

Rt Hon. Jeremy Hunt MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
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United Kingdom

27 October 2023

## **Scaling digital adoption to strengthen the UK economy**

Dear Chancellor,

Ahead of the Autumn Statement, we are writing as leading technology businesses, think tanks and industry representatives to encourage the Government to support investment in digitalisation by offering enhanced tax reliefs for expenditure on digital services. We recommend an enhanced support of 140% on the first £50,000 of expenditure on productivity enhancing digital services which equates to an additional 40% versus standard business expenditure (net 10% support to a maximum of £17500 tax deduction). This will empower small and medium-sized businesses (SMEs) to embrace digitalisation and harness emerging technology, such as AI, to become more productive and grow sustainably.

Digital products and services make a significant contribution to the UK economy, generating £392.9 billion in 2020<sup>1</sup>. Despite this, the UK is underperforming on the adoption and use of digital technologies compared to our international competitors. Research from Be the Business shows that while UK companies put significant importance on management and technology adoption, we invest less than our G7 counterparts.<sup>2</sup> 92% of SMEs say technology is vital to their survival, yet these businesses only plan to increase technology investment by 13%, below the European average of 18%.<sup>3</sup> This also comes at a time when SMEs are experiencing rising overheads, inflationary pressures and low cash balances.

Falling behind on digital adoption also means falling behind on the coming wave of AI deployment across the economy. Unless we can correct this, economic growth, competitiveness, and the ability to become a science and technology superpower is at risk.

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<sup>1</sup> Office for National Statistics (ONS), released 24 May 2023, ONS website, UK Digital Economy Research: 2020.  
<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/ukdigitaleconomyresearchdata>

<sup>2</sup> Be the Business G7 Productive Business Index

<sup>3</sup> <https://www.sage.com/en-gb/company/digital-newsroom/2023/05/05/small-business-big-opportunity/>

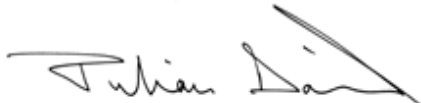
As you know, the link between digitalisation and productivity is well-established. The Enterprise Research Centre found that, three years after adopting digital tools, productivity increased when measured via sales per employee, for example, CRM systems boosted growth by 18%. Generative AI has also shown to increase productivity at work by 14%.

With the Global Investment Summit fast approaching, there is a golden opportunity to ensure that the UK does not lose momentum around tech adoption, needed to drive investment. This is crucial if we are to remain competitive and in line with other OECD countries. The digital economy is the key growth sector and will help to deliver a new generation of enterprise, tech start-ups and innovation.

Therefore, we encourage you to send a clear signal to the tech sector by supporting SMEs and underpin tech investment through a simple digital adoption incentive scheme, like the Technology Investment Boost in Australia. It is a net win for the UK, with economic modelling proving that if SMEs unlock the full benefits of technology, an extra £232bn per annum could be added to the economy.<sup>4</sup> Such an intervention would also provide a needed boost at a time when increasing growth and business productivity is vital, particularly to help reduce inflation and prevent the UK falling behind other hi-tech nations.

We look forward to hearing from you.

Yours sincerely,



techUK, CEO

*Signatories to the letter include:*

- techUK
- The App Association
- eBay
- Enterprise Nation
- Gemserv, a Talan company
- Sage
- HP Inc
- North East Chamber of Commerce
- SAP UK Ltd
- ScotlandIS
- ServiceNow
- Shopify
- Tech London Advocates and Global Tech Advocates
- Zoom

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<sup>4</sup><https://www.sage.com/investors/investor-downloads/press-releases/2022/06/untapped-tech-adoption-could-boost-uk-economy-by-232-billion-annually>