited from any of the following support offerings to help with exporting challenges?**



**Business leaders would not like to see the UK sign FTA's with geopolitically high risk nations**

**Do you think the UK should engage in trade relations or sign Free Trade Agreements with countries that are perceived to be high risk geopolitically?**





**As the global trading environment continues to fragment and the repercussions of President Trump's tariffs materialises, the UK government is pushing ahead with its strategy of balancing all trading partners to encourage business in all possible areas of the globe.**

**But, whilst this is understandable given the low prospects for UK growth, this approach comes with uncertainties. With Trump acting provocatively towards China, too close an engagement between the UK and China could risk threatening the UK's relationship with the US. Become too entwined with the EU and the UK could risk stepping into the tariff headwinds, something that, due to the fact it does not trade at a surplus with the US, it has so far managed to avoid.**

**With geopolitics playing more of a role in companies' exporting strategies, we wanted to know how our members felt about active engagement with countries perceived to be high-risk politically.**

**There are those who feel that it is beneficial for the UK to engage with potentially risky countries for numerous reasons. First, it creates healthy competition:**

*"If we don't then our competitors will. Business carries on with or without us." (Agriculture, Forestry and Fishing, South West England, 2-9 employees)*

*"Trade relations should be based on 'what's best for UK plc irrespective of the geo-political nature of the prospective trading partner.'" (Education, South West England, 50-99 employees)*

**Moreover, many feel that by engagement with nations is the best way of influencing best practice on responsible business and trade:**

*"Improving trade relations with countries perceived to be geopolitically unstable might contribute to improving their stability and in turn UK and global security by building partner capacity through outreach." Education, North West England, 250+ employees)*

*"The third question is a matter of Politics, geo-political presence and risk. We need to be engaged in order to influence and support fledgling democracies, or other malign State actors such as Russia, China, Iran will quite easily step in to fill a void and lack of influence. The West is actually struggling with this and I believe has to consider being more proactive across many countries - perhaps even engaging countries that cause concern." (Professional, scientific and technical activities, Wales, 0-1 employees/sole trader)*

*"We need easier trade with China, the EU and the US. We also need less noise from mainstream media about the evils of China. We understand Tibet and Uyghurs and this is awful but we can only influence if we are at the trade table with them, not shouting from afar." (Professional, scientific and technical activities, London, 2-9 employees)*

*"Trade agreements will facilitate tension reduction between UK and perceived "high risk" countries." (Manufacturing, North West England, 250+ employees)*



**There were some respondents that felt the UK should priorities its relationship with the US and allies in order to maintain stability. However, there were also differing opinions on how closely the UK should align with the EU:**



*"With the current geopolitical situation the Uk needs, more than ever to have stronger ties to its allies in the EU and US. This should be a priority in order to maintain stability and is especially relevant to our near neighbours in the EU where we must work together." (Professional, scientific and technical activities, London, 2-9 employees)*

*"The new US administration presents a massive opportunity to the UK. The government needs to stop worrying about relations with the EU and develop better relations with the US. The EU is a stagnant/declining market. Exploit CPTPP and Trump's personal liking for the UK." (Manufacturing, South West England, 250+ employees)*

**On the other side of the debate, some members are sceptical of engagement with high-risk nations:**

*"Supporting "high risk" governments means they are more likely to stay in power." (Real Estate, South West England, 2-9 employees)*

*"Unless the UK wants to throw out its ESG credentials why trade with high risk nations?" (Water supply, sewerage and waste management, Scotland, 250+ employees)*

**Overall, the majority support a cautious and balanced approach that supports pragmatic relations between the UK and international partners:**

*"There is nothing wrong with trade agreements with high risk geopolitical countries, provided that the risks are understood and mitigated." (Professional, scientific and technical activities, South West England, 50-99 employees)*

*"The decision should involve careful risk assessment, consideration of long-term strategic goals, and a balance between economic interests and ethical responsibilities. Engaging in dialogue and multi-faceted policies could help manage the complexities of such relationships." (Wholesale and retail trade (including motor repair), South East England, 10-49 employees)*

*"No reason not engage with high-risk countries re: FTAs, see what's on offer and whether it will benefit us. We don't necessarily have to sign the deal." (Construction, London, 0-1 employees/sole trader)*

# Technology Adoption

At the Autumn Budget, the Chancellor announced that the government will task the Government Chief Scientific Adviser (GCSA) and the National Technology Adviser (NTA) to lead a review of barriers to the adoption of transformative technologies that could enhance productivity, with a focus on the growth-driving sectors identified in the Industrial Strategy green paper.

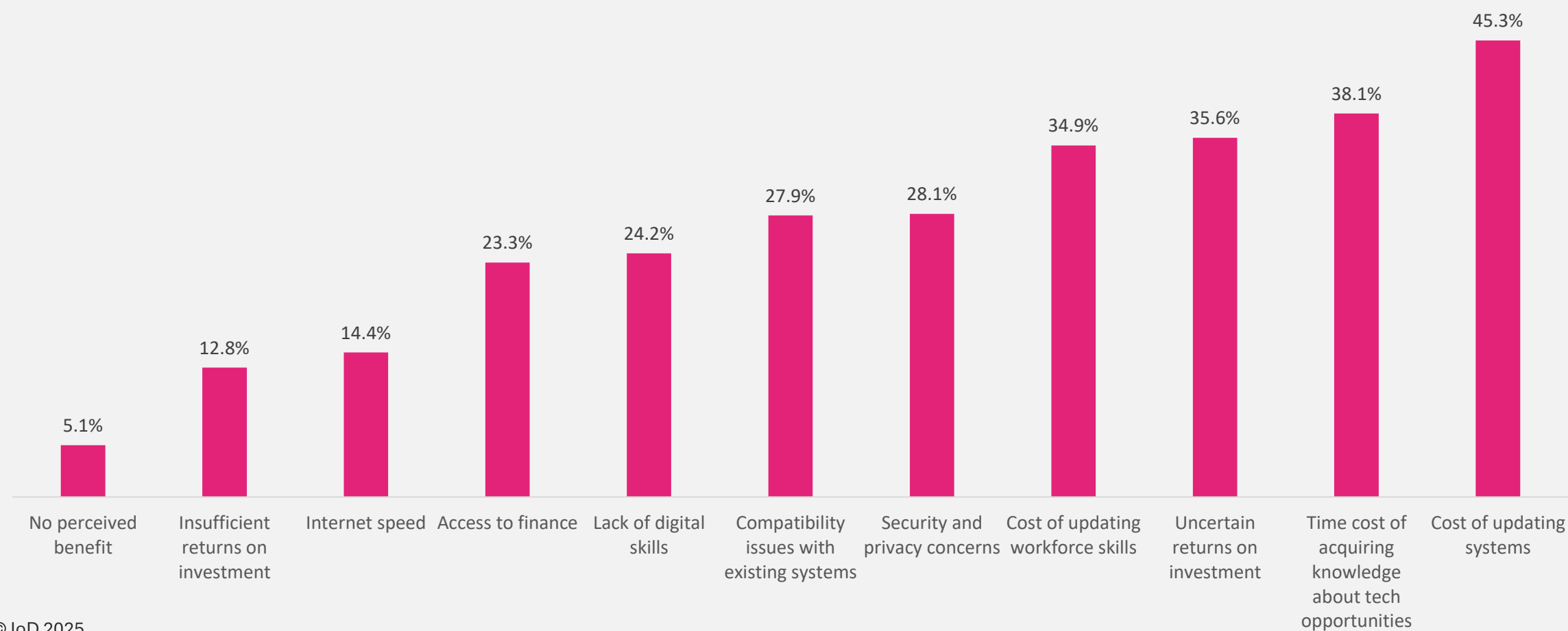
Data from this question will help shape our submission to the review.





The cost of updating systems is preventing almost half of IoD members from technology adoption

What are the biggest barriers to technology adoption in your sector?



**When asked whether they would like to provide further comments about what's either enabled or prevented members from adopting technology, members tended to comment on challenges to tech adoption, and 3 key barriers emerged:**



### **1. Cost**

*"We have a lot of technical capability and innovative uses we can make of tech but our biggest barrier is affordability and funding the investment." (Professional, scientific and technical activities, East Midlands, 50-99 employees)*

*"Biggest issue is cost. Next biggest issue will be not enough staff to research and adopt it as we are being forced to reduce workforce due to tax rises." (Professional, scientific and technical activities, North West England, 10-49 employees)*

*"Using new technology can often be beneficial in the early stages of adoption but as the usage expands to enterprise level benefits reduce and licensing costs can increase to the point when it is no longer viable." (Professional, scientific and technical activities, Yorkshire and the Humber, 100-249 employees)*

**This is an issue in particular given the pace of technological change:**

*"Prevented: the initial cost and now the speed of change, especially with improvements in AI." (Real estate, West Midlands, 2-9 employees)*

*"Seeing the way some technology leapfrogs over expensively implemented programmes is off-putting." (Health and social work, South West England, 250+ employees)*

*"Pace of change is rapid and tech salespeople propagate the myth of a perfect fix." (Other services, London, 250+ employees)*



## 2. Digital skills and talent shortages

*"The main barrier for us is having enough in-house skill to be able to setup, maintain and troubleshoot tech changes." (Manufacturing, North West England, 100-249 employees)*

*"Huge lack of technically skilled and trained people in the UK but new policy makes use of skilled migrant labour cost prohibitive." (Manufacturing, East of England, 50-99 employees)*

*"Need emphasis and investments on right digital skills development to increase availability of right talent within the UK. Overall systemic costs of bringing tech talent from outside the UK is too high." (Information and communication, London, 250+ employees)*

*"Lack of skill being taught in school mean that it's hard to see when this will end, if you look at Spain, India and many other countries, they started this journey many years ago to upskill future talent, reduce costs and enable adoption" (Manufacturing, London, 50-99 employees)*



## 3. Infrastructure and connectivity issues

*"Broadband in this country and the 4/5G network coverage on major routes is pathetic for business - we are having to use Starlink to enable our business!" (Mining and quarrying, East Midlands, 100-249 employees)*

*"Very poor Rural Broadband speeds and relatively high cost/complexity/issues of alternatives (eg Starlink)." (Professional, scientific and technical activities, South West England, 2-9 employees)*

*"The constant flow of updates that interrupt and disrupt business while giving not business benefit e.g. forced transition to cloud-based software over slow and unreliable broadband." (Other services, London, 2-9 employees)*

**There was also notable discussion of the risks as well as opportunities afforded by AI, with some members presenting concerns related to job displacement and safety, and others citing AI, in particular GenAI, as a tool to improve productivity.**





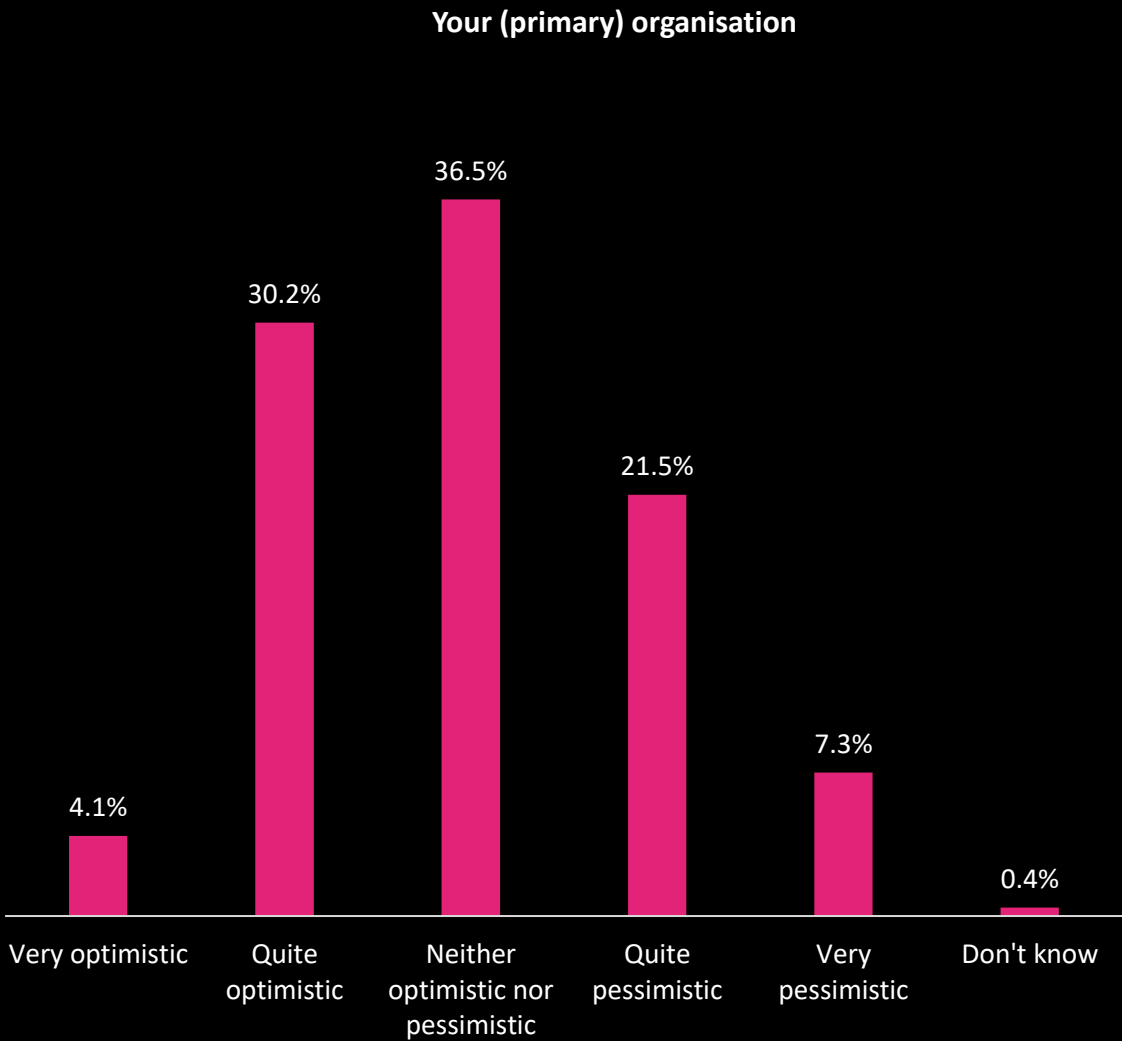
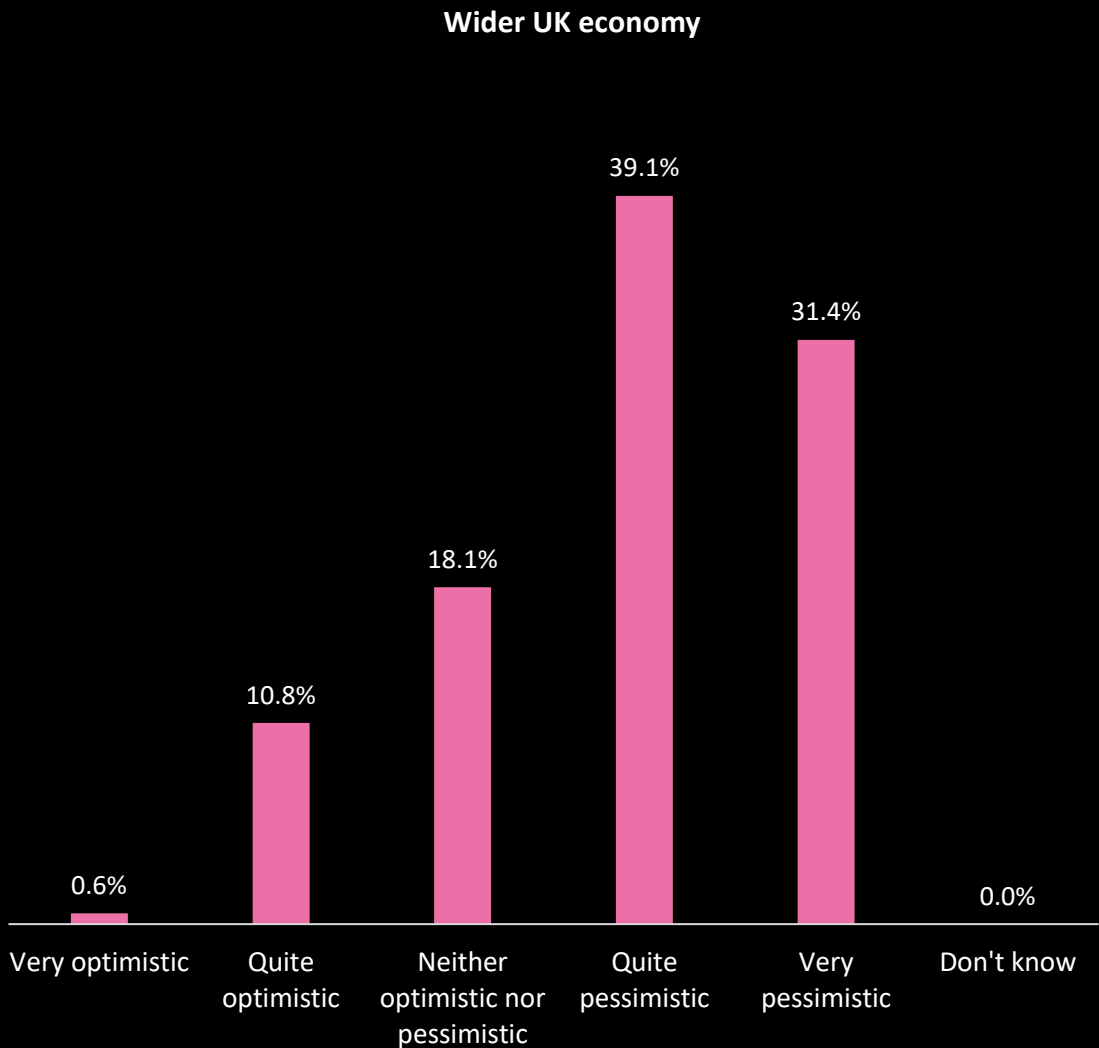
# Economic Monitoring: Data

The following data contributed to our Director's Economic Confidence Index, which we send directly into the heart of government each month.

This data is reported heavily in the national media.



# How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?





Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

	Business investment	Costs	Exports	Headcount	Revenue	Wages
Much higher	3.1%	21.3%	0.7%	22.8%	15.3%	35.9%
Somewhat higher	22.5%	65.0%	0.1%	3.1%	1.2%	7.6%
No change	2.6%	15.0%	1.5%	8.2%	3.8%	29.3%
Somewhat lower	1.2%	20.7%	0.1%	23.4%	7.4%	45.5%
Much lower	5.3%	38.2%	0.4%	23.4%	6.9%	25.0%
Don't know	6.9%	46.9%	0.3%	9.1%	3.4%	32.3%
N/A	3.1%	21.3%	0.7%	22.8%	15.3%	35.9%

The further comments to the questions on economic confidence reflect the negative sentiment that was shown in the data. Businesses are very pessimistic about the prospects for the UK economy, and in many cases are scaling back. A perfect storm of policy uncertainty, tax increases and Brexit has caused businesses to scale down investment, and look for other opportunities outside the UK for growth.

Businesses are also concerned that the lack of spending plans, especially with regards to infrastructure activity, is hampering long-term growth prospects.

*“2024 was tough. Our clients lack confidence and this has had an impact on our business. The budget crippled small businesses and the NI increase means that people won't be recruiting at the level that is needed to get the unemployed into work.” (Administrative and support services, West Midlands, 10-49 employees)*

*“2025 looks like being a difficult year to predict with uncertain political and economic situation for both the UK and international markets.” (Arts entertainment and recreation, South East England, 2-9 employees)*

*“A lack of investment in the right areas of infrastructure/property is seriously harming the entire economy. Construction infiltrates every industry and when it thrives so does the economy but it cannot lead as people/businesses need money to invest. Pushing up taxes everywhere & removing public leisure (migrant hotels) has destroyed the industry. The BoE rate needs to be below 4% for the construction industry to function & 3-3.5% to actually thrive. Until then, there is no spare change in back pockets, no major or minor developments, no planning and therefore no exponential tax revenue from the cycle of spending.” (Construction, London, 2-9 employees)*



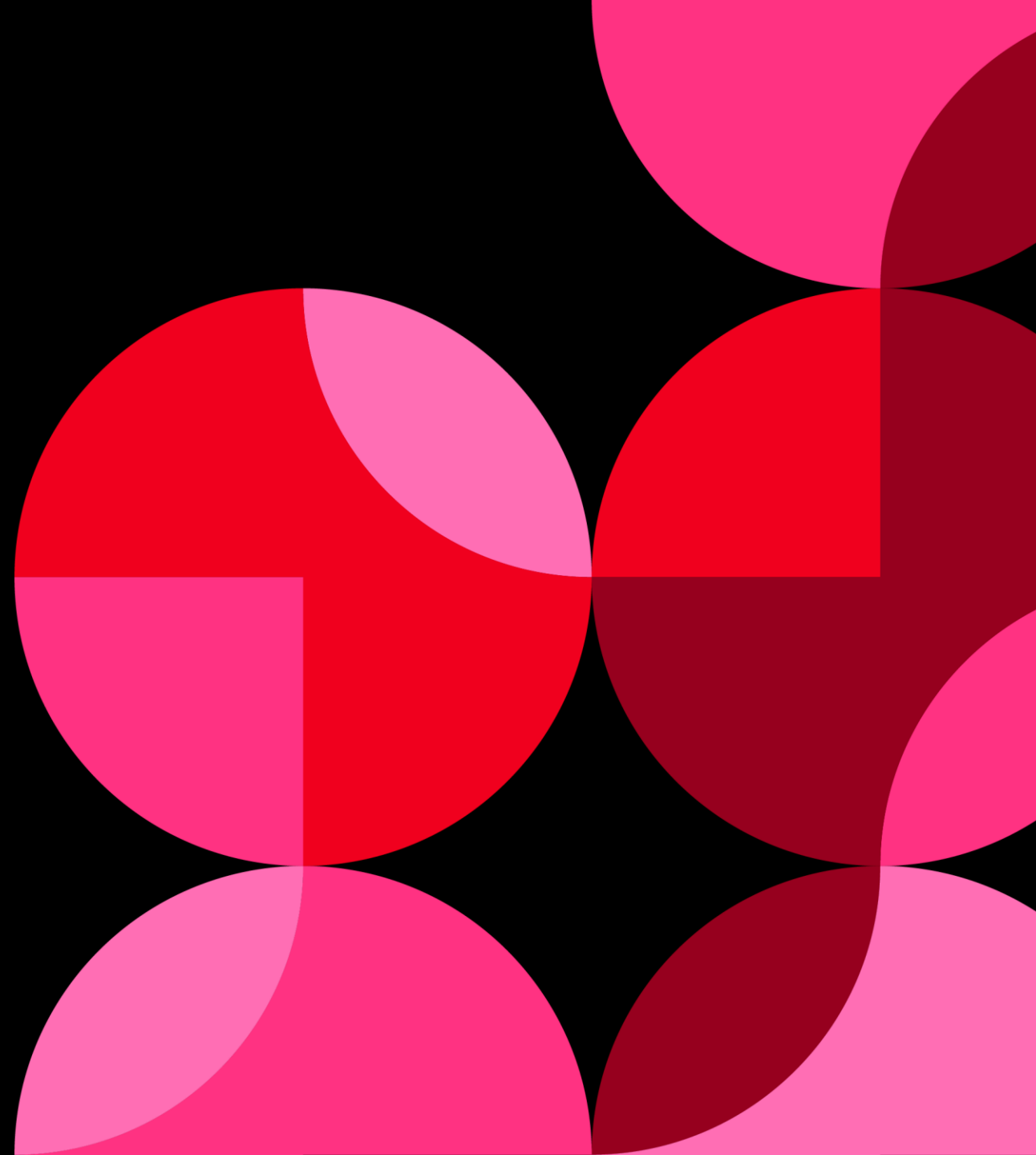


*"Access to capital is very difficult as an SME, so encouraging more M&A activity and IPOs would drive fresh investments could improve the flow of capital into companies that are innovating and investing in R&D. The National Insurance increase is a devastating blow for young companies and reduces our ability to hire recent graduates." (Professional, scientific and technical activities, Scotland, 10-49 employees)*

*"Business has dried up in the UK due to business confidence and increased costs. To the extent we will be looking outside of the UK for contracts and we are even considering moving our business out of the UK due to lack of opportunity and increased costs as we are a service business were the main cost is employment." (Professional, scientific and technical activities, East of England, 0-1 employee/sole trader)*

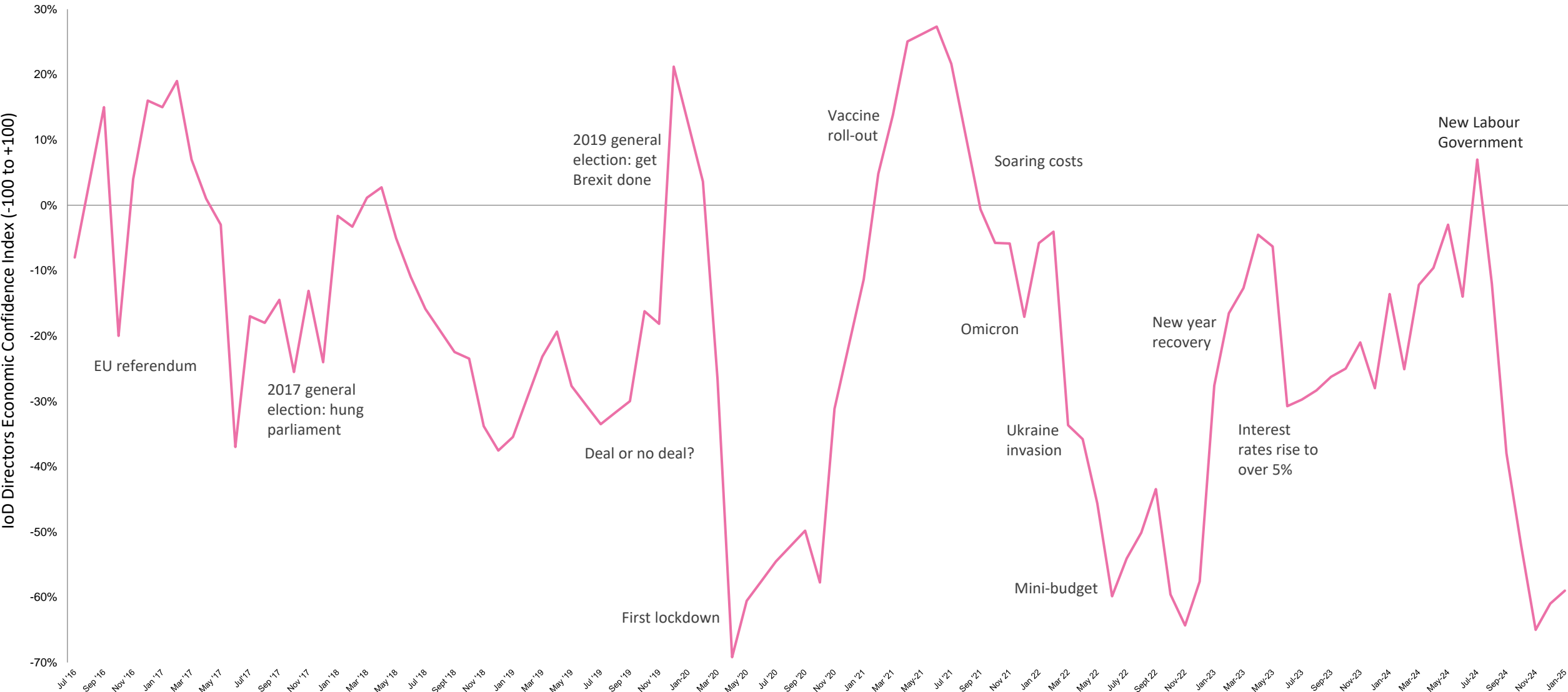
*"Confidence and optimism for the economy is at an all time low. The last budget has created a tax burden that does not flow into public sector investment that will increase growth rather, it just makes the public sector more expensive to run i.e. more expensive / same service and investment levels. As an organisation that is involved in the delivery of new build housing, in the last six months the market has ground to a halt with no real signs of progress / growth. Also, the plans for the new "Skills England" are detached from the realities of the real requirements for skilled workers to deliver 1.5 million new homes by the end of the parliament. It really does feel like we are going backwards as a nation and we are led and governed by public sector theorists that have learned about businesses at college but, have never founded, led or worked in one." (Construction, Yorkshire and the Humber, 10-49 employees)*

# Economic Monitoring: Trends





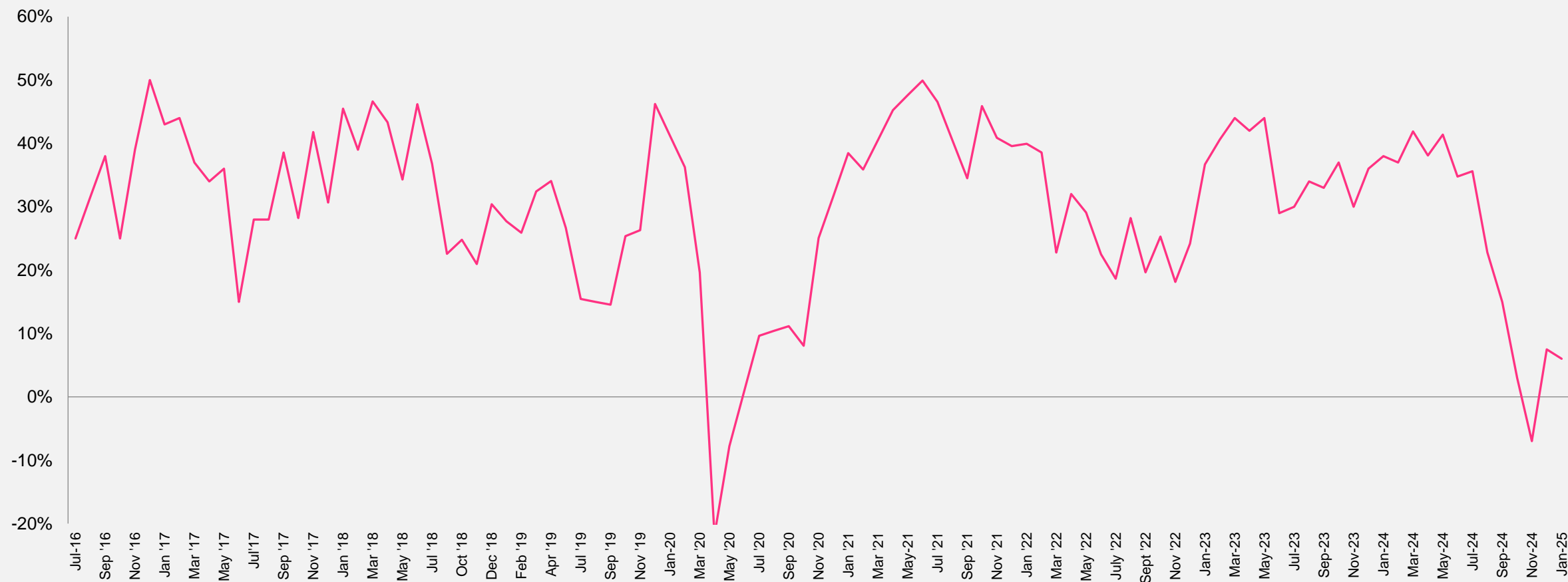
Business confidence remains at historically depressed levels





# Business leader confidence in their own organisations declined by 2 points in January

*How optimistic are you about your own organisation over the next 12 months?  
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys*

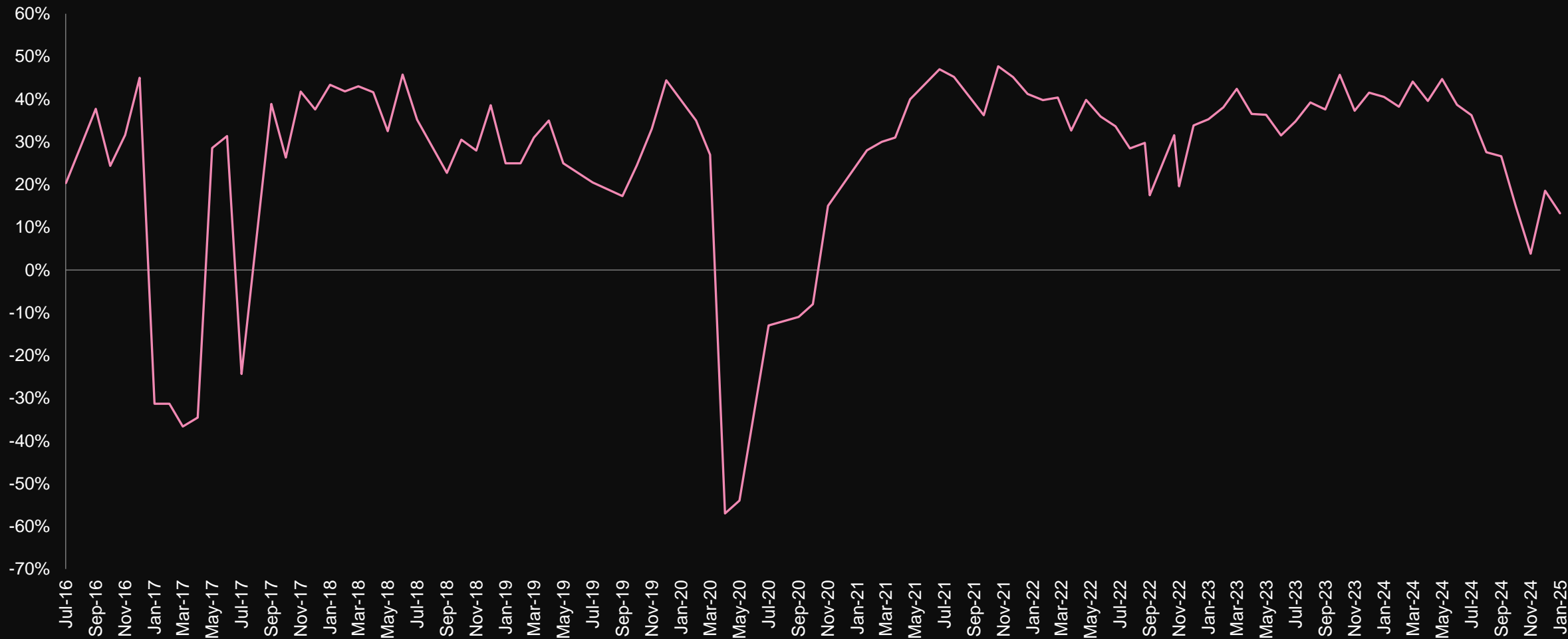






# Net revenue expectations fell to +13 in January from +16 in December 2024

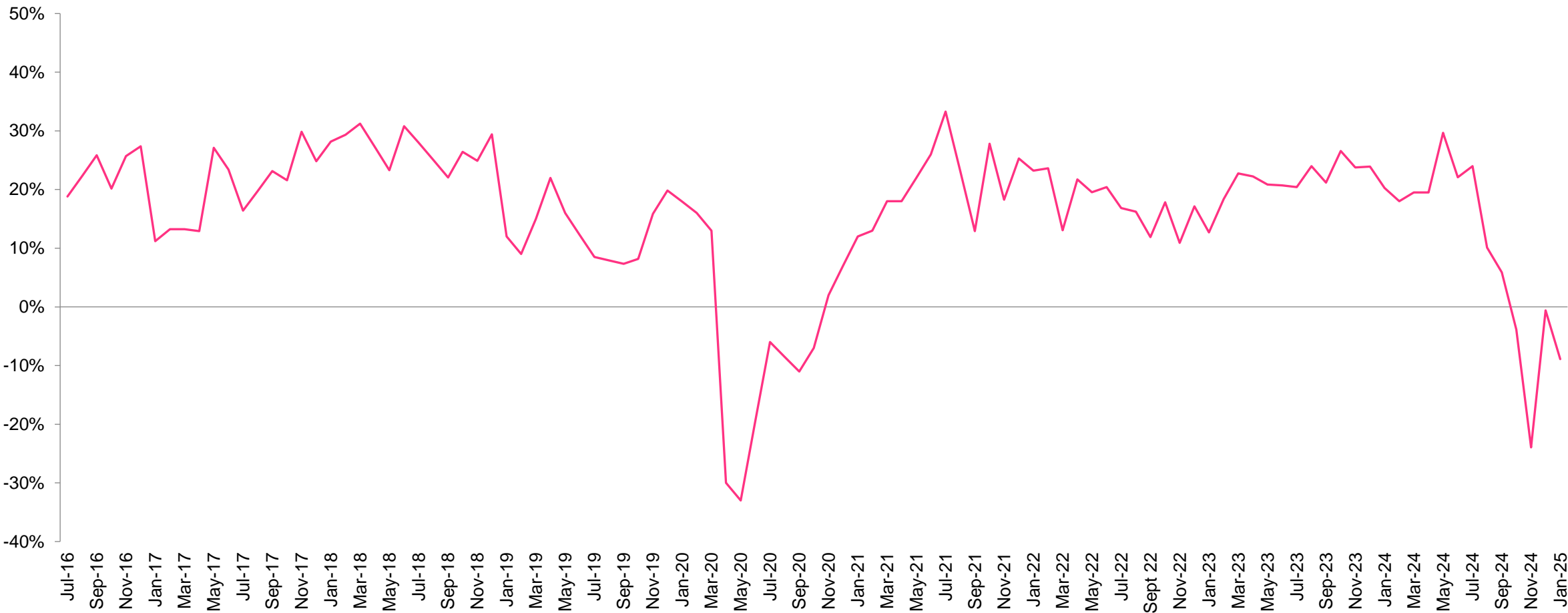
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





# Headcount expectations dopped to -9 in January, after improvement in December

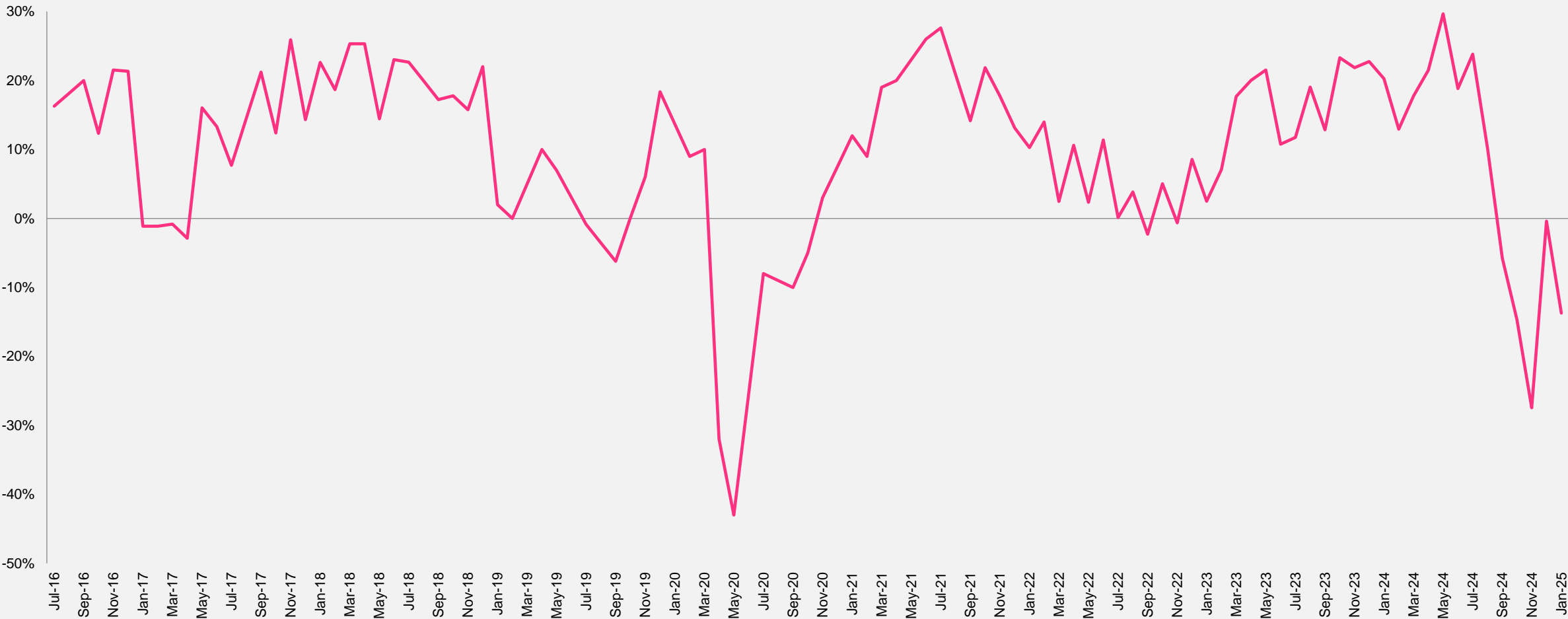
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: **HEADCOUNT**.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





# Investment intentions decline to -14 in January, after recovery in December

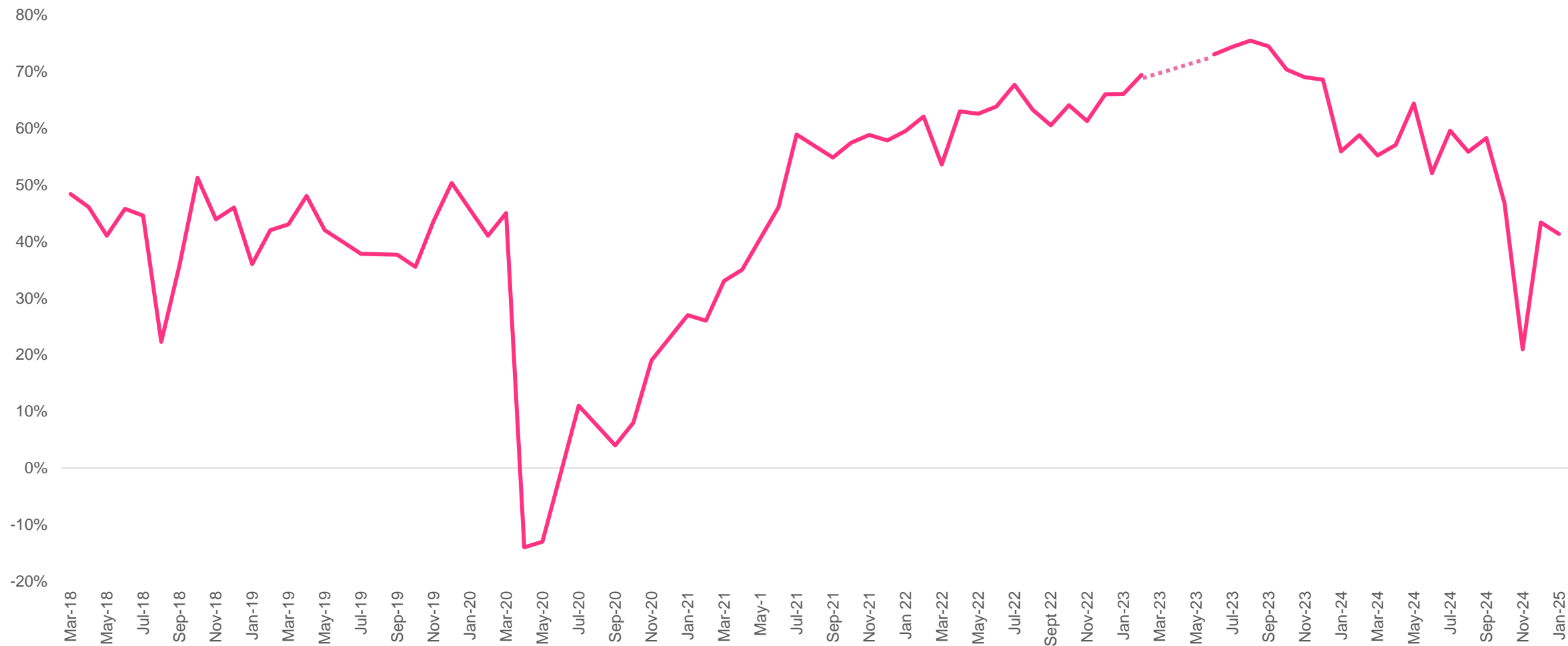
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





# Wage cost pressures remain largely unchanged in January

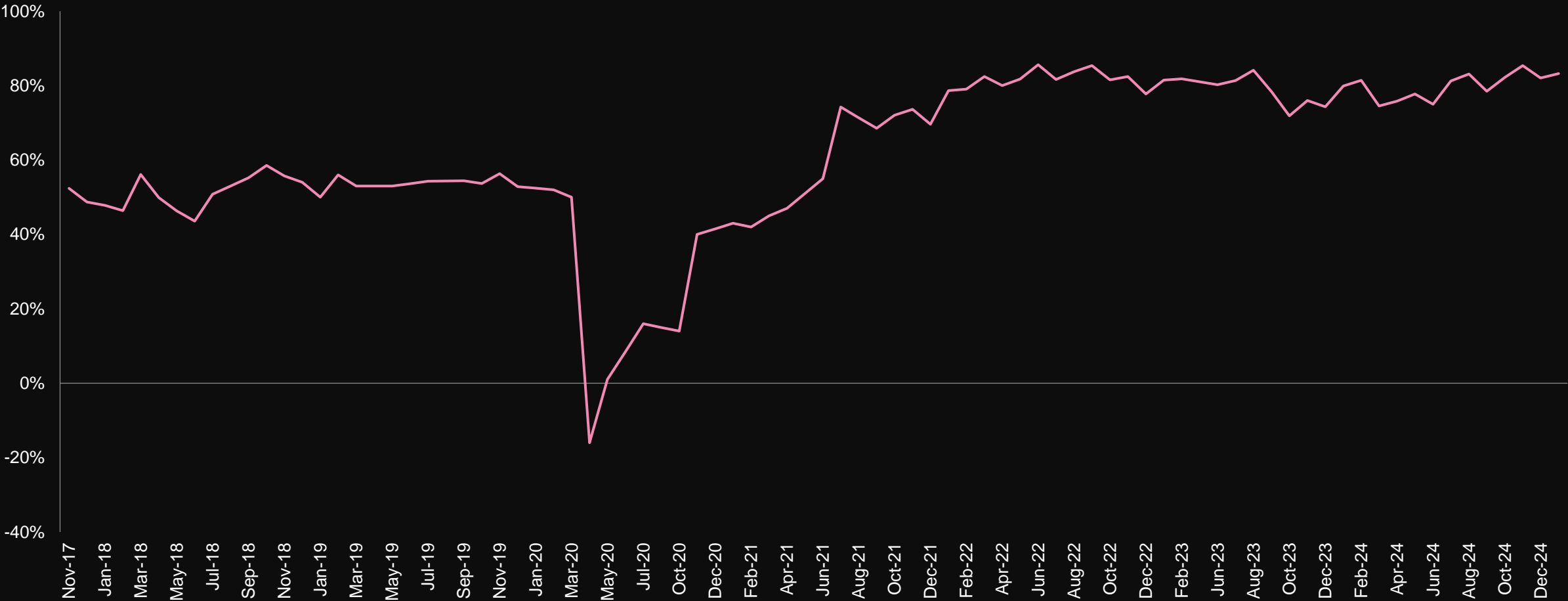
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





# Cost expectations continue to hold relatively level

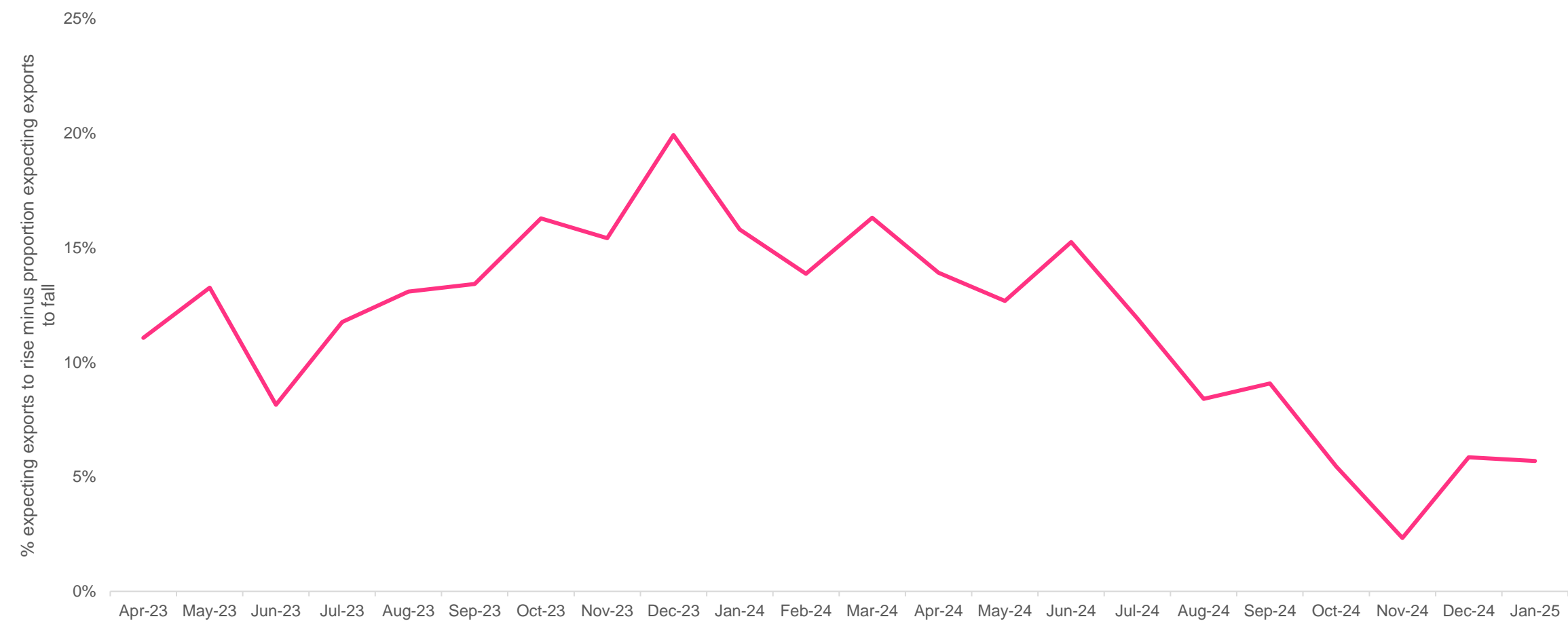
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.  
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys





# Export expectations remain largely unchanged between December and January

*Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS*  
*Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.*



## Our purpose

### Our Royal Charter sets out a clear purpose

We have a clear vision – The Institute of Directors is the professional institute for responsible directors and leaders.

Our mission is to develop, support and represent skilled, knowledgeable and responsible leaders for the benefit of the economy and society at large.

**Integrity and Enterprise** are our core values.



### The objects of the institute are:

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.