BIA response to Business Rates and Investment: Call for Evidence

Summary

The UK life sciences sector is critical to the government's growth mission, driving economic growth through new industries, high-value jobs and cutting-edge technologies. While early government decisions have provided important support and confidence, confidence in the UK as a destination for life science investment remains fragile due to the broader commercial environment and rising costs on businesses. In this context, changes to business rates risk undermining welcome investment, regeneration and growth, and run counter to the government's ambition to promote investment in life sciences through the Industrial Strategy and ensure companies start, scale and stay here.

Response

The UK life sciences sector is critical to the government's growth mission. Its innovations are essential for building an NHS fit for the future and driving economic growth through new industries, high-value jobs, and cutting-edge technologies, from new treatments and digital healthcare to sustainable bio-based solutions.

Government decisions early in its tenure reflect the scale of this opportunity. Designating life sciences as a priority sector in the Industrial Strategy and increasing funding to the British Business Bank (BBB) and National Wealth Fund (NWF), alongside stabilising R&D tax reliefs and a commitment to the Mansion House agenda, have provided both important support to the sector and confidence that has underpinned early growth.

Despite these positive steps, confidence in the UK as a destination for life science investment remains fragile due to the broader commercial environment and rising costs on businesses. BIA's

2025 annual finance report[1] shows the delicacy of the current ecosystem, highlighting both the sector's resilience and the constraints of the biotech financing ecosystem. While the sector continues to attract a diverse and international investor base, overall deal count has dropped, demonstrating the heightened selectivity of investors. With this in mind, any changes to the funding landscape must be administered with heightened caution to avoid upsetting the sector's already unstable footing.

Recent announcements of divestment by large pharmaceutical companies highlight the risks of undermining the ecosystem – risks that are compounded by tax increases on business, further holding back investment. It is essential that the UK counteracts this narrative, and directly tackles the long-standing challenge of keeping our innovative life science companies headquartered and growing here in the UK.

Impact of business rate increases

The changes to business rates announced at the Budget risks being particularly damaging in light of the conditions described above. Our members report a mixed impact, with some seeing rate rises, whilst others not.

BIA has heard directly from members whose rateable value has increased from £355k to £1.13m for 2026-2029. Increases such as these are hugely detrimental to UK life sciences companies, which already face high rents due to the costly, technical nature of laboratories and dual need for lab and office space. A position such as this can quickly become untenable for companies that depend on tightly managed costs over funding cycles, and can lead to significant impacts on hiring and growth projections. Raising the costs of operating in the UK will only create further incentive for companies to move to the United States, which already attracts many of our most promising life sciences businesses due to greater access to capital and the larger market for life science products.

The impact appears to be greatest in premises that have been recently converted from general office, retail or leisure space into R&D facilities, due to the impact of these conversions on the ratable value of the buildings. These conversions have become popular since the pandemic with the rising demand for laboratories, attracting welcome investment and regeneration of run-down

[1] BIA: UK biotech financing 2025 (2026).

areas of towns and cities. For example, in Stevenage, refurbishment of commercial premises around the GSK and Stevenage Bioscience Catalyst campus have supported the growth of clusters and an influx of investment. Similar examples are found in Oxford, with the transformation of business park assets such as ARC Oxford and in wider regeneration schemes such as Oxford North, where underutilised employment land is being transformed into high-value laboratory and innovation space. The business rate rises will punish this investment and runs counter to both the government’s ambition to save the high street and promote investment in life sciences through the Industrial Strategy.

Conclusion

These increases run counter to the Chancellor’s aims to ensure companies start, scale and stay here, and are a deterrent to global investment. This short-term thinking will hamper economic growth in the long term, and must be avoided for the full economic potential of UK life sciences to be realised.

It is clear from many of the steps taken that government recognises the potential of the life sciences to deliver significant economic growth to the nation. However, now is the time to build on these promising beginnings and demonstrate the full extent of government confidence in the sector.