

Autumn Budget 2026: Summary of techUK Recommendations to HM Treasury

September 2026

About techUK

[techUK](#) is a membership organisation launched in 2013 to champion the technology sector and prepare and empower the UK for what comes next, delivering a better future for people, society, the economy and the planet. Around 1100 companies are members of techUK. These companies across the UK range from leading FTSE 100 companies to new innovative start-ups. The majority of our members (around 60%) are small and medium-sized digital businesses. techUK's members employ 1.1 million people and had a combined turnover of £329 billion in 2023 with an estimated annual growth rate of 10%. By working collaboratively with government and others, we provide expert guidance and insight for our members and stakeholders about how to prepare for the future, anticipate change and realise the positive potential of technology in a fast-moving world.

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Foreword

The first Budget of a new government provides a uniquely important opportunity for business to hear directly from the Chancellor regarding the government's priorities for the economy and the measures they will take to achieve these.

The Autumn Budget 2026 is the first real test of business confidence in the incoming administration, and the first moment where trust between business and government could be either built or broken. In preparing this submission, techUK has engaged heavily with our over 1,100 member companies, representing a wide range of technologies, every nation and region of the UK, and businesses both big and small.

Our members' primary ask for this Budget is simple: first and foremost, do no harm.

techUK calls on the government to commit to no additional business taxes for the remainder of this parliament. In recent years the tech sector - and the wider business community - has borne the costs of increases to employer NICs announced at Autumn Budget 2024, reforms to business rates multipliers announced at Autumn Budget 2025, as well as spiralling energy prices and inflation.

techUK polling from 2026 highlights that 56% of tech businesses say that the UK's business environment - including the tax burden - makes it challenging to expand their business. More than a quarter of tech businesses raise concerns that the UK's business environment has got worse in the past year, making it even harder for them to operate.

techUK's members recognise the fiscal constraints facing the government - in order to be fiscally credible, the pledge of no additional taxes would need to be buttressed by a commitment to rein in day-to-day public spending, such as through reforms to welfare and the triple lock. This would go a long way towards restoring the confidence of the tech sector, prompting techUK's members to increase spending, investment and hiring - thereby sowing the seeds of future economic growth.

Building on the above, techUK's members consistently highlight the importance of stability and predictability to their business and investment plans. They need the certainty that long-term projects such as the Corporation Tax Roadmap 2024 and Industrial Strategy 2025 remain relevant. Ultimately, they need to know that when government says something, it is willing and able to see it through. Only through results and continued delivery will trust between government and business be rebuilt and renewed. This Budget is the first major opportunity to begin this work.

The only long-term solution to fixing the country's fiscal foundations, improving public services and enhancing living standards is through economic growth. As a result, the government must also use this Budget to double down on the parts of the economy that drive growth in every nation and region of the UK.

In every area of the country, tech is vital to realising that growth. The UK tech sector is one of the UK's true modern success stories, with a market capitalisation of almost £1 trillion, employing over 2.5 million people across every UK nation and region, and a GVA of over £200 billion, in addition to unlocking growth and productivity improvements across other sectors of the economy.

Therefore, this Budget must also invest in six areas that will accelerate tech-enabled growth:

- *Harness technology to strategically reindustrialise Britain*
- *Develop the workforce of the future*
- *Keep the UK at the forefront of innovation*
- *Build a smarter state*
- *Bolster the UK's sovereignty, security and long-term resilience*
- *Unlock capital and enable enterprise*

In summary, techUK's members need this Budget to provide them with stability and targeted support. They need to know that government will not look to tax them further, while supporting them to invest, whether that is to hire more staff, upgrade their own networks and infrastructure, or launch new innovative products and services to the benefit of the whole economy.

Summary: techUK's Submission at a Glance

Objective 1: Harness technology to strategically reindustrialise Britain

- Reform energy levies, which now make up almost two-thirds of the average SME energy bill, and accelerate electricity grid connection speeds, moving them into general taxation by 2029.
- Support technology adoption among SMEs in the 8 Industrial Strategy sectors (the IS-8) through new support mechanisms that pair financial assistance with impartial expert advice, with a focus on expanding a firm's productive capability.
- Underpin reindustrialisation with superfast and reliable connectivity, particularly through recommitting to full funding of Project Gigabit and reforming Annual Licence Fees, which undermine operators' abilities to invest in upgrading their networks.

Objective 2: Develop the workforce of the future

- Lower the cost of early career hiring through a strategic NICs reduction for under 25s, ensuring employers pay no National Insurance Contributions for employees under 25 until their earnings exceed £967 per week.
- Reduce the costs of the Skilled Worker Visa to strengthen the UK's access to global talent, and specifically further consult with industry on lowering the general salary threshold from £41,700 to a level that does not penalise businesses outside of London and the South East.
- Boost in-work training, including courses in AI, via accelerating reforms to the Growth and Skills Levy. Finalising the levy-eligible training course list without further delay and including courses on digital skills such as AI and cyber will help to build the workforce of the future.

Objective 3: Keep the UK at the forefront of innovation

- Introduce an open-source AI investment credit to lower the effective cost and risk of open-source AI development in the UK, offering for example a corporation tax deduction or credit.
- Build trust in AI through continued delivery of the trusted third-party assurance roadmap, and multi-year funding for the AI Security Institute (AISI) combined with a commitment to maintain AISI's remit where it currently sits.
- Take advantage of new ministerial structures within BIST to ensure that public innovation funding is joined up and more impactful with a focus on minimising duplication and strengthening collaboration.

Objective 4: Build a smarter state

- Set out further details for funding allocated to the NHS 10-Year Plan, including a delivery plan that provides clarity over how it will be implemented alongside wider NHS reforms.
- Give councils clarity and ring-fenced transitional funding for digital, data and cyber as part of future Local Government Reorganisation plans to ensure that vital digital upgrades and tackling legacy IT do not lose out to more immediate funding pressures.
- Reform procurement and commercial processes to enable innovative suppliers, particularly SMEs and scale-ups, to scale successful technologies across the public sector, including through increased market certainty and co-designing of contracts.

Objective 5: Bolster the UK's sovereignty, security and long-term resilience

- Fully fund the Defence Investment Plan, translating its commitments into programmes of record with clear routes to market, and set out a pathway towards 3% of GDP on defence, giving industry clarity over how this will be met.
- Adopt a confident approach to sovereignty that incentivises investment in the UK, bolsters state capacity and strengthens the UK's strategic capabilities.
- Introduce a cyber resilience allowance such as a capped reduction in VAT on qualifying products and services to encourage businesses to invest in cyber resilience.

Objective 6: Unlock capital and enable enterprise

- Increase flows of capital to small and scaling businesses by extending the age limits on EIS and VCT investment schemes and restoring the VCT income tax relief to 30%.
- Attract greater amounts of domestic capital into UK equities, in particular by removing policies that act as disincentives such as the 0.5% stamp duty reserve tax on UK-listed shares, and introduce further positive incentives for domestic institutional investment.
- Reduce administrative burden through structured roadmaps for corporate digital identity and e-invoicing.
- Reform online platform trading rules and increase the trading allowance to enable more casual selling.
- Reform the Video Game Expenditure Credit (VGEC), introducing a new 'games growth' rate targeted at smaller studios.

Objective 1: Harness technology to strategically reindustrialise Britain

Twenty-first century industrialisation will be powered by increased technology adoption and robust, reliable connectivity. Every component of a modern industrial base - design, simulation, supply chain management, predictive maintenance - is now a digital system. Restoring productive capacity requires decisive action on the UK's high industrial energy costs, which are driving up operating costs for energy-intensive manufacturers and for the digital infrastructure that powers the whole economy. Reindustrialisation and decarbonisation can and should be pursued in tandem.

1.1 Reform energy levies, moving them into general taxation by 2029, and accelerate grid connections

Government should:

- Adopt a clear three-year strategy to deliver a phased reduction of levies on bills as soon as fiscal headroom allows, including a commitment to fully remove the Renewables Obligation, Feed-in Tariff, Warm Homes Discount and Sizewell C RAB levy from all electricity bills by 2029.
- As an immediate step, publish and consult on the new levy control framework, ensuring it reviews all levies, not only new ones.
- Accelerate queue reform with Ofgem, DESNZ and NESO – through proper readiness criteria, a proportionate and refundable financial mechanism, and prioritisation for strategically important digital infrastructure – without over-calibrating fees to a level that deters viable projects.
- Enable faster private delivery by extending the IDNO/ICP model to transmission and clarifying Electricity Act 1989 licensing so developers can self-build connection assets.
- Align planning with grid timelines, treating outline planning consent as a readiness milestone and properly resourcing local planning authorities handling major digital infrastructure applications.

Justification

UK industrial electricity prices are the highest in the International Energy Agency, averaging 46–63% above other member countriesⁱ.

Between 2021 and 2024, prices for extra-large non-domestic users rose over 90%, with GVA falling nearly 50% in the worst-affected sectorsⁱⁱ. Powering a 100MW data centre costs on average £226.5m a year in the UK against £56.8m in the USⁱⁱⁱ. This is increasingly driven by levies and network charges rather than wholesale prices, and is felt among businesses of all sizes: non-

commodity costs now make up around 64% of a typical small business bill, with levies alone adding over £11bn in 2025/26^{iv}. These levies fall predominantly on electricity, penalising electrification just as government is trying to incentivise it. Autumn Budget 2025 made a start in addressing high energy costs through the British Industrial Competitiveness Scheme, but digital infrastructure remains overlooked and the committed levy control framework is still unpublished^{iv} year after it was announced. Levy reform would cut non-domestic electricity costs by approximately 20% by 2029/30, and Nesta analysis suggests it could cut inflation by 0.3 percentage points, partly offsetting the cost of reform^v.

It is not just the cost of electricity. Grid connection delay is now the single biggest source of investment uncertainty for UK digital infrastructure, with some mature data centre projects facing 8–10-year waits. Much of this is structural: Ofgem estimates viable data centre demand at roughly 8–15GW against ~73GW in the queue. Left unaddressed, this undermines the government's own 6GW AI-capable data centre target by 2030^{vi}.

1.2 Support technology adoption among SMEs in the IS-8 through new fiscal support mechanisms

Government should:

Incentivise greater tech adoption among SMEs across the 8 Industrial Strategy sectors (IS-8) as part of reindustrialisation, pairing financial support with impartial expert advice. Specifically:

- Extend fiscal support beyond existing schemes targeted specifically at manufacturing and engineering firms to all IS-8 sectors, through a new voucher scheme, an expanded 'Made Smarter', or another delivery vehicle^{vii} with a cap of, for example, £5,000^{iv}. We would welcome the opportunity to work with HM Treasury on precise design.
- Include estimated costings in diagnostics. Eligible technologies should include robotics, data analytics, cloud computing, connectivity, cyber tools and AI, recognising that exact needs differ across the IS-8.
- For SMEs in sectors such as advanced manufacturing, include a 'capacity test' in the diagnostic - an assessment of whether the investment increases what the firm can produce, in an identifiable place, with a workforce that can be recruited and trained locally. The focus should be increasing productive capacity rather than blanket 'efficiency'.
- Extend eligibility to SME suppliers of industrial goods and services - logistics and warehousing, testing and inspection, maintenance and repair, tooling, calibration, industrial software and integration - that currently fall outside the manufacturing and engineering definition despite sitting inside industrial value chains.

- Deliver further AI adoption support in partnership with the techUK-convened AI Adoption Coalition of IS-8 trade associations^{viii}.

Justification

The UK ranks 6th in WIPO's Global Innovation Index 2025 and 5th for knowledge creation, but 37th for knowledge absorption and ^{ix}labour productivity growth^x. This 'long tail' is where reindustrialisation will succeed or fail: a frontier of highly capable firms sits alongside a long tail of suppliers with low digital maturity, no capital headroom and no in-house capability to specify, procure or integrate advanced technology. Investment concentrated at the frontier without a diffusion mechanism widens productivity gaps ^xand because frontier and tail are geographically separate, it widens regional inequality too. Polling by techUK and Public First found high upfront investment costs are among the top barriers to adoption for businesses of all sizes^{xi}. International benchmarks support state funding mechanisms, whether via vouchers or equivalent co-investment grants: Singapore's Productivity Solutions Grant hrecipients have raised productivity by as much as 3% when applied to sector specific technologies^{xii}; Germany's Digital Jetzt generated roughly €1.2bn in additional GVA across more than 4,000 firms from a €163m outlay^{xiii}.

1.3 Underpin reindustrialisation with superfast and reliable connectivity

Government should:

- Maintain funding for Project Gigabit and expedite contractual awards. The 99% gigabit-capable coverage target by 2032, and the funding required to meet it, must be maintained.
- Reform Annual Licence Fees (ALFs), which undermine networks' ability to invest and are expected to double by 2033.
- Undertake a holistic review, with Ofcom, of cumulative cost burdens on the mobile sector, with ALFs as a priority strand, setting out how fee growth will be managed through to 2033 - whether through reinvestment, capping or reprofiling.

Justification

Connectivity is a foundational enabler of the UK's digital economy, underpinning AI, public service delivery and most other sectors. The continuation of funding for Project Gigabit, which specifically targets hard-to-reach areas of the UK, will be vital if connectivity and the opportunities it creates are to be equally felt in every UK region. Elsewhere, ALFs for spectrum could double by 2033 as additional bands fall out of their initial 20-year licences, stacking on top of existing pressures from energy costs, resilience obligations and planning constraints. These costs directly suppress free cashflow and risk crowding out investment in network quality, just as government is asking the sector for up to £34bn in 5G deployment by 2030. The outcome sought is a materially larger share

of operator capital retained for network deployment, giving the UK, which currently ranks lowest for mobile coverage among both the G7 and EU27 peers, a credible path to closing its connectivity gap^{xiii}.

Objective 2: Develop the workforce of the future

The tech sector's success depends on access to a highly skilled workforce, and the talent pipeline is under pressure. While there is considerable public anxiety about AI-driven job displacement, the picture is more complex than headlines suggest: reductions in entry-level hiring are driven not only by automation but by weak growth, rising employer costs, reduced business confidence and changing recruitment practices. As Mayoral Strategic Authorities take on more responsibility for adult skills, further devolution should proceed within a coherent national framework, so businesses operating across multiple regions do not face unnecessary fragmentation.

2.1 Lower the cost of early career hiring through a strategic NICs reduction for under-25s

Government should:

- Extend the National Insurance Upper Secondary Threshold so that employers pay no National Insurance Contributions for employees under 25 until their earnings exceed £967 per week.
- Communicate the relief clearly and simply to employers, so eligible businesses are aware of the support and able to use it.

Justification

Since April 2025 the employer NICs rate has risen from 13.8% to 15% while the secondary threshold has fallen from £9,100 to £5,000 - changes that bear most heavily on lower-paid and entry-level roles. Employers already pay no NICs for employees under 21 or apprentices under 25, but rising labour costs across the wider workforce still suppress demand for young workers, and graduate and early-career unemployment has become the sharpest pressure point in the pipeline. This measure extends an existing exemption rather than creating a new one, targeting the benefit squarely at early-career employment. The approach has been recommended by the Work and Pensions Committee^{xiv}. The digital skills pipeline is already struggling to keep up with employer demand^{xv} – further action to lower the cost of hiring is required to avoid the situation worsening.

2.2 Reduce Skilled Worker visa costs to strengthen the UK's access to global talent

Government should:

Lower the costs associated with the Skilled Worker route, while maintaining recently announced support such as the Scale-Up Visa Reimbursement Scheme. Specifically:

- Consult with industry on the general salary threshold and bring it down from £41,700 to a level that does not penalise businesses outside London and the South East.
- Allow companies to count equity towards Skilled Worker salary thresholds.
- Introduce phased Immigration Health Surcharge payments rather than requiring the full amount upfront.
- Allow unused Immigration Health Surcharge to transfer between visas, calculated automatically from the current visa's expiry date at the point of application.

Justification

To maintain its strength, the UK tech sector needs to ensure that it is able to access the best and brightest global talent. Costs on the Skilled Worker route are high by international standards: a five-year visa can cost up to £6,694 in visa fees and the Immigration Health Surcharge alone^{xvi}, before sponsorship and recruitment costs, and the cost of a Certificate of Sponsorship has risen 160% since 2023^{xvii}. These costs are particularly challenging for start-ups, SMEs and high-growth firms, and disproportionate in principle: skilled workers already contribute through income tax and National Insurance, and many pay the Immigration Health Surcharge while holding private healthcare. The May 2025 rise in the general salary threshold created particular difficulty for businesses outside London and the South East, where average salaries are lower. As government considers longer routes to settlement, the cumulative cost of remaining in the UK becomes a more significant factor in where international workers choose to build a career.

2.3 Boost in-work training, including courses in AI, by accelerating Growth and Skills Levy reform

Government and Skills England should:

- Finalise the levy-eligible training list without further delay, including short, flexible digital, AI, cloud, cyber and engineering courses, and commit to a standing quarterly update cycle for both the list and funding arrangements.
- Review funding bands so they reflect the true cost of delivering high-quality technical training, and end the ability to withdraw funding for individual units at as little as four weeks' notice.
- Extend the levy funds expiry window from 12 to 24 months, make transfers easier, and consider flexible funding to cover the wider costs of apprenticeships.
- Consider increasing the levy balance threshold at which businesses become subject to tighter rules, and address the issues employers face once they cross it - sharper co-investment rules and exclusion from small business incentives.

- Ensure Mayoral Strategic Authorities' growing role in adult skills funding does not fragment the system or create inconsistency across regions.

Justification

Continued uncertainty over eligible training, funding rules and the future of apprenticeship standards is delaying employer investment in high-demand technology skills precisely when businesses need to respond quickly to advances in AI. The results are visible: 69% of levy-paying employer accounts used 50% or less of the funds entering their accounts in 2024/25^{xviii}. The system is also misaligned with business size - with the wage threshold frozen since 2017, more SMEs are drawn into levy-payer status, losing targeted incentives while facing higher co-investment requirements. Meanwhile apprenticeship spending is expected to fall after 2026-27 even as the Treasury top-slice grows from around £700m in 2026-27 to £1.14bn in 2028-29. And because more than half of apprenticeship starts are by people aged 25 and over, this is not only an early-careers route but a major mechanism for reskilling the existing workforce.

Objective 3: Keep the UK at the forefront of innovation

The UK's problem has rarely been invention. It is that the value created here is not always captured here. More effort is required to ensure that this value is spread throughout the economy, and that innovative experimentation is appropriately incentivised and rewarded. Each depends on stability: innovation investment decisions are taken over years, not fiscal cycles, and they rest on businesses believing that the Corporation Tax Roadmap, the R&D regime and other previously announced plans remain valid. Certainty is itself an innovation policy.

3.1 Introduce an open-source AI investment credit

Government should:

Introduce a targeted investment credit to lower the effective cost and risk of open-source AI development in the UK. For example:

- Businesses undertaking qualifying open-source AI R&D - including primary and secondary open-source AI and accompanying application developers - would be eligible for a 10% corporation tax deduction (or up to a 10% cash credit if not currently paying corporation tax) covering eligible expenditure such as staff, compute, data and equipment.
- To qualify, firms would commit to releasing defined elements of their AI product under recognised open-source licences, with requirements to ensure that the benefits are captured domestically.
- The credit would sit on top of the existing R&D tax credit scheme, making it simpler to administer and easier for businesses already familiar with the scheme to claim.

Justification

The UK needs to incentivize the diversification of AI development across the full spectrum of models, including open-source models. Increasingly, we see open-source AI playing a distinct role in bolstering the UK's AI ecosystem. In part, this is because model openness can support experimentation, skills development, institutional capacity, and domestic innovation, while complementing closed models that can drive scale and commercial return.

Developing open-source AI requires significant upfront investment in staff, compute, data and infrastructure, but the economic benefits are shared widely across the economy rather than captured by the firm doing the investing. This mismatch between private cost and public benefit produces systematic underinvestment in UK-based open-source AI development - a textbook case for targeted fiscal intervention to address an instance of market failure. Research from Public First estimates the credit would raise UK open-source AI R&D investment by 25.5%, from

£694m to £871m annually, directly increasing GVA by £71m a year with indirect benefits expected to be ^{xix}. At an estimated cost of £69m a year, it is projected to deliver a return on investment of at least 20:1^{xi}, as part of a wider estimated £40 billion in economic growth from open-source AI over the next decade.

3.2 Build trust in AI through the third-party assurance roadmap and the AI Security Institute

Government should:

- Continue funding delivery of the trusted third-party AI assurance roadmap with delivery partners including techUK.
- Commit to sustained, multi-year funding for the AI Security Institute, protect its technical independence, and hold its remit where it is - enabling it to develop evaluation methods, conduct research and carry out pre-deployment testing of frontier AI models.

Justification

Assurance builds trust in AI through evidenced action, and trust drives adoption. It is also a growing UK industry in its own right, already employing around 12,000 people and generating £1.6bn in GVA.

AI SI's remit is deliberately focused - cyber misuse, biological and chemical misuse, human influence, and loss-of-control risks - and that focus is a strength: it gives the UK genuine state capability on the small set of risks no individual company or sectoral regulator can evaluate alone, handling frontier risk through evidence rather than precaution. But a narrow remit only works if it is properly resourced. Together these actions give the UK a clear point of differentiation from both the US and EU approaches.

3.3 Better coordination and more impactful innovation funding

Government should:

Establish a renewed focus on coordination between public bodies operating in the innovation space as part of the newly expanded Department for Business, Innovation, Science and Trade (BIST). Specifically:

- Convene a ministerial-led taskforce including the primary innovation funding bodies such as UKRI, Innovate UK and ARIA, and public finance institutions such as the British Business Bank and National Wealth Fund.

- Include representatives from HMRC and other officials responsible for R&D policy and the administration of tax credits, to ensure all UK fiscal innovation incentives are complementary.
- Work towards a cohesive Innovation Funding Roadmap built on cross-organisation input, focused on getting the most value out of public innovation spending by identifying areas of collaboration and mutual reinforcement.
- Reduce duplication and administration for companies accessing innovation funding, and ensure support is evenly spread across the entire innovation lifecycle, from research and development through to commercial manufacturing.

Justification

The July 2026 machinery of government changes and the creation of BIST provide an opportunity for a thorough stock-take of the UK innovation funding landscape, identifying where collaboration can be enhanced and duplication minimised. This is doubly important given that some of our most innovative and high-potential technologies - quantum, semiconductors, robotics, engineering biology - are among the most R&D- and capital-intensive, and would benefit most from a cohesive, long-term vision for sustained innovation funding.

Objective 4: Build a smarter state

Government is one of the largest purchasers and operators of technology in the country, which makes a smarter state a fiscal question as much as a digital one. With day-to-day spending under acute pressure, modernising how the public sector buys and runs technology is one of the few routes to better services and lower long-run costs without new money. In each of the areas below, industry is ready to help - and in each case two things are needed: funding released at the moment it goes furthest, and enough clarity on implementation for suppliers to plan and invest against.

4.1 Provide greater clarity on implementation, governance and delivery timelines for the 10-Year Health Plan

Government should:

Set out how it intends to use the funding allocated to the 10-Year Health Plan, including a delivery plan that provides clarity over how the plan will be implemented alongside wider NHS reforms and NHS England's integration into the Department of Health and Social Care.

Justification

The commitments in the 10-Year Health Plan and Life Sciences Sector Plan are clear and widely supported by industry. Technology, and the analogue to digital shift, are essential to their success - for the Single Patient Record, for making the NHS App a true digital front door, and for delivering the Health Data Research Service. Adult social care sits at the heart of this: all three shifts in the plan depend on what happens in people's homes and neighbourhoods, where social care already operates at scale. Crucially, the technology already exists and is deployed across the UK - interoperable care records, digital telecare, ambient monitoring, AI decision support. The gap is coordination and adoption, not capability, which is why the sector is asking for clarity and timelines rather than new money.

4.2 Give councils clarity and ring-fenced transitional funding for digital, data and cyber

Government should:

Provide ring-fenced transitional funding for digital, data and cyber as part of future Local Government Reorganisation (LGR), rather than leaving councils to fund this from already stretched budgets. Without a ring-fenced mechanism there is a clear risk that digital loses out to more immediate pressures, as has happened historically.

Justification

LGR will merge dozens of legacy IT systems over the next few years. Councils face delays following the government's decision to withdraw reorganisation plans for Essex, Hampshire, Norfolk and Suffolk and pause 14 further areas – meaning there is still an opportunity to earmark digital and cyber funding as part of this process. Once new unitary councils go live, consolidating these systems becomes more expensive and more disruptive than doing the same work during transition, and delay carries real risks including cyber-attacks and disrupted service continuity. MHCLG has committed £63 million to capacity funding, but none is earmarked for digital; and while the LGR Digital and Cyber Playbook exists, it is advisory with no funding behind it. Councils have clear guidance on what good practice looks like, but no funding to act on it.

4.3 Reform procurement so innovative suppliers can scale technologies across the public sector

Government should:

- Make greater use of demand-side mechanisms such as Advanced Market Commitments, giving scaling businesses the certainty they need to bring new products to market.
- Strengthen the fundamentals of SME-friendly procurement: consistently meet departmental SME expenditure targets, engage scale-ups earlier and more substantively through pre-procurement market engagement, and improve visibility of the future pipeline.
- Co-design contracts with SMEs and scale-ups from the outset, breaking large contracts into smaller modular lots, and building in mechanisms that support suppliers to scale delivery over the life of the contract.

Justification

A persistent barrier for firms attempting to access government procurement is contract design itself. Scale-ups in particular are locked out by contracts built for large incumbents: oversized in scope, rigid in structure, and poorly suited to smaller, fast-growing suppliers. Public procurement has the potential to grow the economy and strengthen the country's competitiveness^{xx}. At around £400 billion annually^{xxi}, UK public procurement expenditure allows government to create predictable demand and steady revenue for businesses, support innovative companies to scale, and crowd in private investment.

Objective 5: Bolster the UK's sovereignty, security and long-term resilience

Resilience is too often treated as a cost centre. It is better understood as an industrial opportunity. Defence spending is industrial investment, sustaining jobs and apprenticeships across every nation and region; digital sovereignty, done well, strengthens the UK's ability to build, scale and export technology; and cyber resilience protects the productivity gains the rest of this submission

depends on. Done badly, each becomes the opposite: sovereignty pursued as protectionism imposes costs on the firms we rely on for growth, and commitments announced but not funded erode the confidence industry needs to invest. What this objective asks for, above all, is follow-through.

5.1 Fund the Defence Investment Plan and set out a roadmap to 3% of GDP on defence by 2030

Government should:

- Focus on implementing the Defence Investment Plan (DIP) in full - translating its commitments into programmes of record with clear routes to market, clearing the awarded-but-not-contracted backlog, and fixing the MOD's commercial capacity gap.
- Publish a roadmap to 3% of GDP on defence by 2030, giving industry and stakeholders clarity on how it intends to get there.

Justification

The June 2026 DIP ended a year of uncertainty for the UK's DefTech industry, so the priority now is implementation. Defence spending is industrial investment: it supports 440,000 jobs and more than 24,000 apprenticeships. Ministers have acknowledged that 47 of the 49 major defence programmes inherited by this government were overbudget and unfunded, and the Public Accounts Committee found that repeated delay in publishing the DIP was already undermining MOD's credibility with the sector, with SMEs hit hardest^{xxii}.

Converting the DIP's £298 billion four-year settlement into signed contracts would let suppliers move from planning to delivery, unlocking investment in facilities, skills and R&D currently on hold^{xxiii}. A published, funded roadmap to 3% - sitting beneath the NATO commitment to 3.5% on core defence by 2035 - would give primes and the emerging DefTech and dualuse supplier base the long-term demand signal needed to commit private capital now, rather than waiting for each fiscal event to confirm the trajectory still holds^{xxiv}. The DIP's first annual progress update to Parliament, due in July 2027, is a natural moment to demonstrate that delivery is on track.

5.2 Adopt a confident model of digital sovereignty that bolsters state capacity and strategic capabilities

Government should:

Adopt a confident, growth-oriented model of digital sovereignty that focuses as much on British outcomes - hiring and headcount, GVA, investment - as on British origins. Specifically:

- Invest where we lead or have to lead: areas of genuine strategic advantage such as chip IP design, quantum, cyber security, and AI security and evaluation, plus a narrow set of security-justified sovereign imperatives including quantum cryptography, satellite and space infrastructure, and undersea cables.
- Buy better everywhere, making use of the Procurement Act 2023's shift to Most Advantageous Tender to weight resilience, supply chain diversity and SME participation.
- Shape the world we trade in, making UK recognition as a "trusted partner" under the EU's Technology Sovereignty Package a top strategic priority, so UK firms retain access to bid for higher-sensitivity procurement tiers - and keeping the UK an open market to sustain reciprocal access with a range of partners.

Justification

techUK has set out its position in our Confident Sovereignty policy paper^{xxv}. Confident sovereignty is the UK's ability to make consequential choices in the digital domain because it has capability that others depend on and therefore buy. The EU's Technology Sovereignty Package will decide the UK–EU relationship over the next two years: proposed rules would restrict the highest-sensitivity procurement tiers, likely defence and law enforcement, to EU-located and controlled firms, with a recognition mechanism for trusted non-EU partners still being defined. The UK needs to act fast and with one voice - last year it exported £203bn in services to the EU, roughly 70% of it delivered digitally, and it remains a major supplier of the EU's defence and law enforcement needs. Securing trusted-partner status avoids a serious blow to UK growth and digital exports.

5.3 Introduce a cyber resilience allowance

Government should:

Offer a targeted tax incentive, such as a capped reduction on VAT on cyber products and services, to encourage businesses to invest in cyber resilience programmes and help stimulate demand across the UK cyber sector ensuring that widespread digital adoption.

Justification

Regulation alone cannot solve the lack of cyber resilience across the UK economy. Some sectors are rightly out of scope of the upcoming Cyber Security and Resilience Bill because they already sit under established sector-specific frameworks; others, including smaller Managed Service Providers, may not meet the threshold for inclusion. The Industrial Strategy recognises cyber resilience as cross-cutting and a crucial enabler of growth, so we must find other ways to incentivise it while promoting a culture of shared responsibility between government, industry and regulators. Failure to do so whilst also pursuing widespread reindustrialisation risks

introducing more vulnerabilities into the system. A targeted incentive would reduce vulnerabilities and act as an important foundation, improving economic resilience, driving up demand across the UK cyber security sector, and strengthening UK supply chains and critical infrastructure.

Objective 6: Unlock capital and enable enterprise

Enterprise is the lifeblood of the tech sector - whether that is funding for new businesses, aspiring entrepreneurs starting their first online business, or supporting thriving clusters such as the UK video games sector. The recommendations below increase the capital available to invest, make business administration more efficient, and improve the market for sole traders online. Collectively they remove friction from exactly the kind of activity - casual selling, creative production, earlystage enterprise - where the current framework is actively deterring participation.

6.1 Unlock capital for small and scaling businesses

Government should:

- Restore VCT up-front income tax relief to 30%, reversing the cut announced at Autumn Budget 2025, while retaining the increased company investment limits (£10m/£20m for knowledge-intensive companies), the doubled £24m lifetime investor limit and the higher gross asset limit introduced alongside it.
- Raise the company age limit for EIS and VCT eligibility from 7 years (10 for knowledge-intensive companies), as previously recommended by the Treasury Select Committee^{xxvi}, to 10 and 15 years respectively.
- Convert the proposed £1bn+ UK Scale-up Fund from exploration into a binding commitment, and continue to negotiate hard for UK participation in the EU's €5bn Scaleup Europe Fund ahead of the next funding cycle from 2027.

Justification

EIS and VCT are important incentives for private individuals to invest in early stage companies, but that capital is heavily concentrated. London and the South East take around 63% of all EIS funding, while companies outside those regions take on average three years longer to scale, and so are disproportionately affected by strict age-related eligibility thresholds. Delivered together with a committed pool of domestic growth capital (see below), these measures would mean more UK companies choose to scale and stay here, with the resulting jobs, tax receipts and strategic technology value retained domestically.

6.2 Attract greater domestic capital into UK equities

Government should:

- Remove policies that disincentivise deploying capital at home by committing to a timetabled review of stamp duty and stamp duty reserve tax on UK-listed shares, building on the existing 3-year IPO exemption.
- Introduce positive incentives for domestic institutional investment in UK-listed companies, rather than relying on disclosure and voluntary commitments alone.
- Work with industry and the British Business Bank to build the pipeline, including a marketplace matching accredited venture and growth funds with DC schemes, modelled on France's Tibi scheme and in line with proposals from UK Private Capital^{xxvii}.

Justification

UK pension funds now allocate around 4.4% of assets to UK equities^{xxviii}, down from roughly 50%^{xxix} and well below the 10.1% global average. S^{xxx}^{xxxi}. The fiscal case is strong - reform of pension fund tax credits alongside minor regulatory change has been estimated to mobilise^{xxxii}, and because each additional 1% of GDP growth yields £10–15bn in receipts, such measures need only generate around 10bps of growth to pay for themselves. The 0.5% stamp duty reserve tax charged on UK shares, which does not apply to non-UK shares, acts as a direct disincentive to invest in UK equities.

6.3 Reduce administrative burden through corporate digital identity and e-invoicing

Government should:

- Commit to a structured roadmap for corporate digital identity implementation, including a unified business identifier anchored to existing government infrastructure, and expand the Digital Verification Services Trust Framework to include corporate digital identity.
- Define how businesses can access and reuse verified status established through government verification programmes already underway, so that a single verification serves banks, regulators, service providers and cross-border counterparties.
- Maintain the published e-invoicing roadmap, giving businesses and software providers the certainty they need to prepare ahead of the April 2029 requirement for VAT-registered small businesses.
- Establish a dedicated engagement programme with small businesses, their advisers and industry bodies, covering implementation timelines, technical standards, interoperability and the support available to smaller firms.
- Align BIST and HMRC communications around a single message on business efficiency and reduced administrative burden, rather than tax compliance.

Justification

Britain's businesses reportedly waste an estimated eleven million hours a year proving who they are, to government, banks and service providers - a drag on productivity with no ^{xxxiii}?

^{xxxiv} proposal[?]. The technical foundations already exist, including the Digital Verification Services Trust Framework; what is missing is the governance and standards that would let verified status be reused rather than re-established each time. E-invoicing is a comparable opportunity, but adoption depends on how it is presented and to whom. BIST and HMRC are currently perceived as advancing separate agendas, and the businesses facing the April 2029 requirement are largely absent from consultation so far. Framed as a tax compliance exercise and delivered without the input of those implementing it, e-invoicing will meet costly resistance; framed as a productivity measure with genuine engagement behind it, it will not.

6.4 Reform platform reporting rules to provide a boost to small-scale entrepreneurs

Government should:

- Adjust the UK's domestic reporting framework for digital platforms to remove the 30-transaction threshold and raise the monetary reporting trigger.
- Raise the UK's Trading Allowance from its current level of £1,000 to at least £3,000 per annum.

Justification

This is an immediate, zero-cost win for HM Treasury. Millions of people rely on casual online selling to supplement their income, but current domestic rules require platforms to report any user making over 30 sales or exceeding €2,000 (around £1,700) in annual revenue. Intended to target tax evasion, these exceptionally low triggers instead capture everyday citizens selling second-hand clothes, household items or low-value crafts - users whose earnings sit well within standard tax allowances and who often owe no tax at all because they are making no profit. Nearly half of casual online sellers have cut back on trading out of misplaced fear of tax penalties, stifling micro-level activity, reducing competition and driving up prices for consumers.

The Trading Allowance has remained static since 2017, with inflation eroding its value in real terms. Raising it to £3,000 would signal that the UK is serious about fostering a modern entrepreneurial culture and 'making work pay', enabling individuals to test business ideas and build confidence and skills - all without a cost to the Exchequer.

6.5 Reform the Video Game Expenditure Credit

Government should:

- Introduce a 'games growth' rate of 53% for projects with budgets of £10 million or lower, targeted at smaller studios.
- Raise the headline relief rate to 39% for projects with budgets above £10 million, and remove the 80% cap on qualifying expenditure.
- Maintain and increase the UK Games Fund beyond its current £5.5 million annual budget, and encourage the British Business Bank to offer debt and equity finance to medium-sized creative industry companies on the same basis as digital and tech firms.

Justification

techUK supports Ukie's proposals for VGEC reform^{xxxv}. The VGEC has driven substantial growth in the UK games industry, but that competitive advantage has eroded as other jurisdictions have moved ahead. The current 34% headline rate is worth 25.5% after Corporation Tax and applies to only 80% of qualifying expenditure. Ireland's Digital Games Tax Credit offers a 32% refundable credit with a €25 million project cap, extended in Budget 2026 to cover post-release content; France's sits at 30%. The consequences are visible in the data: in the year to September 2025 the UK games development sector lost 1,537 net development jobs, a 4.5% fall and the first decline in fourteen years. Developers also continue to struggle to access finance, relying on overseas equity or eventual sale, putting the UK at risk of becoming an 'incubator economy' in which talent and IP are developed here but captured elsewhere. Research by Nordicity for Ukie estimates the reforms would, after five years, generate an additional £529 million in GVA annually and support a further 5,969 jobs, returning an additional £1.87 for every £1 of VGEC disbursement on top of the £3.20 the scheme already returns.

Endnotes

ⁱ <https://www.gov.uk/government/statistical-data-sets/international-industrial-energy-prices>

ⁱⁱ <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofhigherenergycostsonukbusinesses/2021to2024#the-effect-of-higher-energy-prices-on-the-output-of-energy-intensive-industries>

ⁱⁱⁱ <https://www.smf.co.uk/wp-content/uploads/2025/01/How-to-power-AI-Feb-2025.pdf>

^v <https://www.nesta.org.uk/report/tax-free-electricity/>

^{vi} <https://www.gov.uk/government/publications/uk-compute-roadmap/uk-compute-roadmap>

^{vii} In line with a previous UK Government scheme, Help to Grow: Digital, although the exact figure and design of the scheme should be subject to industry consultation to achieve better outcomes than its predecessors.

^{viii} For more information please see: <https://www.techuk.org/resource/uk-industries-unite-to-accelerate-ai-adoption.html>

^{ix} <https://www.wipo.int/web-publications/global-innovation-index-2025/en/index.html>

^x Public First conducted a survey of 531 business decision-makers (275 from technology businesses, 256 from non-tech businesses) between 24 February and 8 March 2026. The full results can be accessed here: <https://www.publicfirst.co.uk/new-polling-for-techuk-2>

^{xi} <https://www.mti.gov.sg/resources/economic-survey-of-singapore/economic-survey-of-singapore-and-feature-articles/impact-evaluation-of-smes-go-digital-programme/>

^{xii} https://www.google.com/goto?url=CAES3AEB6zswFb9qtgiA0HKas15_v15UQkAvu-ejipXddzimmGTJx_ywbMVWMWzFu0i0ld5tKyB74DhnwpV1vozQBLrRRZ-8Rwe0X3JUXw560-QtVK2udbShrL7VVpK5_nmbuapdAEj8kGnplBUJPSdqRVyGofC81bNeeJBxpq_UUJN85hKqQKQW42iVbsDuSZxfRrH75l8xxoKLZZdgSzD2D-2nTFyZL7MnkwQFRNnxDaBzW1TzxrTWWsBssOQHL7KSFyH2AX5hizEonFzcSF8lCDCJCBCqoF3Vcq7ljOlK

^{xiii} <https://www.cloudswitched.com/news/uk-5g-ai-connectivity-gap-2026>

^{xiv} <https://committees.parliament.uk/committee/164/work-and-pensions-committee/news/217095/cut-employers-national-insurance-contributions-for-all-under25s-say-mps/>

^{xv} <https://www.techuk.org/shaping-policy/fast-forward-for-digital-jobs-report.html>

^{xvi} <https://www.gov.uk/skilled-worker-visa/how-much-it-costs>

^{xvii} <https://commonslibrary.parliament.uk/research-briefings/cbp-9859/>

^{xviii} Written question 8694, 10 June 2026. Parliament.uk.
<https://questions-statements.parliament.uk/written-questions/detail/2026-06-10/8694>

^{xix} <https://ukopensorceai.publicfirst.co/>

^{xx} <https://www.gov.uk/government/consultations/public-procurement-growing-british-industry-jobs-and-skills-consultation-on-further-reforms-to-public-procurement/public-procurement-growing-british-industry-jobs-and-skills-html#ministerial-foreword>

^{xxi} https://assets.publishing.service.gov.uk/media/6874fa6f92691289bdb7d393/Public_Expenditure_Statistical_Analyses_2025.pdf

^{xxii} <https://publications.parliament.uk/pa/cm5902/cmselect/cmpubacc/95/report.html>

^{xxiii} <https://gowlingwlg.com/en/insights-resources/articles/2026/uk-defence-investment-plan-2026>

^{xxiv} <https://www.instituteforgovernment.org.uk/explainer/uk-defence-spending>

^{xxv} <https://www.techuk.org/resource/techuk-report-confident-sovereignty-techuk-s-framework-for-sovereignty-to-support-growth-security-and-resilience.html>

^{xxvi} <https://publications.parliament.uk/pa/cm5803/cmselect/cmtreasy/134/report.html>

^{xxvii} <https://www.ukprivatecapital.co.uk/policy/nova.html>

^{xxviii} <https://www.lexisnexis.com/en-gb/legal/news/uk-lags-globally-in-pensions-allocation-to-domestic-stocks>

^{xxix} <https://www.newfinancial.org/reports/comparing-the-asset-allocation-of-global-pension-systems>

^{xxx} <https://www.pensionsage.com/pa/VC-funds-still-waiting-for-Mansion-House-commitments-to-materialise.php>

^{xxxi} <https://www.ukprivatecapital.co.uk/resource/pensions-and-private-capital-industries-its-time-to-increase-momentum-on-the-mansion-house-agenda.html>

^{xxxii} <https://www.newfinancial.org/reports/how-to-boost-investment-in-uk-equities-by-uk-pensions>

^{xxxiii} <https://startupcoalition.io/news/the-tax-nobody-complains-about/>

^{xxxiv} Ibid

^{xxxv} <https://ukie.org.uk/news/ukie-calls-to-reform-video-games-expenditure-credit>