



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.*

A BuildResearch Policy Submission for the UK 2026 Autumn Budget

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BuildResearch Limited

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Final 2*

 **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.

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Research that builds reputation.

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Introduction

The United Kingdom faces a structural macroeconomic dilemma: persistent total factor productivity stagnation, entrenched regional economic disparities, and a systemic under-investment in private sector innovation.

For decades, UK fiscal architecture, accounting frameworks, and corporate governance models have treated research, market intelligence, and thought leadership as discretionary overheads—administrative costs to be expanded during economic surges and ruthlessly excised during economic downturns.

Just as physical transport links, power grids, and digital broadband networks facilitate the movement of goods, energy, and data, the UK's research infrastructure drives economic and scientific innovation, inspires enterprise, and informs business resilience. It also influences where, when, and how capital should be deployed. Without a vigorous and dynamic research infrastructure BuildResearch believes public and private capital deployment lacks inspiration and becomes inefficient, misallocated or excessively risk averse.

Moreover, our analysis shows that in a knowledge-intensive global economy where intangible assets account for over 80% of corporate market value, research and thought leadership activities need to be recognised as key drivers of the intangible economy by His Majesty's Government.

UK businesses spend roughly £140 billion to £160 billion annually on broad intangible assets investing in software, branding, marketing and data analysis research and wider research and development.

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.

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.



SECTION 1

The Macroeconomic Imperative: The Knowledge Infrastructure Deficit

What is Economic infrastructure

Economic infrastructure refers to the basic physical and organizational structures and facilities needed for the operation of a society or enterprise, such as transportation, communication, and energy systems.

A NAIC/Centre for Insurance Policy and Research (CIPR) Infrastructure Investments Study published in 2020 defined Economic Infrastructure as “Long-lived, capital intensive, large physical assets that provide essential services or facilities to a country, state, municipality or region and contributes to its economic development or prosperity.”

It is seen as the systems and structures that enable businesses to trade, transport goods, power operations, and connect with markets. By comparison social infrastructure focuses on human capital like schools and hospitals.

Economic infrastructure consists of several formal components that drive growth, enables trade and attracts investment.

The fundamental argument in this policy research report is that governments create fiscal and tax regimes to support and stimulate economic infrastructures, and that the new Chancellor of the Exchequer John Healey and H. M. Treasury should re-classify research and thought leadership as economic infrastructure through a series of policy interventions which acknowledge the importance of research and thought leadership to the UK economy today and into the future.

Economic growth in the 21st century will not be driven by heavy industry alone, but by the speed and quality with which UK businesses generate, commercialise, and apply high-margin intellectual capital. By repositioning thought leadership as economic infrastructure, we turn raw research into a permanent asset on the nation's balance sheet.

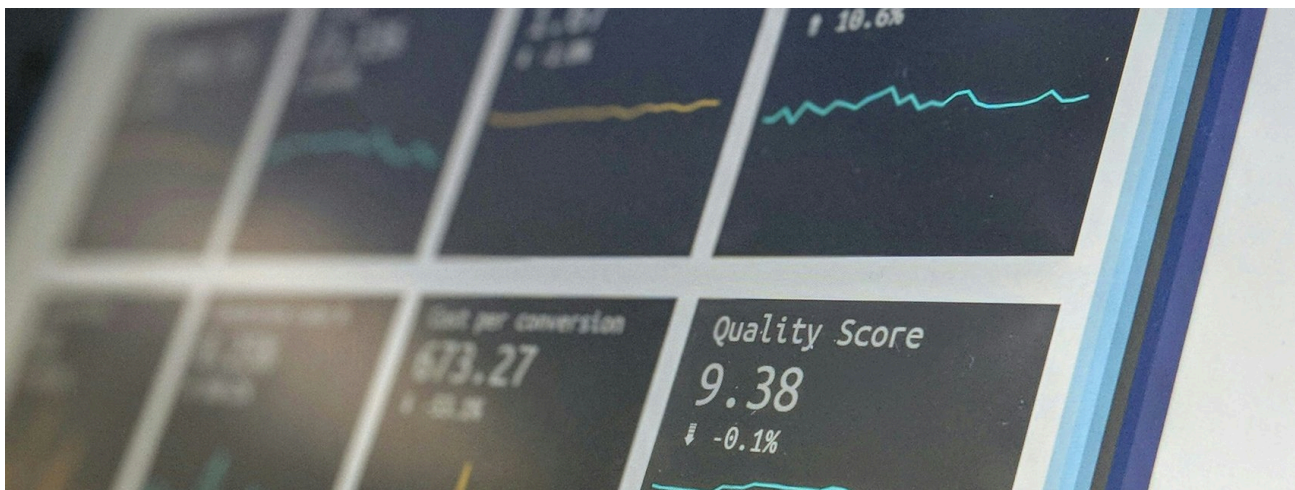
The Cost of Treating Research as Overhead

When corporate balance sheets and tax codes treat research as an administrative expense, two structural market failures occur:

Short-Term Capital Allocation Under standard accounting conventions and tax treatments, expenditure on market intelligence, industrial economic analysis and applied research is fully

expensed against short-term operational margins. During economic downturns, firms prioritise short-term earnings by slashing research budgets and staff levels negatively impacting business intelligence and competitor analysis, and reducing marketing, engagement, lessening profile and reputation building activities, and removing the fundamental catalyst that research provides for innovation and development.

The "Valuation Gap" in Modern Enterprises Over 80% of enterprise value in modern developed economies resides in intangible assets—data, methodology, proprietary frameworks, relationship capital and presence, and market insights. Yet, traditional UK tax frameworks continue to subsidise physical machinery while under-incentivising the strategic research required to deploy that capital effectively. Indeed, these existing tax frameworks do not significantly recognise or incentivise intangible value investment.



Research as the "Intellectual Grid" of the Economy

Physical infrastructure—roads, rail, broadband, and energy grids—enables the movement of physical goods and power. Research and thought leadership constitute an ideas and intellectual grid that drives innovation, creates data and market analysis and intelligence, fuels business innovation, and directs where, when, and how capital should be deployed.

Today, economies and businesses require deeper and higher quality strategic research and thought leadership to navigate our incredibly unstable and VUCA world to better inform their business models and enable new robust solutioning to some of the key challenges that our economies, our businesses, and wider societies face in this new era. These include climate change, supply chain resilience, rapid AI integration and governance, and deep productivity issues.

High-quality research acts as a public and private utility that produces four core systemic externalities:

De-risking Innovation Comprehensive market, technical, and regulatory research lowers the capital hurdle for private enterprise, transforming high-risk ventures into bankable investment opportunities.

Raising Total Factor Productivity (TFP) Productivity grows not merely by working faster, but by working on higher-value activities. Research and thought leadership is a higher value activity. It is a principal engine which drives innovation, growth, and development, and for ‘Business’ research also identifies operational bottlenecks, structural inefficiencies, and unexploited market demands.

Spillover Knowledge Dynamics Unlike physical assets, knowledge is non-rivalrous. Nobel Laureate economists argue that one person or company using a new idea does not stop someone else from using it at the same time. Thus, when a company spends money to drive innovation or invent a new technology, other businesses learn from it and use it for free. This creates a positive spillover effect that lifts total market productivity.

These economists further argue a strategic research paper, white paper, or economic model published by an industry consortium elevates the baseline intelligence of the entire ecosystem, benefiting supply chains, competitors, and policymakers alike.

Institutional Legitimacy High-value governance, regulatory compliance, and cross-border trade require empirical validation. Rigorous research provides the evidence base required for institutional trust, legitimacy and reputation.

Proactive policy moves to reframe research and thought leadership as a vital element of the UK’s economic infrastructure acknowledges that high-quality data and analytical rigor reduce transaction costs, lower investment risk, and raise overall total factor productivity (TFP).

Our analysis leads us to argue that we need to drive a paradigm shift in the value placed on research in and across Britain’s economy, moving practices and policies, and changing mindsets to see research and thought leadership as a vital component of the country’s economic infrastructure which will deliver and drive high value growth outcomes across an economy and society in the long term.

Drawn from our practice analysis of research in the UK we outline the practice outcomes that we believe such a paradigm shift will produce in the table below:

THE PARADIGM SHIFT IN RESEARCH AND THOUGHT LEADERSHIP

OLD PARADIGM: ADMINISTRATIVE COST	NEW PARADIGM: ECONOMIC INFRASTRUCTURE
<ul style="list-style-type: none">– Discretionary overhead budget– Cyclical: Slashed immediately in economic downturns– Concentrated in central London corporate headquarters– Narrow focus on physical labs	<ul style="list-style-type: none">– Capital asset driving asset value– Counter-cyclical: Expanded during uncertainty to de-risk investment– Distributed across regional innovation clusters– Encompasses applied market, social & economic research

Regional universities outside London and the South East represent the UK's most underleveraged economic powerhouses. Linking local enterprise directly to regional academic talent transforms regional university towns from passive knowledge centres into active growth engines for their local economies.

Challenges to our international research position

Our practice analysis has flagged that some of our international competitors have taken steps to intensify their research and thought leadership sectors compared to the UK. Research intensity (usually called R&D intensity) is how much a country spends on research and development each year, expressed as a percentage of its GDP.

Currently in the G20 table of spending on R&D as a share of GDP, the UK comes fifth, only just ahead of China. Above the UK are Germany, Japan, the United States and leading the table is South Korea.

In 2024 Germany spent about €137.1bn on R&D¹, and its R&D intensity was 3.13% against the UK figure of 2.71% in 2024². Notably Germany's current coalition agreement reaffirms a 3.5% target for 2030. In the case of the USA, its R&D spend totalled \$937bn in 2023, with an estimated \$993bn for 2024, meaning that its R&D intensity is approximately 3.4%³.

China's R&D intensity in 2024 was 2.69% of GDP, according to China's National Bureau of Statistics and this has risen by 0.11 percentage points on the previous year⁴. China's R&D intensity is set to rise over the remainder of this decade. By contrast the UK's research intensity fell between 2023 and 2024 which means based on existing data combined with current trends China is highly likely to overtake the UK by the end of 2026.

3.13% Germany, 2024 — €137.1bn, against a national target of 3.5% by 2030 <small>DESTATIS / GTAI</small>	3.4% United States, 2023 — \$937bn, with \$993bn estimated for 2024 <small>NSF, NATIONAL PATTERNS</small>	2.69% China, 2024 — up 0.11 points in a single year, closing on the UK <small>CHINA NBS</small>
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Members of this top tier: South Korea, United States, Japan and Germany, some of whom have been solidly above the UK in the GDP spend on R&D for many decades, are committed to maintaining their position particularly if one considers that some in this group view China as a strategic competitor. Globally this new rivalry will increase competition for resources, talent, ideas, and investment.

Therefore, new competition from China will spur those leading this table to act defensively to preserve their global R&D position and doubtless compete with China more intensely. Internationally this will be a fresh dynamic that could see this leading group pull further away from the UK in terms of spending on R&D as a share of GDP and such a widening gap will

weaken the UK's international credibility and reputation and over the medium term our ability to compete for resources, talent, and ideas.

In the wider environment of the G20 we also see the possibility that the UK will start to slip down the rankings of R&D as a share of GDP. Certainly, research competition from China is a clear risk for now, but other countries have a clear aim of boosting their R&D sectors which will see them compete against the UK.

For example, both Saudi Arabia and Turkey have increasing research intensity targets. Saudi Arabia has a stated goal of 2.5% of GDP by 2040 under Vision 2030 and, even though they may be starting from a low base, this does mean they will enter the competition for international research talent and this could negatively impact the UK's access to research talent over the medium term.

Overall, we believe that had the UK matched German or US R&D intensity, it would be investing roughly £12–20bn more a year. On returns estimated in government-commissioned research (Frontier Economics for DSIT), our illustrative estimate is that a decade-long gap of that size implies forgone GDP in the order of £20–40bn a year⁵.

There is a golden opportunity for the new Chancellor to act now to future-proof the UK's research and thought leadership sector against this international competition with a series of targeted policy interventions.

SECTION 2

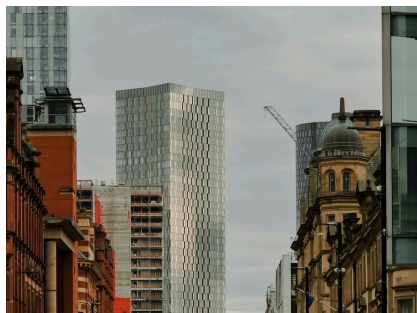
Policy Alignment: Supporting the Treasury Mandate

Chancellor John Healey's macroeconomic strategy hinges on a core commitment: fiscal credibility combined with regional rebalancing to ensure economic success is felt in every postcode.

To realise this vision, HM Treasury must address the unequal distribution of resources, opportunities, services, wealth, and outcomes across different geographic areas of the UK knowledge economy. Historically, strategic thought leadership and high-level business consulting have concentrated within London and the South East.

Regional businesses—particularly mid-market enterprises and SMEs in the Midlands, Northern Powerhouse, Scotland, and Wales—frequently operate with limited research infrastructure. Many if not a majority in some of these regions are isolated from top-tier academic institutes and lack the capital to commission independent industrial analysis.

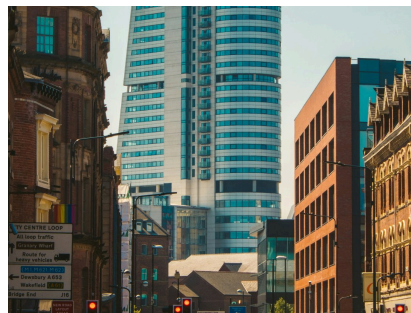
By reclassifying research as economic infrastructure, HM Treasury can actively decentralise knowledge assets. Incentivising corporate research partnerships with regional universities and research bodies anchors high-value strategic decision-making in regional innovation clusters. This creates a self-sustaining ecosystem of skilled analyst roles, academic spinouts, and data-driven corporate investment across every region.



Manchester



Birmingham

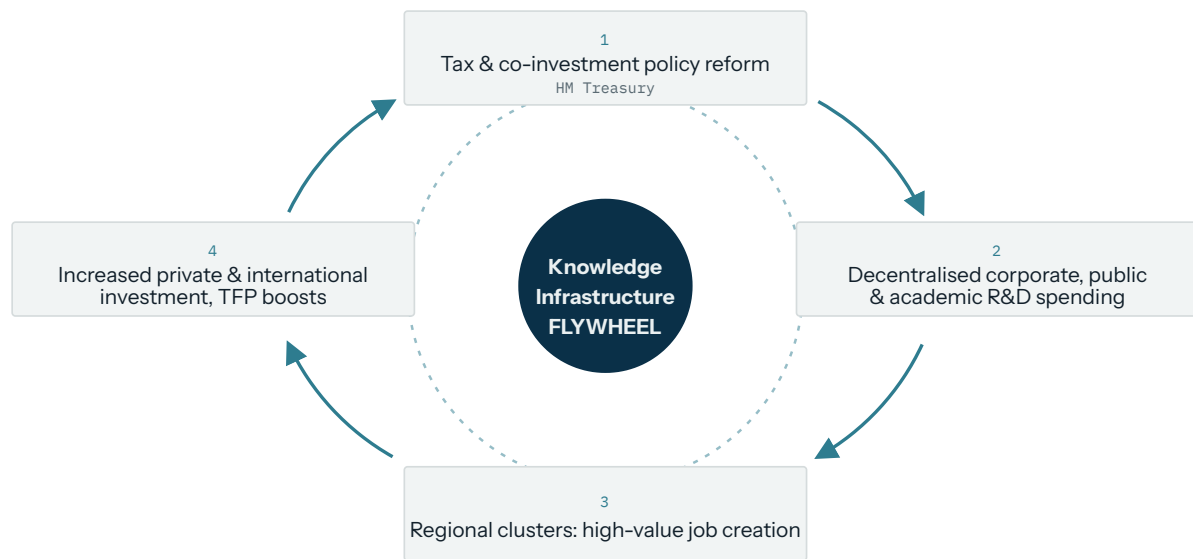


Leeds

We see a series of positive economic and business growth outcomes which would stem from a package of tax and joint investment policy reforms initiated by H. M. Treasury producing a virtuous circle that will propel forwards the UK's knowledge infrastructure.

Figure 1• The Knowledge Infrastructure Flywheel

How policy reform compounds into productivity growth.



This Flywheel underpins our analysis which argues that research infrastructure is inherently multiplier rich.

A firm that invests in localised economic analysis or industrial supply chain research does not merely benefit itself; it creates a spillover ecosystem of academic partnerships, specialised employment, and enhanced market transparency for surrounding SMEs.



SECTION 3

Five Budget Proposals for the Chancellor

BuildResearch recommends the following five targeted policy interventions for inclusion in the Autumn Budget to encourage corporate research and thought leadership investment across the UK:

1

"Research-to-Commercialisation" Capital (Intangible) Allowances

Policy Mechanism Modernise capital allowance rules to grant Full Expensing status to all intangible research assets, proprietary datasets, and systemic risk models so they would enjoy the same tax-advantaged status as physical plant and machinery. Companies investing in early-stage strategic research or commissioning independent industrial analysis can write off 100% of these expenditures in Year 1.

Economic Rationale Removes the historical tax bias toward physical capital (plant and machinery) over intellectual capital. It incentivises boardrooms to unlock cash reserves for strategic analysis prior to major capital deployments, lowering project failure rates.

Fiscal Impact Drives immediate private sector investment without direct public expenditure, leveraging corporate balance sheets to stimulate economic activity.

Why it fits John Healey's Mandate Unlocks corporate balance sheets that are currently sitting on idle cash reserves. By modernising tax relief to recognise data and research as vital capital infrastructure, the Treasury can spur immediate private sector investment without direct public spending expansion.

Our evaluation of the macroeconomic impact of this policy using existing Office for Budget Responsibility (OBR) models over a 5-year cumulative scorecard window shows the following outcomes:

- Expanding Full Expensing reduces the user cost of capital for high-value intangibles by ~10% to 15%. Over 5 years, this unlocks £10.0 billion to £13.5 billion in cumulative, additional private intangible business investment.
- Over the five-year OBR cumulative cycle, the net cost to HM Treasury of approximately £9.1 billion to £10.5 billion after accounting for dynamic tax revenue reflows at an average 30% revenue clawback, while delivering an overall annual economic growth impact of a permanent +0.20% to +0.26% expansion in real UK GDP (adding £5.4 billion to £7.0 billion annually to potential output) by Year 5.
- For every £1 of net long term fiscal cost, the policy generates approximately £1.70 to £2.60 in long term GDP output (through higher total factor productivity and improved capital allocation.)

2

The Regional Thought Leadership & Innovation Super-Deduction (RTLIS)

Policy Mechanism Introduce an expanded, geographically tiered tax incentive allowing UK-registered businesses to claim a 150% tax deduction on research, white papers, market intelligence, and feasibility studies executed in partnership with regional universities and non-Westminster research institutes outside London and the South East.

Economic Rationale Directly targets regional rebalancing by lowering the net cost of commissioning enterprise research in the Midlands, the Northern Powerhouse, Wales, and Scotland. It transforms regional universities into primary engines of commercial strategy.

Fiscal Impact Budget-neutral over a three-year horizon via increased corporate activity, localised job creation, and subsequent tax yield from regional service hubs.

Why it fits John Healey's Mandate Aligns directly with the Treasury's push to decentralise economic power away from London. It encourages global corporates and UK mid-caps to commission high-value research and establish thought-leadership hubs in regional innovation clusters (e.g., the Midlands, Northern Powerhouse, and Central Scotland).

Our evaluation of the macroeconomic impact of this policy using existing Office for Budget Responsibility (OBR) models over a 5-year cumulative scorecard window shows the following outcomes:

- Currently around 45% of UK business research and analytical expenditure occurs outside London and the South East. Assuming strict eligibility criteria requiring direct partnerships with regional universities the estimated baseline eligible spend will be between £3.0 billion to £4.5 billion annually.
- Over the five-year OBR cumulative cycle, introducing a 150% geographically targeted regional research super-deduction will result in a net cost to HM Treasury of approximately £2.03 billion to £2.31 billion after dynamic tax reflows recover an average 30% of the static policy cost, while delivering an overall annual economic growth impact of a permanent expansion in real UK GDP of approximately +0.12% to +0.16% (adding approximately £3.2 billion to £4.3 billion annually to potential output) by Year 5. Moreover, this policy could generate a cumulative £8.5 billion to £11.0 billion addition to UK real GDP over a 5-year OBR scorecard window.
- Incentives of this scale can drive a behavioural boost of up to 35% in firms' strategic research spending and a redirection of research budgets from internal teams or London-based agencies towards regional higher education institutions outside of London and the South East.

- For every £1 of gross Treasury tax relief, the policy leverages approximately £7.80 in direct private sector funding for regional research and thought leadership economic infrastructure.

Public finance requires us to look beyond immediate static costs to assess long-term dynamic returns. Modernising tax incentives to encompass specialised datasets, predictive models, and behavioural insights drives dynamic tax reflows across PAYE, Corporation Tax, and VAT — making smart research incentives among the highest-yield investments HM Treasury can make.

3

The National Sovereign Knowledge & AI Insights Fund

Policy Mechanism Establish a £250 million co-investment mandate via the British Business Bank. The Fund will create matching-grant private sector consortiums (50/50 split) undertaking industrial research, market analysis, and macroeconomic policy studies, on the strict condition that all resulting insights are published under open-access frameworks.

Economic Rationale Unlocks enterprise-grade research for mid-caps and SMEs who lack the capital to commission bespoke intelligence independently. It democratises access to market data while incentivising private consortiums to fund public-good research.

Fiscal Impact Highly efficient deployment of seed capital that leverages equal or greater private matching funds while building national capability in critical sectors like AI, green energy, and advanced manufacturing.

Why it fits John Healey's Mandate Supports the broader strategy of backing domestic UK innovators and improving public-private collaboration. It democratises enterprise-grade intelligence for SMEs while co-leveraging institutional private capital.

Our evaluation of the macroeconomic impact of this policy using existing Office for Budget Responsibility (OBR) models over a 5-year cumulative scorecard window shows the following outcomes:

- Under 50-50 cost investment rules, this policy will unlock £250 million in private sector matching funds creating a £500 million total research pool.
- Over the five-year OBR cumulative cycle, establishing the £250 million British Business Bank co-investment fund will result in a net cost to HM Treasury of approximately £183 million after an average 30% revenue clawback, as high-leverage open-access research spillovers drive dynamic tax reflows against a modest initial public outlay, while delivering an overall annual economic growth impact of a permanent +0.03% to +0.05% expansion in real UK GDP (adding £810 million to £1.35 billion annually to potential output) by Year 5.
- We calculate across the full 5-year scorecard window, the fund could generate a cumulative £2.3 billion to £3.0 billion in total economic output (GDP) compared to baseline forecasts.
- For every £1 of Treasury spend, the fund generates approximately £9 to £11 in cumulative GDP output over five years.

4

Updating the existing R&D Tax Relief Guidelines opening the scheme to broader social science, economic and managerial research.

Policy Mechanism Update HMRC definitions for R&D Tax Relief to encompass wider research areas of social and economic research and trade, finance and market research activities.

Economic Rationale Current UK R&D tax relief remains rooted in an industrial-era view of innovation limited to laboratory STEM experiments. Modern business innovation relies equally on social sciences, finance and accounting research, consumer psychology, and market dynamics. Recognising applied research aligns UK tax policy with the reality of a modern 80% service-based economy and expanding R&D definitions aligns tax policy with modern corporate value creation, particularly in respect of intangibles.

Fiscal Impact Expands the base of innovative firms eligible for relief, particularly in professional services, management consulting, digital media, and financial technology.

Why it fits John Healey's Mandate Broadens the UK's research ecosystem beyond lab scientists to include economic strategists, policy researchers, and management thinkers—essential for guiding UK businesses through the complex global VUCA world existing today.

Our evaluation of the macroeconomic impact of this policy using existing Office for Budget Responsibility (OBR) models over a 5-year cumulative scorecard window shows the following outcomes:

- The current corporate social science and economic research footprint is estimated at £12.0 billion to £16.0 billion annually, therefore lowering the user cost of socio-economic research generates a +10% to +15% net expansion in corporate spending on research and thought leadership unlocking £1.8 billion to £2.5 billion in new annual private research.
- Over the five-year OBR cumulative cycle, updating HMRC R&D Tax Relief guidelines to include applied behavioural research, economic modelling, and systemic risk analysis will result in a net cost to HM Treasury of approximately £10.85 billion to £11.9 billion after dynamic tax reflows offset an average 30% of initial static claims, while delivering an overall annual economic growth impact of a permanent +0.15% to +0.20% expansion in real UK GDP (adding £4.1 billion to £5.4 billion annually to potential output) by Year 5.
- Because socio-economic research carries lower technical failure rates than STEM/Life Sciences, the spillover elasticity to the wider economy is a positive new dynamic across the economy driving a real level shift in GDP across the full 5-year scorecard window.

- For every £1 of net Treasury cost over five years the reform generates approximately £1.20 to £1.65 in cumulative GDP output.

5

Talent Mobility & Knowledge Transfer Vouchers for SMEs

Policy Mechanism Launch a "Research & Growth Voucher" programme granting high-growth SMEs and mid-market firms vouchers worth up to £25,000 to hire embedded academic fellows, policy researchers, or specialised thought leadership partners for set period strategic research projects.

Economic Rationale High-growth SMEs frequently hit a performance ceiling due to an "insight gap"—a lack of dedicated bandwidth for strategic analysis. Vouchers allow smaller firms to tap into senior research talent and fuel new market analysis and product development research.

Fiscal Impact Direct, targeted intervention with minimal administrative friction, delivering immediate productivity gains to the middle market.

Why it fits John Healey's Mandate Directly targets productivity stagnation among mid-sized UK enterprises. It lowers the financial barrier for smaller businesses to access top-tier strategic research, allowing them to compete globally and scale up faster.

Our evaluation of the macroeconomic impact of this policy using existing Office for Budget Responsibility (OBR) models over a 5-year cumulative scorecard window shows the following outcomes:

- The UK has approximately 34,000 to 38,000 high-growth scale-ups and mid-market businesses (defined as firms with 10+ employees achieving a 10% annualised growth turnover or headcount, or a turnover between £10m to £500m)
- Over the five-year OBR cumulative cycle, introducing the targeted Research & Growth Voucher programme will result in a net cost to HM Treasury of approximately £413 million after an average 30% revenue clawback, as rapid commercialisation across high-growth SMEs drives dynamic tax reflows against total voucher outlays, while delivering an overall annual economic growth impact of a permanent +0.065% expansion in real UK GDP (adding approximately £1.75 billion annually to potential output) by Year 5.
- This scheme will generate a productivity multiplier which historical evaluations of UK business voucher schemes generate a £6 to £10 return in gross valued added (GVA) per £1 spent by helping firms overcome critical operational bottlenecks.
- For every £1.00 in net public cost the 'Research & Growth Voucher' programme generates approximately £16.00 to £18.00 in cumulative GDP output over 5 years.

SECTION 4

Policy Impact Matrix & Implementation Roadmap

To assist HM Treasury in evaluating these proposals during the Budget drafting process, the table below maps each policy against core strategic outcomes:

TABLE 2 · POLICY IMPACT MATRIX

POLICY INITIATIVE	PRIMARY ECONOMIC OBJECTIVE	TARGET BENEFICIARIES	TREASURY IMPLEMENTATION LEAD
1. Intangible Capital Allowances	Private Capital Mobilisation	Enterprise Businesses, Tech & Data Firms	Corporate Tax Policy Directorate
2. Regional Super-Deduction	Spatial Rebalancing & Regional Growth	Regional Universities, Corporate R&D, Regional Mid-Caps	HMRC / Local Government Policy Team
3. Sovereign Knowledge Fund	SME Productivity & Open Innovation	Business Consortiums, High-Growth SMEs	British Business Bank / DBIST
4. R&D Definition Reform	Service Sector Modernisation	Professional Services, Fintech, Social Research	HMRC Innovation & Reliefs Team
5. Growth Vouchers for SMEs	Talent Mobility & Enterprise Scaling	Scale-Up SMEs, Post-Graduate Researchers	Department for Business, Innovation, Science and Trade

BuildResearch's analysis and mapping used The Office for Budget Responsibility Models over a five-year cumulative scorecard window.



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

SECTION 5

Rationale Summary:

High-Value Decision-Making as a Growth Vector

The core thesis of our policy research report rests on a straightforward economic reality: The quality of an economy's capital deployment cannot exceed the quality of the research guiding it.

When research is treated as an administrative cost, organisations make decisions based on short-term intuition, incomplete data, and reactive risk management. Capital is misallocated, projects stall, and productivity stagnates. But if we re-classify research and thought leadership as a key part of our economic infrastructure, we change the decision-making spectrum for research across the UK shifting from a low research environment to a high research environment. The outcomes are set out in the chart below.

THE DECISION-MAKING SPECTRUM

LOW-RESEARCH ENVIRONMENT	HIGH-RESEARCH ENVIRONMENT
<ul style="list-style-type: none">– Reactive capital deployment– High project failure rate– Short-term margin protection– Fragmented regional ecosystems	<ul style="list-style-type: none">– Proactive, evidence-led strategy– Reduced asset risk & volatility– Long-term value creation– Integrated, high-skilled clusters

Our practice analysis informs the analysis and arguments contained in this policy report to His Majesty's Government. Therefore, we argue strongly that when research is funded and incentivised as 'economic infrastructure':

Boardrooms gain conviction – Long-term capital projects—from green energy transitions to AI integration—are de-risked through rigorous empirical validation.

Regions build enduring capability – Capital and intellectual talent flow toward regional innovation centres, establishing durable competitive advantages outside London.

Public policy achieves higher impact – Government departments and combined authorities make interventions grounded in robust, open-access industrial analysis.

New talent development and career pathway innovation – a new and thriving research industry will require new competencies and skills which will drive forwards a new and optimistic opportunity culture across the UK education and skills sectors.

The mindset around research and thought leadership will positively change: Research will be seen as a key economic asset with UK businesses supporting the research multiple cycle as

driven by the new H. M. Treasury policy paradigm strong advancing R&D in the UK economy and “Expanding the research with impact culture right across the economy.”

In a digital-first global economy, enterprise market value is increasingly dictated by intangible assets — proprietary software, analytical frameworks, datasets, and market intelligence. Granting Full Expensing to intangible research aligns British tax policy with corporate reality, unlocking billions in equity valuation growth across UK business.

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.

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.

Macroeconomic Summary (5-Year OBR Forecast Horizon)

Gross Treasury Cost (Cumulative) Approximately £32.3 billion to £36.1 billion over 5 years.

Net Treasury Cost (Post-Dynamic Tax Feedback) Approximately £22.6 billion to £25.3 billion after accounting for an average 30% revenue clawback via higher GDP, profits, and employment.

Cumulative Real GDP Output Gain £50.1 billion to £63.9 billion added to total UK economic output over the 5-year scorecard window⁶.

Permanent GDP Level Shift (by Year 5) An estimated +0.57% to +0.735% overall expansion in real UK potential output (adding between £16.0 billion and £21.5 billion annually to baseline GDP by Year 5).

We have provided a further summary analysis of the combined economic and fiscal impact of the five proposed research and development policy reforms demonstrating significant improvements in UK total factor productivity (TFP) and GDP over a 5-Year OBR Forecast Horizon. This was directly submitted to HMG.

In presenting this macroeconomic summary we are cognisant of the wider challenging economic environment but there is strong strategic rational for our recommendations, and this is further supported by our analysis that these policies will contribute to the accomplishment of two standing H.M. Treasury objectives.

Rebuilding British productivity requires a fundamental shift in how we view the knowledge economy. Through smart tax incentives, regional academic alignment, and strategic public co-investment, we can turn British thought leadership into the resilient, self-sustaining backbone of 21st-century national prosperity.

Key Economic Dynamics & Strategic Rationale

Productivity Channel (TFP Alignment) Shifting fiscal policy from viewing research as an administrative cost to treating it as intellectual infrastructure directly addresses the UK's long-standing Total Factor Productivity deficit. Rather than solely subsidising physical plant and machinery, these reforms enhance decision-making quality, reduce project failure rates, and accelerate the commercialisation of intangible assets.

Regional Rebalancing ("Growth in Every Postcode") Through the Regional Super-Deduction and SME Growth Vouchers, research expenditure is structurally decentralised. Capital is incentivised to flow outside London and the South East, anchoring high-skilled research, analytics, and managerial decision-making directly inside regional university hubs and mid-market enterprise clusters.

High Return Multipliers on Targeted Interventions While broad corporate tax changes (such as expanding R&D definitions) carry higher static costs due to deadweight loss, targeted interventions like the SME Growth Vouchers and Sovereign Knowledge Fund generate outsized returns—yielding between £16 and £18 in GDP output for every £1 of net public cost by removing specific "insight bottlenecks" in scaling firms

Positive collective impacts in respect of two key long standing HM Treasury objectives:

1. A structural and permanent boost to the UK's long-term productivity and GDP growth

- We know that innovation is the primary engine of total productivity growth. By incentivising R&D, a pro-research tax regime accelerates technological progress, allowing the economy to produce higher-value output with the same amount of labour and capital.

- Unlike short-term fiscal stimulus that merely boosts aggregate demand, R&D tax incentives expand the supply side of the economy. This increases the nation's potential GDP growth rate without generating inflationary pressures.

2. Improving the UK's global competitiveness and boosting foreign direct investment

- Highly mobile multinational corporations strategically allocate their R&D budgets globally. A competitive tax regime makes a nation an attractive destination for foreign capital, bringing high-value projects and advanced global expertise into the domestic market. And promoting R&D could further drive the national export mix toward high-tech, high-margin goods and services.
- This pro-research tax regime will also confront the challenges to our global research position, taking head on the research threat from China over the medium term. Between 2023 and 2024 China's research intensity rose by a significant 0.11 points.
- It will also strengthen the UK's international position in the increasingly competitive global research landscape we have identified, and should raise UK research intensity from 2.71% to approximately 2.92% by Year 5 of the OBR scorecard window. That estimate counts only research spending that would qualify under existing statistical definitions. Should a greater share of the wider intangible investment stimulated by these measures be recognised as qualifying research and development — a possible figure as high as £75.9 billion over the same period — intensity would rise further, towards 3.0% and potentially as high as 3.41%. (A wider intangible-investment response measured against the £140–160bn annual base, not the sum of the five policies' direct unlocks.)

BuildResearch believes that a new Pro-Research UK tax regime will deliver powerful macroeconomic benefits providing the Chancellor and his team with a new strategically powerful set of interventions to help them address Britain's structural macroeconomic dilemma.

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.

BuildResearch stands ready to collaborate with HM Treasury, regional combined authorities, and industry partners to model, refine, and deploy these policy reforms as part of a wider 'plan for growth' that the Chancellor has placed at the heart of his stewardship of the UK economy.

REFERENCES

Notes

- 1 Statistisches Bundesamt (Destatis) and Germany Trade & Invest, R&D spending in Germany, 2024.
- 2 Office for National Statistics, *Gross domestic expenditure on research and development*, UK: 2024 — £79.4bn, 2.71% of GDP.
- 3 US National Science Foundation, *National Patterns of R&D Resources*, 2023–2024.
- 4 National Bureau of Statistics of China, *Communiqué on National Expenditures on Science and Technology*, 2024.
- 5 Illustrative BuildResearch estimate — A UK R&D intensity gap of 0.4–0.7 percentage points of GDP against Germany and the US equals £12–20bn a year (ONS 2024 GDP basis). Sustained for ten years, this implies £120–200bn of forgone R&D investment. Applying the c.17–20% average annual rate of return estimated by Frontier Economics for DSIT (2023; 2024) gives forgone output of £20–40bn a year. Allowing for depreciation of knowledge capital lowers the figure, while applying estimated social returns (around twice private returns) raises it. Figures are averages and indicative only.
- 6 Illustrative BuildResearch estimate — The total is the sum of the five reforms' individual five-year output gains in our combined impact analysis submitted to HM Treasury: £18.0–24.0bn, £8.5–11.0bn, £2.3–3.0bn, £14.5–18.0bn and £6.8–7.9bn. It cross-checks against the combined Year 5 GDP level shift of +0.57% to +0.735%, worth £16–21.5bn a year; output accruing on a straight-line path to that level over five years gives a cumulative total of approximately three times the Year 5 figure. Figures are indicative only.



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