



REPOSITIONING RESEARCH TO BE A KEY COMPONENT OF THE UK'S ECONOMIC INFRASTRUCTURE

*Smart Incentives, Strategic Growth: Turning thought leadership
into the backbone of 21st-century British prosperity.*

EXECUTIVE SUMMARY

A BuildResearch Executive Summary

REPOSITIONING RESEARCH TO BE A KEY COMPONENT OF THE UK'S ECONOMIC INFRASTRUCTURE

Smart Incentives, Strategic Growth: Turning thought leadership into the backbone of 21st-century British prosperity.

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BuildResearch Limited

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Final

 **Research shows** human-AI collaboration works best when each party handles what they do best—AI tackles high-volume, data-driven, or repetitive subtasks, while humans supply contextual understanding, emotional intelligence, and intent. Therefore we record that this deliverable was prepared using approved AI assistance tools to streamline research, data aggregation, and document design.

Who we are and what we do

BuildResearch is a UK-headquartered global think tank and research-focused management consultancy — a strategic thought leader that blends rigorous analysis with creative insight to influence and shape government policy, business thinking and solutioning, influence the development of the world's global professions and their sustainability, and influence — for good — our global human society in the 21st century.

We came together to help others create research that genuinely adds value — and to help people see research not as a compliance exercise, but as a strategic, value-creating activity.

BuildResearch partners with companies, universities, professional bodies and international organisations — turning rigorous evidence into influential thought leadership and lasting advantage.

We help our clients generate rigorous, influential research and thought leadership — and we help them strengthen their internal research capabilities through our 360° research design and development consultancy. We work with clients across the UK, Europe, the United States, and Latin America.

Our work enhances profile and reputation, supports commercial advantage, and lifts the strategic value of research across an organisation. We offer a range of consultancy services including:

Research and Thought Leadership A full-service research and thought-leadership practice that delivers rigorous, evidence-based outcomes — qualitative and quantitative — from first framing to final publication and launch.

Consulting We help organisations revitalise an existing research function — or build new research capability from the ground up.

Coaching and Development Coaching for individuals and teams to raise research confidence, capability and measurable lasting impact.

Let's Talk: Tell us what you're working on — we'll point you to the right kind of help, whether that's a research project, a consulting engagement, or coaching for your team.

Contact us through our Enquiry form available through this link:

<https://buildresearch.co.uk/contact#enquiry>

Or email us directly on buildresearchclients@outlook.com

Research that builds reputation.

Introduction

BuildResearch is a UK-headquartered global think tank and research-focused management consultancy.

In response to widespread challenges identified by our commercial clients, BuildResearch conducted a holistic national review evaluating how current fiscal incentives drive — or hinder — corporate research investment.

This policy report sets out the macroeconomic rationale for this policy innovation and presents five actionable economic policy interventions designed for immediate inclusion in the upcoming 2026 Autumn Budget which will reposition research as a key component of the UK economy.

The quality of an economy's capital deployment cannot exceed the quality of the research guiding it

Over 80% of enterprise value in a modern economy sits in intangible assets. British tax policy still subsidises machinery. That mismatch is a principal cause of the UK's productivity deficit — and it can be corrected in this Budget, without new public spending at scale.

UK businesses already spend £140–160 billion a year on intangible assets. Yet research and thought leadership remain classified as administrative overhead: fully expensed against short-term margins, first to be cut in a downturn, and concentrated in London and the South East. Physical infrastructure moves goods and power. Research is the intellectual grid that determines where, when and how capital is deployed — and it is the only part of our economic infrastructure the tax system does not recognise as such.

Therefore, in the UK, research and thought leadership activities are an essential component of our economic infrastructure and a key creator of intangible value. BuildResearch advocate in this policy report for HMG to introduce a series of tax and fiscal reforms to expand the UK research sector which we argue will unlock corporate balance sheets, address the UK's regional productivity gap, boost inward investment, and fuel a more innovative and resilient economy.

As Chancellor of the Exchequer John Healey prepares his inaugural annual Budget under the mandate of delivering "growth in every postcode," HM Treasury faces a defining choice. Continuing to treat knowledge creation as an administrative cost will perpetuate flatlining business investment. Conversely, recognising research as vital economic infrastructure will unlock private balance sheets, catalyse high-value decision-making, and accelerate sustainable growth across the UK's regional economies.

Recognising research and thought leadership as essential economic infrastructure and introducing these reforms will also allow the Chancellor to start addressing challenges to our research sector from our global competitors, particularly China. Our research shows that these challenges will intensify over the next five years.

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Britain’s international competitive position is deteriorating now

The UK spends 2.71% of GDP on research. Germany spends 3.13% and is targeting to rise to 3.5% by 2030; the United States spends approximately 3.4%. China reached 2.69% in 2024, rising 0.11 points in a single year while the UK's share fell — and based on existing data combined with current trends is highly likely to overtake the UK by the end of 2026, pushing Britain down from fifth to sixth in the G20.

2.71% UK research intensity, 2024 — fifth in the G20 and falling <small>ONS</small>	3.13% Germany, with a national target of 3.5% by 2030 <small>DESTATIS</small>	2.69% China, up 0.11 points in one year and still climbing <small>CHINA NBS</small>
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Had the UK matched German or US intensity, it would be investing roughly £12–20 billion more each year. On returns estimated in government-commissioned research (Frontier Economics for DSIT), a decade at that gap implies forgone GDP in the order of £20–40 billion a year.

Three of the five reforms require no new public spending. Every £1 of net Treasury cost returns £2.00 to £2.80 in GDP. The Chancellor can act in this Budget.

The reforms align with the Treasury’s own mandate

Chancellor Healey’s strategy rests on fiscal credibility combined with regional rebalancing — growth felt in every postcode. Yet strategic thought leadership and high-level consulting remain concentrated in London and the South East. Mid-market firms and SMEs across the Midlands, the Northern Powerhouse, Scotland and Wales operate with limited research infrastructure, isolated from top-tier academic institutes and without the capital to commission independent industrial analysis.

Reclassifying research as economic infrastructure lets HM Treasury decentralise knowledge assets directly. Incentivising corporate research partnerships with regional universities anchors high-value decision-making inside regional innovation clusters, creating a self-sustaining ecosystem of skilled analyst roles, academic spinouts and data-driven corporate investment across every region.

Full analysis, methodology and sources: *Repositioning research to be a key component of the UK's economic infrastructure*, BuildResearch, October 2026.

Five reforms for the 2026 Autumn Budget

1

Full Expensing for intangible research assets

Extend capital allowances to proprietary datasets, systemic risk models and commissioned analysis, so intellectual capital is treated like plant and machinery.

Unlocks £10.0–13.5bn of private investment · £1.70–£2.60 of GDP per £1 of net fiscal cost

Mandate Unlocks idle corporate cash reserves without direct public spending.

2

A 150% Regional Thought Leadership Super-Deduction

A geographically tiered deduction for research commissioned with universities and institutes outside London and the South East, turning regional campuses into engines of commercial strategy.

For every £1 of gross Treasury tax relief the policy leverages approximately £7.80 in direct private sector research and thought leadership funding · £2.03–2.31bn net cost over five years

Mandate Decentralises economic power away from London into regional innovation clusters.

3

A £250 million Sovereign Knowledge & AI Insights Fund

Matched 50/50 with private consortiums through the British Business Bank, incentivising private consortiums to fund research in critical sectors such as AI, green energy, and advanced manufacturing.

Costs £183m net after clawback · £9 to £11 of GDP output per £1 of Treasury spend

Mandate Backs domestic innovators driving knowledge *spillover* dynamics across the UK's SME sectors.

4

Modernised R&D tax relief definitions

Extend qualifying activity to encompass wider research areas of social-economic research and trade, finance and market research, aligning relief with an economy that is 80% services.

Unlocks £1.8–2.5bn of new annual private research

Mandate Broadens the research base beyond lab scientists to policy and economic analysts.

5

Research & Growth Vouchers for SMEs

Vouchers of up to £25,000 letting high-growth firms embed academic fellows and policy researchers, closing the insight gap that caps scale-ups.

£16–18 of GDP per £1 of net public cost — the highest return in the package

Mandate Targets productivity stagnation among mid-sized enterprises right across the UK.

COMBINED IMPACT OVER THE FIVE-YEAR OBR WINDOW

£50.1–63.9bn

Added to UK economic output across the scorecard window

+0.57–0.735%

Permanent uplift in real potential GDP by Year 5

£22.6–25.3bn

Net Treasury cost after a uniform 30% dynamic revenue clawback

2.71% to 2.92%

UK research intensity by Year 5, rising towards 3.0% as more qualifies

Conclusions

The upcoming Autumn Budget provides HM Treasury with a historic opportunity to reshape the foundations of UK productivity. By shifting the state's perception of research from an administrative overhead to essential economic infrastructure, Chancellor John Healey can unlock vast reserves of private capital, strengthen regional research ecosystems, and equip UK enterprises with the insight needed to win in a volatile global economy.

By abandoning the outdated view of research as a corporate luxury or administrative overhead, HM Treasury can establish a modern fiscal architecture that treats knowledge as a key component of the UK's economic infrastructure and positively changing mindsets on the value of research.

This pro-research competitive tax regime will also enable the UK to confront the challenges to our global research position and make it an attractive destination for new foreign investment.

The five actionable economic policy interventions will reposition research as a key component of the UK economy, and they could also stimulate a wider policy drive to expand intangible value creation throughout the economy.

An analysis of the combined economic and fiscal impact of the five proposed research and development policy reforms demonstrates how re-evaluating research as essential economic infrastructure yields significant improvements in UK total factor productivity (TFP) and GDP over a five-year horizon.



Building research that builds reputation.

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