Autumn Budget Submission

October 2026

STARTUP COALITION

Our letter to the Chancellor

Dear Chancellor,

Over the past 12 months we have met with hundreds of founders across Great Britain, and asked them a simple question: what would make you build your next company here? For many founders answering this question, they pointed to meaningful action that this Government has taken to make the UK a great place to build the businesses of the future: the EMI threshold increase, the Sovereign AI Unit, the Mansion House reforms, the Social Value changes on procurement. Founders have noticed, but the damage to their confidence has not necessarily come from startup policy. It has come from the broader tax environment, and from a growing sense among the people we need most that Britain has stopped competing for them.

Earlier this year, we and hundreds of founders, investors and builders set out five things Britain must do if it is to make rather than break itself as a tech power. This submission is organised around those five commitments, with a final section on the four sectors where the specific asks matter most.

First, we must incentivise and support our best and brightest to build world-beating firms, wherever in the country they are. Our first and most important ask is that this Budget must not tax entrepreneurship. HMRC's own analysis shows that increases in the main rates of capital gains tax produce a net loss to the Exchequer across most of the forecast period. On CGT, the government is already at or beyond the point where raising the rate raises money. Taxing this group harder would cost the Treasury revenue and cost the country companies. Instead of punitive tax rises, we want this Budget to use the tax system to incentivise founders to do what they do best: build. The Government should introduce a Founder's Relief, rewarding those that exit and re-invest into the UK economy. Sweden did a version of this in 2003 and built an angel base off the back of it. This Budget could also be the "Scale-Up" budget, through tactical tweaks to tax credits and to how the corporate tax system treats companies at the moment they start to grow.

Second, we must unlock the capital in pension funds and in savers' pockets. This Budget should ensure that the proceeds of high-tech growth are felt in every postcode. That means demanding better returns from the funds that hold British savings, and delivering the reforms that help more people benefit from investing to make the most of their money.

Third, we must bulldoze the "computer says no" mindset of the at-times sclerotic regulatory state. The problem our members describe is not that regulators are hostile. It is that the British state has no reliable way of saying yes to something new. The Regulating for Growth Bill, the Regulatory Innovation Office, and Smart Data are the vehicles to fix this, and this Budget is the moment to say that it will. Beyond this, however, the cost of energy is the single biggest and most expensive manifestation of this failure: the grid, the market design, and the levy system are all areas where the state has the power to reduce costs and has not used it.

Fourth, we must back British tech with not just words but cold, hard procurement cash. The State should put money where its mouth is and buy British innovation.

Fifth, we must prepare clearly for our AI future by retaining and securing talent. We want this Budget to herald in changes that make the UK the best place in the world to work for a tech company. Banning non-competes and gardening leave would unclog our economy and empower workers to crack on with their careers. Getting share options right would let more people share in the value they help create. And the state itself is now competing for the same people as the frontier labs; the institutions we have built to understand this technology are only as good as the talent we can hold onto.

This Budget offers an opportunity for a bullish vision for Britain. I would be very happy to meet to discuss it. 📈

Dom Hallas
Executive Director, Startup Coalition

A plan to rebuild Britain

Summary of recommendations

Incentivise and support our best and brightest to build world-beating firms, wherever in the country they are

1. Do not raise taxes that impact on startups or the personal affairs of founders.
2. Introduce a new Founder Relief delivering a low or no CGT rate for founders who reinvest in UK high-growth ventures or build GVA-driving companies.
3. Introduce a targeted Distribution-Based Corporation Tax (DBCT) regime for scaling companies to tax profits only when distributed.
4. Expand full expensing to intellectual property and other qualifying intangible assets.
5. Ensure R&D tax credits support scaling innovative companies.

Unlock the capital in pension funds and in savers' pockets

6. Demand the pension funds deliver better returns for British savers.
7. Simplify the ISA landscape and widen what British savers are allowed to hold.
8. Introduce a Retail Investment Strategy, alongside tactical policy change to help more people make the most of their money.

Bulldoze the "computer says no" mindset and ensure AI can make our entire economy competitive

9. Publish a sequenced delivery plan for the smart data schemes the Data (Use and Access) Act 2025 already empowers, including reusable business identity verification.
10. Put the Regulatory Innovation Office on a statutory footing, and give British companies a decision clock.
11. Accelerate delivery of the AI Growth Zones.
12. Give the AI Growth Lab a single front door, longer time horizons, and startup-first design.
13. Bring down the cost of energy for businesses and fix the market design.

Back British tech with not just words but cold, hard procurement cash

14. Require reporting on pre-procurement engagement.
15. Reduce barriers to entry for frameworks.
16. Re-emphasise Innovation Procurement Champions.

Prepare ourselves clearly for our AI future by retaining and securing talent

17. Introduce a ban on non-competes and a "right to quit" framework.
18. Improve EMI, including exploring an EMI+ scheme for scaleups.

INCENTIVISE AND SUPPORT OUR BEST AND BRIGHTEST TO BUILD WORLD-BEATING FIRMS, WHEREVER IN THE COUNTRY THEY ARE

The tax and investment landscape is the sharpest instrument the Government has for this, and it currently points the wrong way. It taxes founders as though they were asset holders rather than builders, and it taxes scaling companies at precisely the moment cash is tightest. This section sets out how to fix both.

PROTECT FOUNDERS AND THEIR INVESTORS FROM TAX RISES

Recommendation 1: Do not raise taxes that impact on startups or the personal affairs of founders.

At a minimum, it is vital that HM Treasury does not seek to plug the fiscal gap at the Autumn Budget at the expense of the UK's high-growth entrepreneurs and startup community, which is essential to our future prosperity, productivity, and growth.

Whilst the government has introduced many important policies to support the startup ecosystem, it has been in broader areas that changes have led to chilling effects amongst the startup ecosystem. This has been evidenced by HMRC whose past modelling shows that we have hit, or even just gone past, the peak of the laffer curve.[1]

INTRODUCE A NEW CGT RELIEF FOR FOUNDERS

Currently we have good investment incentives, and improving employee incentives, but for the individual putting in the most effort and taking on the most risk the incentives have been phased out.

The current system isn't working for founders, but it also doesn't work for the Exchequer because:

a) It's not generous enough to retain internationally mobile founders, who are attracted to other low tax jurisdictions.
b) It disincentivises serial founders from building GVA-driving companies, instead of capping the relief in a way intended to prevent abuse.
c) It doesn't encourage systematic reinvestment of gains into the ecosystem.

It is clear from conversations with founders that they want to see a statement of intent. This requires a policy that is bold, innovative, undoubtedly internationally competitive, but also drives positive behaviour and economic growth.

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1 https://www.gov.uk/government/statistics/direct-effects-of-illustrative-tax-changes/direct-effects-of-illustrative-tax-changes-bulletin-january-2025#capital-gains-tax

What International Competitors Do and What We Can Learn

The most useful lesson from other jurisdictions is not "they are generous", but how generosity is bounded:

- **In the United States**, QSBS (Internal Revenue Code 1202) can exclude 100% of qualifying gain on "qualified small business stock" held long enough, but it embeds multiple targeting gates: a per-issuer cap (greater of $10m / $15m depending on acquisition timing, or 10× basis), an original-issue requirement, and critically, to prevent consultants gaming the system, an explicit list of excluded service trades, including consulting, law, accounting, and other sectors where the principal asset is the reputation/skill of employees.[2]

- **In Sweden**, a pivotal reform from 2003 made capital gains on certain "business-related" corporate shareholdings tax-free, with unlisted shares treated as business-related by default. This made it structurally easier for successful founders (often holding via corporate vehicles) to recycle exit proceeds into new ventures. A recent analysis linking this to Sweden's "angel flywheel" emphasises the mechanism: remove tax friction for recycling proceeds into new unlisted companies, and you increase the supply of experienced early backers.[3]

- **In Germany**, recent reforms have moved in the same direction via rollover-style mechanics: a German legislative update improved rules for tax-neutral reinvestment of gains from the sale of corporate shares for individuals, including raising the maximum amount eligible for reinvestment to €2m.

- **In Portugal**, the most clearly evidenced equity-side founder-relevant relief is not a reinvestment deferral; it is a partial inclusion rule: for sales of shares in micro and small unlisted companies, only 50% of the gain is taxed (effectively reducing the headline rate).

Recommendation 2: Introduce a new Founder Relief delivering a low or no CGT rate for founders who reinvest in UK high-growth ventures or build GVA-driving companies.

We recommend creating a founder-specific capital gains framework that would, in effect, deliver a zero or extremely limited CGT outcome for entrepreneurs who either (a) reinvest exit gains into new UK high-growth ventures or (b) have built companies that demonstrably drive UK productivity and gross value added. This isn't just "zero tax", but zero tax in exchange for demonstrable value creation and capital recycling.

Crucially, this should be delivered through a targeted mechanism that rewards sustained founder risk and recycled capital, and that is designed to be hard to game, fiscally bounded, and straightforward to administer:

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[2] https://www.law.cornell.edu/uscode/text/26/1202
[3] https://www.siliconcontinent.com/p/why-sweden-has-so-many-unicorns

Step 1: Introduce a statutory "Founder" definition.

With the current version of Business Asset Disposal Relief (BADR), founders are treated too similarly in the tax system to those not driving economic growth. It's obvious that there is a stark difference between someone who has realised capital gains through asset appreciation and someone who has spent years of their life building the value of a company.

A small number of scaleups disproportionately drive innovation, productivity spillovers, and high-wage job creation. The tax system should explicitly recognise this "power-law" reality by offering the most competitive CGT outcome to founders who build - and keep building - those companies domestically.

A new "Founder" definition should therefore be built around observable founder risk, not asset ownership alone. It should include a tighter definition around risk-duration, operational involvement, growth, as well as a clear anti-consultancy exclusion mirroring the US's QSBS' excluded trades list.

This would allow the UK to be generous to genuine builders while explicitly designing out the use of reliefs as a general-purpose CGT discount for incorporators, asset buyers, or service-firm partner restructurings.

Step 2: Introduce a headline 0% "Founder's Relief" for qualifying founders on the first £1m of each exit.

If the policy objective is to retain and recycle the people most likely to build the next generation of high-value companies, a new flagship Founder's Relief must reward founders for their contribution, such as applying a **0% rate on the first £1m of gains for each investment per exit.** This could be done in a cost-effective and targeted way by targeting individuals who meet the tightened Founder definition and bounded by the eligibility gates above.

Based on our conversations with founders, it is essential that this is a limit per exit, rather than a lifetime limit to ensure the tax system is encouraging serial founders who are key to building the most successful companies in the UK.

It's worth also highlighting that founders winced at the name change from Entrepreneur's Relief to BADR. It is hard to model the impact that the name change from Entrepreneur's Relief to BADR may have on the entrepreneurial ecosystem, but attendees regularly raised their frustration about what the change says about the Government's recognition of the role of entrepreneurship.

Names and framing matter. We cannot simply view founders as purely rational agents. They are humans and often irrational. The Government has historically misunderstood the impact the name of a relief can have on the vibes amongst the startup community.

Why is the Flywheel so Important?

The "flywheel" effect is the engine of a self-sustaining tech economy, where successful exits do not mark the end of value creation, but the beginning of a new cycle of reinvestment and talent recycling.

A successful flywheel requires removing "tax friction" that prevents capital from moving between ventures. For example, in 2003, Sweden made capital gains on business-related shareholdings tax-free, which built a dense base of experienced early-stage backers.[4]

Serial founders are the most efficient drivers of this cycle because they bring earned operational expertise. Serial founders are more likely to be successful and create larger companies.

Israel has the highest ratio of serial founders (1 in 22.2 in early-stage), a density nearly four times higher than the UK.[5] The Government should set itself a target to close this gap over the next 5 years.

In the UK, the most prominent "flywheel" examples are the Monzo and Revolut "mafias", where former employees and founders have launched dozens of new startups.[6]

- **Revolut Mafia[7]:** As of late 2025, former Revolut employees have founded 71 startups, with at least 28 recently securing fresh funding. Other analyses indicate that Revolut alumni have launched over 67 companies globally, collectively raising approximately $451 million.[8] These ventures raise pre-seed and seed rounds roughly 3x to 4x larger than European baselines.
- **Monzo Mafia:** Former "Monzonauts"[9] have founded around 30 distinct startups. Notable companies spawned from this network include Incident.io, Packfleet, and Gradient Labs. The Monzo ecosystem is further supported by its original founders, who frequently participate as angel investors in these alumni ventures.

Step 3: Create a founder-specific flywheel mechanism so tax paid can be recycled into new UK ventures.

The UK already operates reinvestment-linked CGT outcomes through CGT rollover relief, EIS deferral relief and SEIS reinvestment relief, but these are scheme-specific, capped, and not designed as a "default flywheel" for founders exiting and re-entering the ecosystem.

A Founder Flywheel mechanism would apply to tax taken above the £1m 0%-band. This would incentivise founders of all sizes to reinvest back into the ecosystem. The contract between the Government and the founder would be: if you reinvest a certain percentage of your gains back into the ecosystem then you get a reduced rate of taxation on the rest of the gains.

Two implementable options are:

A. **Flywheel Investment Account (rollover or tax deferral):** allow founders to elect to place an equivalent amount of CGT otherwise due into a ring-fenced account that must be invested into qualifying UK growth equity within a set window. This mirrors the hugely

[4] https://www.siliconcontinent.com/p/why-sweden-has-so-many-unicorns
[5] https://fr.battery.com/wp-content/uploads/2025/10/battery-serial-founder-report10-2627.pdf
[6] https://www.accel.com/founder-factory
[7] https://www.finextra.com/blogposting/25178/the-mafia-effect-how-successful-ventures-spawn-entire-ecosystems
[8] https://medium.com/@slavasolodkiy_67243/revolut-mafia-is-bigger-than-you-think-936d53ff7e26
[9] https://monzonauts.com/

successful functional effect of Sweden's low-friction recycling of proceeds into unlisted corporate holdings (which helped build a dense early-stage backer base).[10] This could be done in such a way that it appears favourably on the Government balance sheet.

B. **Flywheel Tax Credit (payment-first):** collect CGT as normal, but provide a time-limited credit against qualifying UK growth equity investments, structured to preserve stronger upfront receipts. This would use the same mechanism that founders are used to through the R&D tax credits system. It sits more easily on the Treasury balance sheet, but would likely have less of an impact on overall reinvestment rates. For example you could get an above 100% relief on your taxed gains to really drive reinvestment by experienced founders.

Again, the name here is impactful. The Government should not call it the Reinvestment Enterprise Investment Scheme or the Entrepreneur Rollover Guarantee Scheme. Let's call it what it is and something that will get domestic and international founders excited about what the UK Government is doing.

ENSURING THE TAX SYSTEM SUPPORTS RAPID SCALING RATHER THAN WORKS AGAINST IT

The UK's corporation tax system remains anchored in an older industrial model one that taxes profits as soon as they appear, regardless of whether those earnings are reinvested into growth. For modern, venture-backed companies, this creates a structural disadvantage. Startups spend years loss-making while developing products and building teams. When they finally reach profitability, they are immediately taxed at a point when cash flow is still tight and every pound of retained earnings is needed to scale.

The tax system should recognise and reward scaling, not penalise it. There are a number of ways that this could be achieved, which we have set out below.

Recommendation 3: Introduce a targeted Distribution-Based Corporation Tax (DBCT) regime for scaling companies to tax profits only when distributed

The UK's corporate tax system taxes profits as soon as they are earned, even when they are fully reinvested into growth. This discourages the retention of capital for expansion and penalises companies that have just transitioned to profitability but are not yet at scale.

Under DBCT, companies would pay 0% corporation tax on retained and reinvested profits, and would instead pay tax only when profits are distributed (e.g. as dividends or share buy-backs). During this period, retained earnings could be deployed as working capital to fund new hires, sales expansion, or export growth. This approach, modelled on Estonia's successful system, would allow growing UK firms to reinvest early profits tax-free during their critical scaling phase, improving productivity and the likelihood of remaining and listing in the UK. This is not a tax cut, but a change in timing: companies would ultimately pay a larger bill once they are stronger, more established, and able to afford it.

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10 https://www.regeringen.se/contentassets/f466d5e432bd4314b9e11c51ebe107d3/skattefri-kapitalvinst-och-utdelning-pa-naringsbetingade-andelar

Eligibility and Guardrails

The scheme should be targeted and time-limited to control cost and focus on genuine growth companies. Eligibility could be determined through existing HMRC frameworks to really show the Government is backing scaling companies. It could also be narrowed to only be applied to those who have received equity funding from a VC and/or through Government incentive structures.

To ensure the pilot operates fairly and prevents misuse, the Government could consider several guardrails. One option would be to apply deemed-distribution rules, so that benefits in kind, shareholder loans, or related-party transfers are treated as taxable distributions where appropriate. Existing transfer-pricing and controlled-foreign-company (CFC) rules could remain in place to maintain consistency with the wider corporate tax framework.

It may also be sensible to exclude companies that derive the majority of their income from passive assets, such as property or financial investments, to ensure the relief focuses on active, growth-oriented businesses. Within groups, intra-UK dividends could continue to be exempt so that tax only applies when profits ultimately leave the UK group.

Recommendation 4: Expand full expensing to intellectual property and other qualifying intangible assets.

The permanent full expensing of capital investment has been an important step towards a more pro-investment tax system - in 2023 the Office for Budget Responsibility (OBR) estimated that the shift from temporary to permanent full expensing would increase total business investment by £14bn over the forecast period. However, it remains narrowly focused on physical assets such as plants and machinery. This misses the reality of the modern UK economy, where the majority of business investment takes the form of intangible capital: software, data, patents, proprietary technology, and AI models. These are the assets that define the UK's fastest-growing firms, yet they sit outside the scope of full expensing.

The current system draws an arbitrary line between tangible and intangible investment. Plant and machinery qualify for immediate 100% deduction, but intellectual property and other intangible assets must usually be amortised over time under the Corporate Intangible Fixed Assets regime (CTA 2009, Part 8). This distinction, as the Institute for Fiscal Studies has repeatedly argued, distorts business behaviour and undermines neutrality by encouraging investment in "kit over code." It also increases compliance complexity, as firms must navigate two parallel regimes and exercise judgment over which side of the line a given expenditure falls.

Extending full expensing to qualifying intangible assets would remove this distortion and bring simplicity and neutrality to the system. It would ensure that the tax base reflects economic reality – recognising that investment in algorithms, data, and proprietary software is every bit as productive as investment in machinery. The reform would allow firms to claim a full, immediate deduction for new and unused intangible assets, including internally developed software, data acquisition and curation, patents, registered intellectual property, and licences used in the course of trade.

Together, these two reforms would transform the UK's approach to business taxation. They would allow growing firms to reinvest profits with confidence, help bridge the gap left as R&D tax credits taper, and encourage greater long-term investment in innovation and exports. They could also make redundant the need for complex and underused mechanisms such as the Patent Box, replacing them with a simpler, more flexible framework that rewards scaling rather than static ownership of IP.

Recommendation 5: Ensuring R&D tax credits support scaling innovative companies.

The current R&D tax credit system creates a perverse incentive that penalises companies for successful growth. The current system reflects an outdated understanding of how R&D companies develop. Modern innovation requires sustained R&D investment alongside commercial capability building. Companies don't stop being R&D-intensive because they hire sales teams - they become commercially viable R&D enterprises.

The 30% intensity threshold means that scaling companies lose access to generous R&D support precisely when they need it most - during the critical transition from pure R&D to commercial operations. This is because scaling companies lose generous incentives when hiring non-R&D staff. As they bring on these operational and sales staff their intensity drops.

This creates the absurd situation where companies face a choice between accessing R&D support and building the commercial capabilities necessary for success. It contradicts the policy's fundamental objective of supporting innovation through market deployment.

On top of this, recent changes to the scheme have made it more difficult for UK-headquartered companies to expand their international footprint, as the international activity that can be claimed has narrowed significantly. There are several ways you can support scaleups to innovate further:

A. **Introduce a "scaleup" R&D regime**, using the definition discussed in the previous section. This could mean that where a company demonstrates sufficient growth rates it qualifies for a higher rate than the main scheme. Alternatively, for companies demonstrating sustained R&D growth in absolute terms, regardless of intensity ratios, a more generous rate is provided. As long as companies are increasing R&D spend year-on-year, they should maintain support even as they build commercial operations. This is how support could work with the growth plans of the modern economy rather than against it.
B. **Reduce the intensity threshold to 20% or introduce a graduated intensity threshold by replacing the current 30% cliff edge with a tapered system** where R&D support phases down gradually rather than disappearing entirely.
C. **Allow more global flexibility for companies** that can prove 50%+ UK PAYE employment is present in the UK. This would ensure domestic value creation, whilst encouraging global R&D expansion.

UNLOCK THE CAPITAL IN PENSION FUNDS AND IN SAVERS' POCKETS

If the government is serious about ensuring growth is felt in every postcode it requires an understanding of how the rewards of growth are diffused in society. Whilst important, this is not just about the opportunities for good jobs in close proximity to your home, but also through a reinvigorated retail investment culture with exposure to the fastest growing parts of the economy.

Recommendation 6: Demand the pension funds deliver better returns for British savers.

Our position starts where the industry's own argument ends. For a decade the funds told us regulation was the barrier to investing in high-growth unlisted assets. That argument is now spent: the Mansion House Compact and Accord cleared the regulatory path, consolidation into DC and LGPS megafunds delivered the scale, and Sterling 20 built the partnership. The government has done its part. What remains is a choice: default funds still hold almost nothing in the fastest-growing part of the economy. However, we are deliberately not asking for mandation; we are asking for scrutiny and transparency, both of which are close to cost-free to the Exchequer and squarely within DBT's growth remit:

1. **Back a fiduciary-duty review by The Pensions Regulator.** When a near-zero private-markets allocation persists across the largest defaults - the eleven original Compact signatories averaged 0.36% in unlisted equities against a 5% commitment - the question is whether that reflects a reasoned, advised judgement in members' interests or the unexamined residue of a decade of competition on cost. DBT should support TPR opening a review of whether the duty of care is being met, rather than leaving the funds to mark their own homework.

2. **Accelerate comparative transparency through the Value for Money framework.** The incoming VfM framework exists precisely to move the test from headline cost to net member outcomes. Use it to require default funds to publish net returns benchmarked against comparable international systems, alongside their allocation - and make it accessible to savers, not just regulators. The average British saver retires around £144,485 worse off than a Canadian counterpart on identical contributions; savers cannot currently see that.

3. **Fix the captive-saver problem.** Almost no one chooses their pension fund - the employer does, historically on cost and admin ease. Millions are auto-enrolled into the worst-performing defaults with no comparison and no exit, so poor funds face no penalty for mediocrity. Pair the transparency above with a genuine route for savers and employers to compare and switch, so demand-side pressure does the work that mandation otherwise would.

Each is deliverable at fiscal-event level, costs the Exchequer little to nothing, and channels domestic pension capital toward UK startups and scaleups.

Recommendation 7: Simplify the ISA landscape and widen what British savers are allowed to hold.

Britain has the lowest retail investment participation in Europe. Around 23% of UK adults invest, against 61% in the United States, and roughly £870bn has sat in excess cash since the pandemic, some £400bn of it eroded in real terms by inflation. That is household capital sitting outside the productive economy at precisely the moment this submission asks pension funds to commit more of theirs to it.

This is not simply a problem of appetite or financial capability. It is a problem of architecture. The savings and investment system is complicated where it should be simple and paternalistic where it should be proportionate, and the cumulative effect is inaction. Our Bullish Britain campaign, launching this Autumn, will set out the full blueprint across HM Treasury, HMRC and the FCA. The measures below are the ones this budget can deliver swiftly.

The Government should:

- **Consolidate the ISA landscape.** In Startup Coalition's view, this should mean consolidation to as close to one product, with one overall annual cap, as possible, with the caveat that a "long-term" ISA (e.g. the Lifetime ISA), still has a distinct role to play. In this world, all products currently available under the current product set (Cash ISA, Stocks and Shares, Innovative Finance) would be accessible to the single, consolidated ISA. The current range generates confusion rather than choice. Simplification is not a giveaway; it is the cheapest available intervention to move idle cash into productive assets.
- **Reform the Lifetime ISA rather than replacing it.** The LISA is working at scale, having supported over 314,000 first-time home purchases since 2017, with analysis conducted with CBI Economics indicating that every £1 of bonus has returned £1.45 to the Exchequer. The proposed replacement addresses neither of the two problems cited as its rationale. The government should retain the LISA for new customers, commit to an annual review of the £450,000 property cap against house price inflation, and pay the bonus monthly so that it compounds.
- **In the short term, resolve the treatment of cash held within a stocks and shares ISA.** The charge on interest is widely misunderstood, and it actively deters savers from holding cash and investments with a single provider.
- **Fix Junior ISA transfers.** Transfer costs mean startup providers cannot economically onboard low-balance accounts, which locks lower-income families out of the most innovative products. Standardised, digital, cost-capped transfers, alongside allowing more than one Junior ISA, would remove that barrier at no fiscal cost.

Recommendation 8: Introduce a Retail Investment Strategy, alongside tactical policy change to help more people make the most of their money.

We welcome the Take the Next Step, Invest campaign in principle, but advertising is not a strategy, and there is no published plan setting out what HM Treasury, HMRC and the FCA each need to do, or by when. Government should publish one at the Budget, with named departmental owners, dates against each measure, and a stated target for retail participation that can be tracked annually. In parallel, the Government should also make a series of tactical tweaks to help more people make the most of their money:

- **Extend PISCES to a new class of Emerging Investor.** The high net worth and sophisticated investor exemptions sit in a Treasury instrument and qualify people by income and assets alone. A new category qualified through experience, education or demonstrable knowledge would widen access to private markets without lowering protection, and PISCES is the natural first venue for it.
- **Lay the smart data scheme regulations for financial services under the Data (Use and Access) Act 2025, and prioritise the pensions and investments datasets.** Open banking gave the UK a lead and then stalled at the current account. Every product described in this section, consolidation advice, personalised guidance, automated saving, the comparative transparency this submission asks of pension funds, depends on a provider being able to see a customer's full financial position, and at present it cannot. The legal powers already exist and financial services is a named priority sector; what is missing is a date, a delivery entity and a sequencing decision. Government should commit at Budget to laying the first regulations by the end of the year as expected, with pensions and investments prioritised over lower-value datasets.
- **Introduce a 7-day switching guarantee for ISAs and Pensions.**

BULLDOZE THE 'COMPUTER SAYS NO' MINDSET IN REGULATION AND ENSURE AI CAN MAKE OUR ENTIRE ECONOMY COMPETITIVE

Almost nothing in this section is a spending commitment, but instead a list of decisions the state has the power to take and has not taken, and the common thread is that the legal authority already exists.

The Data (Use and Access) Act 2025 received Royal Assent, and the schemes it empowers have not been laid. The Regulatory Innovation Office exists and has no statutory power to compel anything. The Regulating for Growth Bill creates cross-economy sandboxing powers and an AI Growth Lab, and neither will work for startups unless specific design choices are made now, at the point when that is still possible. What is missing in each case is a date, a named owner, and someone prepared to drive forward change.

UNLOCKING THE DATA ECONOMY

Recommendation 9: Publish a sequenced delivery plan for the smart data schemes the Data (Use and Access) Act 2025 already empowers, including reusable business identity verification

The Data (Use and Access) Act 2025 received Royal Assent and gave the Government the power to mandate smart data schemes across the economy. The Smart Data 2035 strategy published in March 2026 named the priority sectors. More than a year on, not a single scheme has been laid.

This is the clearest example in this submission of a "computer says no" that costs nothing to fix. The powers exist and the sectors have been identified. Industry has engaged through call after call for evidence, but what is absent is sequencing and the political drive to get it done: which scheme first, delivered by whom, against what statutory deadline. Twenty committed schemes without dates is not twenty schemes; it is twenty roadmaps, and the companies that would build on them are making product decisions now on the assumption that none of them will arrive.

The Government should:

- Publish a sequenced smart data delivery plan at the Budget, listing every committed scheme with a named implementation entity, a funding line, and a statutory date for laying the first regulations. Where a scheme has no owner, say so rather than leaving it on the list.
- Lay the first regulations in financial services and energy within 12 months. These are the two sectors with the most developed evidence base, the largest consumer detriment from data immobility, and the most immediate commercial application.
- Resolve the delivery-entity question generically rather than sector by sector. Each scheme currently requires a bespoke answer to who runs it, who funds it and who enforces it, and that question is taking longer than the policy design itself. A standing model, with sector variations, would remove the single largest cause of delay.

- Make business identity verification reusable, starting with ECCTA. Every director in the UK now verifies their identity to Companies House, and that verification currently satisfies a filing requirement and nothing else. The same company then proves its existence again to open a bank account, onboard to a payment provider, bid for a public contract or list on a marketplace. A company that has verified once should be able to present that verification, with its consent, to anyone who needs it, and the government, through procurement onboarding, should be the first to rely on it. Our BizPass report sets out the design.[11] This requires a lead department and a named minister, neither of which currently exists.

GETTING THE REGULATORY MACHINERY RIGHT

Recommendation 10: Put the Regulatory Innovation Office on a statutory footing, and give British companies a decision clock

The Regulatory Innovation Office was created in October 2024 to act as an intermediary between government, regulators and business, and to speed up decisions on novel technologies. It absorbed the Regulatory Horizons Council and the Regulators' Pioneer Fund and was given priority sectors including engineering biology, space, drones and AI in healthcare. It has two problems.

It has no statutory power to compel anything: it can convene, advise and encourage, which works when a regulator wants to move and does nothing when one does not. And following the abolition of its parent department in July 2026, its institutional home is unclear at exactly the moment its function matters most.

The Government should:

- Place RIO on a statutory footing within BIST, with a published remit and multi-year funding confirmed at the Budget.
- Give it the power to assign ownership. Where a technology has no obvious lead regulator, RIO should be able to designate one within a fixed period, and that designation should bind. "No one owns this" should stop being a possible answer.
- Enforce a decision clock. Every regulator should publish median and 90th-percentile decision times for each authorisation type it operates. Where a decision exceeds a statutory maximum, the applicant should have a route to escalate to RIO, and RIO should have the power to require a reasoned response within a defined period.
- Report annually to Parliament on regulatory delay, including the aggregate time cost imposed on applicants. The Government has committed to reducing administrative burdens on business by 25% by the end of the Parliament. That target cannot be managed without measuring the thing it describes.
- Resolve the relationship between RIO, the DRCF and the AI Growth Lab explicitly. Our consultation response on the Lab identified the absence of clarity on how the governance function of the Growth Lab will interact with RIO and the Digital Regulation Cooperation Forum as a material risk. Without this, the Lab becomes one more sandbox that sits alongside existing facilities rather than catalysing a more joined-up state.

[11] https://api.startupcoalition.io/u/2026/08/BizPass_Final.pdf

COMPUTE INFRASTRUCTURE

Recommendation 11: Accelerate delivery of the AI Growth Zones

The development of AI infrastructure is one of the clearest levers for growth outside London and the South East. The five designated AI Growth Zones are the flagship vehicles to deliver this infrastructure at scale, attracting a combined £28.2 billion in private investment and more than 15,000 projected jobs. This programme is the most tangible manifestation of AI-led reindustrialisation, generating vocational employment opportunities across construction, engineering and technical services, particularly during build-out but also throughout operation, whilst developing the bedrock on which the UK's AI and digital industries stand.

British startups and scaleups need affordable, accessible compute to develop and operate leading-edge tools for export around the world, and the Growth Zones programme has a central role to play in unlocking the well-documented compute bottleneck currently throttling domestic innovation.

We welcome the ambition the government has shown in setting up the AI Growth Zones, but designation is not delivery, and there is a risk that stalled progress renders this flagship programme little more than a series of bold announcements. Data suggests that planning activity across the zones has been limited: Culham in Oxfordshire was the first location designated an AI Growth Zone in January 2025, but just one relevant planning permission was granted in South Oxfordshire during 2025, compared to five in 2024 and eight in 2023. The government should accelerate progress on the growth zones to ensure there is sufficient compute capacity to meet its AI ambitions. To do so, the government should publish a public delivery tracker for each zone, updated every quarter, to ensure that those responsible for delivery are held accountable for the progress made.

Moreover, whilst the AI Growth Zones programme is an important initiative to drive AI infrastructure development in the UK, the government must continue addressing the nationwide barriers to data centre development. Enabling AI infrastructure development dispersed across the country will grow in economic salience as AI is deployed throughout the economy and demand for inference computation close to the end user expands. Without sustained government action to rebalance energy costs, accelerate grid upgrades and provide long-term policy certainty for digital infrastructure investment, the UK will fall behind its competitors in the global AI race and take less of the prize on offer.

MAKING SANDBOXES WORK FOR STARTUPS

Recommendation 12: Give the AI Growth Lab a single front door, longer time horizons, and startup-first design.

The AI Growth Lab, which will be created under the Regulating for Growth Bill, has the power to be one of the most important policy instruments in this Parliament for startups. A well-functioning Lab could be a game-changer for startups who regularly struggle to navigate regulatory red tape that was never designed for the products they are building. Incumbents with significant in-house resources and external counsel can penetrate this maze. Startups remain trapped, and in too many cases simply die. We will never know how many ideas never got off the ground because of regulatory uncertainty that killed ambition or made the company uninvestable.

But getting it wrong would not merely waste an opportunity but create an instrument that actively entrenches incumbents: a large bank can engage with sandbox governance structures in ways a Series A company cannot, and a firm that has existed for longer is more likely to meet eligibility criteria designed without founders in mind.

On the basis of our roundtable with founders in December 2025 and our wider consultation response, the three design choices that will determine whether the Lab works for startups are as follows.

- **Time limits.** The consultation proposes time-limited regulatory exemptions of 3 to 12 months. For startups building era-defining products, this will not move the dial. A short exemption causes investors to wait and see, holding back funding rather than turning on the taps, because they cannot know how the regulator will treat the company after the sandbox period ends. It also creates a cliff edge: regulations may be modified inside the sandbox in one way and then made permanent differently or not at all, meaning the company has spent runway on an exercise that turned out to be counterproductive. The AI Growth Lab should offer time horizons of 5 to 10 years, or adopt a notification-based framework, analogous to the Automated Vehicle Act 2024, that disapplies identified outdated regulations where a company notifies the relevant authority and meets defined standards.
- **Governance.** Startup Coalition does not have a preferred governance structure between a centrally operated and a regulator-led model. What matters is that the Lab is governed in a way that ensures inertia and incrementalism cannot creep in. There must be central oversight that sets desired outcomes, defines acceptable reporting metrics, and, crucially, limits what regulators can demand of participants. The lesson from existing sandboxes in financial services is that the difference between a sandbox that works and one that suffocates real work is not the structure: it is whether reporting is light-touch and agile rather than a production exercise in its own right. Accountability mechanisms and clear reporting lines to ministerial oversight are what prevent cultural resistance from defeating the instrument from within.**Participation.** The Lab should be designed for startups first, not retrofitted to make them eligible. Eligibility criteria, reporting requirements and application processes that were designed for established firms will structurally exclude the companies the Lab most needs to serve. Awareness is also a design question: from our engagement with sectors that already have regulatory sandboxes, we consistently hear that demand exceeds supply and that awareness is inconsistent, particularly outside London. The Lab should aspire to reach hundreds of companies, not dozens. Government should leverage investors as a distribution channel for awareness, and think creatively about iterative degrees of support, lighter-touch engagement for earlier-stage companies, so that the Lab's capacity is used to support the widest possible number of founders rather than concentrated on a small cohort.

THE COST OF ENERGY IS THE COST OF ECONOMIC GROWTH

The "computer says no" mindset shows up most expensively in the energy system. UK industrial electricity prices are the highest of any country in IEA data published by DESNZ, more than double the EU-14 median for large industrial users. Energy is now one of the largest costs facing UK startups and scaleups: not only for the obvious electricity-intensive sectors (compute, manufacturing, industrial biotech) but for every business renting space, running a lab, or operating a fleet. It is also the cost that most directly determines whether the technologies British companies are building here can be deployed here.

The costs the system itself is generating are moving in the wrong direction. Balancing costs reached over £3.1bn in the year to March 2026, up from £2.7bn the year before. NESO's own projections have balancing costs rising to £6.4-8.3bn by 2030 and transmission charges more than tripling from their 2024-25 level.[12] These are not wholesale prices set in global markets, but the cost of a system design that cannot use the power it is already paying to build.

The asks below are more detailed than most in this section, because the energy system's "computer says no" problems are more specific and more expensive to leave unfixed than most.

Recommendation 13: Bring down the cost of energy for businesses and fix the market design.

- **On levies and bills:** Britain loads the bulk of legacy environmental and social policy costs onto electricity rather than gas, a tax on precisely the activity the Government wants to encourage: electrification of heat, transport and industry. The Government must make the RO transfer permanent by cancelling the planned April 2029 reversion, extend the same treatment to the Feed-in Tariff and the residual 25% of RO, and rebalance the remaining levy burden between gas and electricity so the price signal supports rather than penalises electrification. It must also set out at Budget what replaces the VAT relief in April 2027.
- **On business energy bills:** Domestic customers have a price cap and comparison tools, but non-domestic customers have neither. Business energy bills routinely bundle wholesale, network, policy and balancing costs into a single unit rate, with third-party intermediary commission embedded invisibly inside it. A founder cannot tell what they are paying for, cannot benchmark it, and therefore cannot switch effectively. The Government must mandate standardised itemisation of non-domestic energy bills, separating wholesale, network, policy and levy, balancing, and broker commission as distinct line items, in a common machine-readable schema, and extend the relevant protections from microbusinesses to all SMEs.
- **On market design:** In July 2025 the Government concluded REMA by ruling out zonal pricing in favour of reformed national pricing. The costs that package was designed to control are rising faster than the remedies are arriving (the Government's own projection has constraint costs peaking at around £7bn in 2030) and the levers themselves are arriving late: the Strategic Spatial Energy Plan has slipped to 2027 and TNUoS reform is targeted for delivery "by 2029 at the latest." It is legitimate and fiscally responsible to test whether the decision still holds, particularly because the advent of AI at scale materially changes the landscape. The Government must commission an independent review of the July 2025 REMA decision, reporting by spring 2027, and launch a consultation on moving from self-dispatch to central dispatch with nodal pricing, published alongside the RNP Delivery Plan.

12 https://www.neso.energy/news/energy-explained-costs-balancing-britains-electricity-system-keep-you-powered

- **On data:** Energy remains one of the few essential consumer markets where a customer cannot easily port their own data, and where suppliers cannot see enough to tell a household in genuine difficulty from an account that is simply not paying. The legal powers already exist, the DUAA 2025 provides the framework, energy is a named priority sector in the Smart Data 2035 strategy, and DESNZ has already run a call for evidence. The Government must commit at Budget to laying the first energy smart data regulations within 12 months, with a named implementation entity confirmed and funded; mandate interoperable, consent-based data sharing between suppliers and authorised third parties; and make vulnerability and support status portable so a customer on the Priority Services Register carries that status with them on switching.
- **On infrastructure:** The connections queue has been sorted but not shortened. Startups building storage, flexible demand and compute cannot wait for reinforcement that arrives at the end of the decade. The Government must direct NESO and Ofgem to run an auctioned-connections pilot at constrained nodes in the next Gate 2 window; require Ofgem and NESO to publish a standard pre-emptible (non-firm) connection product within 12 months; and require operators to publish thermal headroom and curtailment-risk data in machine-readable form at node level. Britain is also paying twice for every curtailed megawatt-hour: the Government must fund at least two curtailment market pilots operating by summer 2027, matching curtailed generation with flexible demand at prices below the cost of the equivalent balancing action.
- **On energy technologies:** SI 2026/848 creates a legal route for plug-in solar from 27 August 2026, but deliberately excludes storage, and the products the European market has already moved to are panel-plus-battery systems. The Government must commit at Budget to a second-stage consultation on plug-in storage opening before the end of 2026; make the zero rate of VAT on energy-saving materials permanent; and set a clear regulatory pathway and date for plug-in battery products so that industry has a date it can build a UK product line against.

BACK BRITISH TECH WITH NOT JUST WORDS BUT COLD, HARD PROCUREMENT CASH

The Government has set a clear policy priority to allocate a greater proportion of public procurement spend to British companies. To maximise the economic returns of this policy, the Government should target suppliers with high growth potential, like UK startups and scaleups, that demonstrate disproportional ability to scale, create jobs and greater tax returns.

Currently high growth companies face a range of barriers when engaging with public procurement that disadvantage them compared to large, often overseas, incumbents. The recent Social Value reforms take a positive step in reducing complexity for contracts below £1m and bolstering the importance placed on high growth jobs and skills. However, there is more that can be done.

Recommendation 14: Require reporting on pre-procurement engagement.

Pre-procurement engagement is well known as a key driver for procurement outcomes. Currently small but high-growth companies, like startups and scaleups, face significant disadvantages engaging in pre-procurement compared to larger incumbents due to their lack of pre-existing relationships with public sector customers and the more limited resources available to them.

Currently no comprehensive data is gathered on the extent of pre-procurement activity undertaken by commercial teams. This creates a 'black box' for understanding the extent to which startups and scaleups are overlooked in pre-procurement activity in place of larger incumbents.

Commercial teams should be required to collect, report and openly publish their pre-procurement engagement, including which companies have been engaged. This can then provide the foundational data for understanding the extent of activity conducted, informing future policy.

Recommendation 15: Reduce barriers to entry for frameworks

The Procurement Act 2023 requires public sector commercial teams to consider barriers faced by SMEs when designing procurement exercises. However, it is unclear whether this guidance extends to framework design - and many public sector frameworks still exhibit entry requirements that are inaccessible for startups and scaleups. In particular, financial standing requirements often deter newly formed companies - which account for a large proportion of UK startups and scaleups - from applying to frameworks, with criteria commonly centring on providing multiple years of audited accounts or demonstrating sustained periods of positive turnover. Given that 26% of all public procurement spend now flows through frameworks, these high barriers to entry lock high growth companies out of significant public procurement opportunities, preventing opportunities to drive UK job creation and skills opportunities in the process.

Current guidance on financial standing already recognises that different forms of organisation require different approaches to assessing financial stability. The Cabinet Office's Sourcing Playbook provides specific guidance for VCSE organisations noting standard approaches 'may not be an appropriate indicator of sustainability where the bidder is a charity or other not-for-profit organisation'. Similar guidance should be issued for startup and scaleup suppliers, with a working group assigned to develop appropriate measures. VCSE Metric 1 and 4 in The Sourcing Playbook may provide the beginning of an alternative assessment method, preferencing operating reserve or cash ratio with a three-month risk threshold over standard turnover measurements. Once established, a Procurement Policy Note (PPN) should be issued to commercial teams informing them that this approach to financial standing for startups and scaleups should be implemented on all frameworks.

Recommendation 16: Re-emphasise Innovation Procurement Champions.

Successive administrations have struggled to enforce SME spend targets due to lack of direct accountability within departments. If a department does not meet a non-financial commercial target - for example, spend on British companies or spend on SMEs - there is no one individual within the department that can be held to account.

The last Budget announced that each department would appoint an Innovation Procurement Champion tasked with driving forward better commercial practice. While some of these Champions are now in place they are neither visible nor have clear mandates.

There should be clear KPIs for these roles and transparency about how they engage with the market and function within the Whitehall machinery. Re-emphasising the importance of these positions and ensuring each department makes an appointment will provide HM Treasury with more levers to push forward these important policy priorities.

PREPARE OURSELVES CLEARLY FOR OUR AI FUTURE BY RETAINING AND SECURING TALENT

Every other commitment in this submission depends on people. Capital can be redirected, procurement rules can be rewritten and grid connections can eventually be built, but a country cannot buy back the engineers, researchers and operators it has already lost.

Britain currently loses talent at three points. It loses people who want to leave a large company for a small one and find they contractually cannot, for six months or a year. It loses people who join a scaleup and discover that the equity that was meant to be the point of joining is worth less, later, and taxed worse than they were led to believe. And it loses the technical staff the state itself needs, to the same frontier labs whose work those institutions exist to understand.

None of these are new problems, but the cost of leaving them unfixed rises with every year that the global competition for AI talent intensifies. Making the UK the best place in the world to be a tech worker is not a soft accompaniment to the rest of this submission. It is the precondition for it.

Recommendation 17: Introduce a ban on non-competes to reduce the headache of those wishing to work in or start a British startup

Introduce a "Right to quit" framework

The UK has built the strongest startup ecosystem in Europe, and its people are the force multiplier. Skilled operators moving between companies are how ideas, capital and ambition compound into the next generation of British success stories. But archaic rules, including non-compete clauses and the ability to enforce lengthy gardening leave, put gates around that talent. Set up to protect the industries of the past and large international incumbents, they put people on a shelf where they can neither found their own business nor join a startup working at the frontier.

Non-competes and gardening leave of six to twelve months or more have become embarrassingly commonplace in the UK. A key hire frozen out by a non-compete or withering away on gardening leave is runway burned and momentum lost. It is talent hired abroad rather than in the UK, with the company's centre of gravity shifting along with it. Venture capital that should be raised to build a product is instead paying for a vacancy. Multiplied across the entire innovation economy, these costs run into the hundreds of millions of pounds.

This is out of step with the most successful startup clusters. A total ban on non-competes in California is widely credited for the rapid talent-reallocation, knowledge pollination and ultimate success of Silicon Valley. Governments of both right and left in the UK have understood the problem: in 2023 the Conservative administration announced its intention to legislate a three-month cap on non-competes but failed to get it over the line; earlier this year the last Labour administration put it back on the table through a working paper consultation.

The critical lesson from those stalled efforts is that a limited intervention on non-competes alone will not fix the problem. Ban non-competes without tackling gardening leave and employers will simply enforce longer notice periods instead. Cap notice periods without addressing non-competes and the covenants will be used more aggressively. These instruments must be treated as a whole.

We propose a comprehensive Right to Quit framework:

- Ban post-termination non-compete clauses in full. The UK should follow California's lead. A total ban removes the ability of incumbents to exploit legal uncertainty to keep talent benched, and removes the compliance cost and investor uncertainty that partial reforms create.
- Cap notice periods at three months for all but the most senior roles (C-suite), preventing non-competes from being remade through artificially extended notice periods. For someone who has decided to make the jump, a six- or twelve-month notice period is not only demoralising but potentially life-threatening to the startup that needs them yesterday.
- Review and reform the use of gardening leave to ensure it cannot be used as a substitute mechanism for keeping talent off the market. The test should be whether the restriction serves a genuine business interest proportionate to its duration, not whether it is technically distinct from a non-compete covenant.

The Government is understood to be considering action in this area. We strongly support it, and urge that any announcement makes clear that the full package, across non-competes, notice periods, and gardening leave, will be addressed as a single legislative programme, whether through the Regulating for Growth Bill, competition legislation, or employment rights legislation. A lukewarm intervention that covers only one of these instruments and issues guidance on the rest will not move the dial.

The CMA agrees that action is needed: in January 2024, after studying the issue, it concluded employment law may need updating and that the widespread prevalence of non-competes could act as a barrier to job switching.[13] The OECD estimates that a 10 percentage-point increase in the prevalence of non-compete clauses in an industry is associated with a 1.9 per cent decline in labour productivity. This is not a niche tech-sector interest, it is an economy-wide productivity issue, with strong cross-party and public support.

Recommendation 18: Improve EMI, including exploring an EMI+ scheme for scaleups.

It was great to see the Government increase the EMI thresholds at the Autumn Budget. This will have a meaningful impact on the ability for tech companies to attract and retain talent, as well as spreading the rewards and creating more flywheel activity with the ability for individuals to invest or start their own venture.

The Government should ensure this scheme is working as well as they can, including considering board discretion, secondary share sales, and issues with the forced 90-day exercise.

In order to support our scaling companies to take on the large tech giants, they need to be able to challenge them for talent. EMI is for startups and CSOPs are not well understood by high growth companies who have graduated the EMI scheme earlier in their development. In order to

[13] https://www.oecd.org/en/publications/non-compete-and-related-agreements_d7cb2f7d-en/united-kingdom_c66e3d7b-en.html

simplify the process, an EMI+ scheme should be developed that provides advantages to fast growing companies looking to hire the right talent on their journey to unicorn. This would be at a less generous rate than the main EMI scheme due to the scale of the companies.

We have several other thoughts about how you can make the UK the best place to be a tech employee and will be doing more work on this in due course.

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