
BIA submission to the Autumn Budget 2026

Summary

The UK's R&D-intensive life sciences and biotech sector is universally recognised as a global leader, and rightly highlighted by the Chancellor as a national strength. It delivers world-leading and world-saving innovation, from vaccines able to stop a global pandemic, to precision-bred drought-resistant crops essential on our a rapidly heating planet. Britain is creating unicorn biotechs like Isomorphic and Verdiva Bio at an ever-increasing rate. This scientific and entrepreneurial strength translates to high-value economic activity, attracting investment, creating rewarding jobs, generating exports and tax revenues, and delivering better outcomes for patients and the NHS.

This is not just a story of early-stage innovation. With commercial activity all over the UK, the sector is well placed to contribute to reindustrialisation, with differentiated regional strengths including medicines manufacturing in the North East, R&D services in the North West, and drug discovery in the South East. The devolved nations are powerhouses too, with unique regional advantages, including regulatory freedoms and world-leading universities producing world-class spin-outs.

Bold steps are required to back British companies and show this government can enable wealth creation, ensure founders and investors are rewarded, and repetition and reinvestment encouraged. The proposals in this submission will give UK life science and biotech companies home and away advantages in a global race for innovation and growth, so that they choose to start here, scale here, stay here, and serve the world from here.

In times of fiscal constraint, support for life sciences delivers excellent return on investment. Supporting high-potential companies does not simply create value within individual businesses; it strengthens the wider ecosystem, crowds in private and overseas capital and creates the next generation of innovative companies. The Chancellor has correctly diagnosed the key challenge for the sector – insufficient access to scale up capital – exacerbated by fierce competition with the US and China – which means that government intervention and support is essential.

Policy calls: Investment

Britain's public financial institutions (chiefly Innovate UK, the British Business Bank and National Wealth Fund) are proven drivers of place-based, investment-led growth across the country, building on established regional strengths and leveraging private investment. When Exchequer funds are limited, these institutions can play an important role in crowding in private capital, including from pension funds, demonstrating the potential for returns, and creating the conditions for capital to be recycled and reinvested into the next generation of high-growth businesses. The Budget must maintain their sectoral focus and direct new funds into British strengths at pace, first among them life sciences, including engineering biology:

- **Rephase UKRI and Innovate UK funding from FY28-29 into FY27-28**, ensuring UKRI deploys this funding at pace and with guidelines shaped in collaboration with industry to define diligence and decision-making.
- **Expand and target BBB budget for direct and funds programmes**, ensuring resources delivered for a larger team to deploy and support life sciences along the private funding continuum.
- **Target National Wealth Fund towards life sciences, and lower the minimum investment size** needed to enable it to be an agent for growth in every postcode.
- **Increase access to private finance, incentivising and directing pension fund investment in venture capital** and developing new investment instruments linking the financial services and life sciences sectors.

Policy calls: Innovation

The UK formula of local leaders working with world-class universities, investors, local businesses has created clusters of innovation across the UK – in Manchester, Cambridge, Darlington and Dundee, among many others. A combination of targeted place-based investments and UK-wide incentives linked to private sector-picked winners – most crucially R&D tax reliefs – will drive wealth creation by giving companies a home advantage, incentivising founders and funders to generate a cycle of investment and economic growth in every postcode.

- **Create preferential access to publicly funded R&D infrastructure, data, expertise and business support for UK life sciences SMEs and high potential companies**, ensuring public investment delivers greater value for UK growth.
- **Enable more innovative UK SMEs to deliver clinical trials at NHS sites across the country** by directing existing funding towards the SME pathway within the NIHR Industry Hub, and ensuring income from commercial trials incentivises trial sites and NIHR as a central broker.
- **Protect and strengthen R&D tax credits** for UK biotech and R&D service businesses, and restore ERS rate to 33p/£ by focusing credits exclusively on IS8 sectors .
- **Increase the EIS lifetime limit further for Knowledge Intensive Companies** provided the recent raises show positive impact.
- **Increase the rate of income tax relief for investors in knowledge intensive EIS- and VCT-qualifying companies** compared with non-qualifying ‘run of the mill’ businesses.
- **Champion reinvestment by resetting the BADR cap when proceeds are reinvested in qualifying shares, and exempt reinvested founder proceeds from CGT.**
- **Increase BADR lifetime limits** from £1m to at least £5m for reinvestment.
- **Protect Patent Box and accelerate the impact** for loss making companies investing in R&D.

Policy calls: Jobs

Employment in UK life sciences has grown consistently in the past decade, from 232,000 in 2012/13 to 360,000 in 2023/24.¹ With increasing numbers of scaling companies and a more attractive commercial environment created by the Labour Government through the US-UK Pharmaceutical Arrangement, there is considerable scope for further job creation. Alongside public finance institutions providing capital investment and home advantage (as described above), tax incentives can help anchor manufacturing services and employment in the UK. Labour's commitment to increase spending on medicines is further boosting the UK's reputation as a place for the industry to invest, creating jobs and delivering medicines for a healthier and more work-ready population.

- **Expand the current R&D tax relief scheme to include UK capital expenditure** within RDEC and ERIS to anchor high value life sciences manufacturing in the UK.
- **Increase the individual option limits under EMI and CSOP**, and remove the requirement for CSOP awards to count towards the EMI individual limit.
- **Meet the commitment outlined in the UK-US Arrangement to increase NHS spending on new medicines** from 0.3% of GDP in 2026 to at least 0.6% of GDP by 2036.
- **Meet the commitment outlined in the UK-US Arrangement to increase total NHS spending on all medicines** from 10% to 12% of the NHS budget by 2036.
- **Ensure that the commitment to substantially lower claw-back rates for medicines meeting certain conditions benefits smaller companies** in the next voluntary scheme.

¹ [OLS, DSIT, DHSC, DBT: Bioscience and health technology sector statistics 2023 to 2024. \(2025\)](#)

The true value of UK life sciences

The BIA is the voice of our nation's innovative life sciences and biotech industry, enabling and connecting the UK ecosystem so that businesses choose to start here, scale here, stay here, and serve the world from here.

We have over [600 members](#) including:

- Start-ups, biotechnology and innovative life science companies
- Pharmaceutical and technological companies
- Universities, research centres, tech transfer offices, incubators and accelerators
- A wide range of life science service providers: investors, lawyers, and IP consultants

The UK's R&D-intensive life sciences and biotech sector is globally recognised as a global leader, and rightly highlighted by the Chancellor as a national strength. It delivers world-leading and world-saving innovation, from vaccines able to stop a global pandemic, to precision-bred drought-resistant crops essential on our a rapidly heating planet. Britain is creating unicorn biotechs like Isomorphic and Verdiva Bio at an ever-increasing rate. This scientific and entrepreneurial strength translates to high-value economic activity, creating jobs, attracting investment, generating exports and tax revenues, and delivering better outcomes for patients and the NHS.

In 2023/24 the sector employed 359,600 people and generated £146.9 billion in turnover.² The average GVA per employee is over twice the UK average at £104,000 and the sector consistently invests more in R&D than any almost any other (£9 billion in 2024).³ Life sciences is therefore not simply an important scientific capability, it is a high-productivity, R&D-intensive engine of growth, with the potential to generate substantial returns from targeted investment.

The sector is also exceptionally capable at crowding in capital. It consistently accounts for around 40% of all European biotech venture capital.⁴ The UK consistently ranks within the top five countries worldwide for life sciences FDI.⁵ In 2024, an estimated £2.1 billion inward FDI was

² [OLS: Bioscience and health technology sector statistics 2023 to 2024. \(2025\)](#)

³ [ONS: Business enterprise research and development, UK: 2024. \(2025\)](#)

⁴ [BIA: UK biotech financing 2025 \(2026\)](#)

⁵ [DSIT, DHSC: Life sciences competitiveness indicators 2026: summary. \(2026\)](#)

attracted by UK life sciences, a 164% increase compared to 2023. The UK also ranks in the top fifteen worldwide for pharmaceutical exports, with a value of £24.7 billion in 2024.⁶

This value is widely spread across the UK, with major investments and successful exits demonstrating the strength of regional life sciences clusters. Cardiff University spin-out Draig Therapeutics raised \$140 million in 2025, the largest commercial investment in Welsh life sciences to date; Cambridge-based Verona Pharma was acquired by Merck for approximately \$10 billion; and UK biotech Myricx Bio was acquired by Novartis for up to \$1.5 billion. Major international companies are also expanding their UK footprint, with BioNTech committing up to £1 billion over ten years to new R&D and AI centres in Cambridge and London, while FUJIFILM Biotechnologies opened a £400 million biomanufacturing and process development facility in Stockton-on-Tees.

Case study: FUJIFILM

FUJIFILM Biotechnologies is a world-leading contract development and manufacturing organisation (CDMO) for biologics, vaccines and advanced therapies. Its £400 million expansion of its Teesside site, funded by FUJIFILM Corporation of Japan, houses the largest single-use biopharmaceutical CDMO facility in the UK, alongside a new Bioprocess Innovation Centre. Together they expand the company's capacity to develop and manufacture complex medicines for cancer, neurodegenerative and rare diseases, while strengthening the agility and resilience of UK and global medicine supply chains.

The investment cements the North East as one of Europe's leading biomanufacturing hubs. The site now employs more than 960 people in highly skilled roles - part of FUJIFILM's 1,700-strong UK workforce and a key NHS partner - while its partnerships with the Universities of Edinburgh, Manchester and York build the next generation of STEM talent in the North East.

As one programme manager at the site says: 'It's providing jobs for local people. I've grown up around this local area, and it's really great that on our doorstep in the North East of England we've got a company that has this mission to bring medicines to patients all over the world.'

Teesside has made things the modern world relies on for almost a century – ICI first began manufacturing in Billingham in the 1920s. Today, with investment from FUJIFILM, the region is doing the same for modern medicine - a post-industrial area reindustrialising around the science of the century ahead.

⁶ [DSIT, DHSC: Life sciences competitiveness indicators 2026: summary. \(2026\)](#)

These investments demonstrate the sector's ability to contribute to reindustrialisation, supported by differentiated regional strengths including medicines manufacturing in the North East, R&D services in the North West, and drug discovery in the South East. The devolved nations are powerhouses too, with unique regional advantages, including regulatory freedoms and world-leading universities producing world-class spin-outs. Targeted support for the sector will help build a pro-business culture and an innovation-led economy in all parts of the UK.

The sector is exceptionally well placed to inspire positivity and possibility, with innovations leading directly to tangible improvements in daily life, be that a more effective or efficient NHS, better outcomes for patients, or notable economic growth. Our life science SMEs epitomise that potential, promising exciting innovations and future prosperity, and – provided it is adequately supported – the sector's reach will ensure that these benefits reach every postcode across UK.

Case study: Nonacus

Based in Birmingham, Nonacus is a fast-growing life sciences company developing genomic technologies for earlier, less invasive cancer detection and monitoring. Its proprietary Cell3™ Target sequencing technology and GALEAS™ liquid biopsy platform support faster, more accurate diagnostics and the wider shift towards precision medicine.

The company delivers real economic value to the West Midlands, creating highly skilled jobs across R&D, bioinformatics, laboratory sciences, manufacturing and clinical services, and strengthening the region's standing as a leading life sciences hub.

Nonacus's technologies also offer tangible benefits to the NHS. In September 2026, a peer-reviewed study of 964 patients across seven NHS urology departments, published in European Urology Oncology, found that the GALEAS™ Bladder urine test detected 92% of bladder cancers and every muscle-invasive cancer, with a negative result more than 99% likely to be correct. Used to triage patients, it could cut urgent cystoscopies by around three-quarters with no loss of clinical benefit — easing pressure on urology services, shortening waits and reducing costs. Now in use across NHS pathways in England and Wales, the test has been recognised by the UK Government and the West Midlands Mayor as health technology that improves care while supporting regional growth.

Case study: Brainomix

Brainomix is a University of Oxford spin-out that develops AI-powered imaging software for precision medicine in stroke and lung diseases. Stroke is among the costliest conditions the NHS treats - an estimated £26 billion a year to the health service and wider economy in England, of which £3.4 billion is direct healthcare cost, and rising.

The Brainomix 360 Stroke platform reads a patient's CT scan and tells clinicians within minutes where the clot is and how much of the brain is already damaged: the two facts that help determine whether someone can be treated in time with a thrombolysis or thrombectomy, two life- and disability-saving stroke treatments. A landmark study published in The Lancet Digital Health in December 2025 revealed that the NHS AI Award-funded deployment of the Brainomix 360 Stroke doubled thrombectomy rates and accelerated patient transfer times across England.

Implementation of the platform across NHS stroke networks was shown to be highly cost-effective. Driven by improved patient access to stroke treatments that improve long-term functional outcomes, the analysis estimated multimillion pound cost savings and 1,000+ additional QALYs per year in England.

At the Royal Berkshire Hospital in Reading, 83-year-old Jean Hines was assessed within 25 minutes of arriving at A&E - against a national average of around two hours. She was rushed to Oxford for a thrombectomy that saved her life, and has since fully recovered. Stroke consultant lead Dr Kiruba Nagaratnam, who reviewed her scans remotely, says the technology is "game-changing," doubling a patient's likelihood of regaining independence. The scheme piloted in Berkshire now runs in more than seventy hospitals nationwide.

Give British companies a home advantage to capture value for Britain

In times of fiscal constraint, support for life sciences delivers excellent return on investment. Supporting high-potential companies does not simply create value within individual businesses; it strengthens the wider ecosystem, crowds in private and overseas capital and creates the next generation of innovative companies. Ensuring these benefits are captured for the people across Britain requires government action. The Chancellor has correctly diagnosed the key challenge for the sector – insufficient access to scale up capital. While seed funding for UK life sciences is relatively strong, with levels comparable to the US,⁷ a funding gap emerges at early and late-stage VC rounds (Series B+/ $\pounds$ 20m+), despite the continued ability of UK companies to attract significant international – primarily US – investors (North American investors accounted for 86% of lead investments.⁸). As scaling businesses follow capital, the UK risks losing high-value R&D, manufacturing, and leadership roles overseas. In turn, financial returns and tax revenues flow abroad, limiting domestic wealth creation and reinvestment in future growth – an issue exacerbated by fierce competition with the US and China.

The problem is therefore not a lack of investable UK companies, but a lack of sufficient domestic scale up capital. This is where government intervention can have the biggest impact. Targeted, preferential support for UK biotechs can crowd in private capital, help companies scale domestically and create the conditions for successful founders and investors to reinvest their gains into the next generation of British businesses. The experience of companies such as Myricx Bio demonstrates the potential. Backed by British Business Bank as part of its $\pounds$ 90 million Series A, Myricx Bio has since agreed to be acquired by Novartis for up to \$1.5 billion, creating re-investible capital for founders and funders.

Bold steps are required to back British companies and show this government can enable wealth creation, ensure founders and investors are rewarded, and repetition and reinvestment encouraged. The Budget must focus on investment, innovation and jobs to unlock the life science sector's potential. The proposals in this submission will give UK life science and biotech

⁷ [BIA: UK biotech financing 2024. \(2024\)](#)

⁸ [BIA: UK biotech financing 2025. \(2026\)](#)

companies home and away advantages in a global race for innovation and growth, so that they choose to start here, scale here, stay here, and serve the world from here.

Driving investment

Britain's public financial institutions (chiefly Innovate UK, the British Business Bank and National Wealth Fund) are proven drivers of place-based, investment-led growth across the country, building on established regional strengths and leveraging private investment. When public funding is limited, these institutions can play an important role in crowding in private capital, demonstrating the potential for returns, and creating the conditions for capital to be recycled and reinvested into the next generation of high-growth businesses. The Budget must maintain their sectoral focus and direct new funds into British strengths at pace, first among them life sciences, including engineering biology.

Policy calls:

- Rephase UKRI and Innovate UK funding from FY28–29 into FY27–28, ensuring UKRI deploys this funding at pace and with industry guidelines to define diligence and decision-making.
- Expand and target BBB budget for direct and funds programmes, ensuring resources delivered for larger team to deploy and support life sciences along the private funding continuum.
- Target National Wealth Fund towards life sciences, and lower minimum investment size needed to enable it to be an agent for growth in every postcode.
- Increase access to private finance, incentivising and directing pension fund investment in venture capital and developing new investment instruments linking the financial services and life sciences sectors.

Protecting budgets and accelerating life sciences investment

UKRI and Innovate UK

Public funding for the life sciences is essential to maintaining the UK's position as a global leader in innovation. Funding already allocated through UKRI, including the Research Councils, and Innovate UK provides an important foundation for supporting companies with significant growth potential. It is critical that this funding is deployed at pace and with industry guidance and professional company selection to ensure value for tax payers' money.

HMT should direct DBIST to work with UKRI to rephrase the second-year allocation of support funding into FY27–28, on the condition that industry is actively involved in defining the diligence and decision-making process. This would ensure that investment is directed towards the technologies and companies best placed to deliver economic impact, de-risk private investment and accelerate growth in the UK life sciences sector, including engineering biology.

British Business Bank

The British Business Bank (BBB) has become a critical cornerstone of the UK venture ecosystem. It delivers effective direct equity investment into scaling life sciences businesses and seeks to develop the UK's venture ecosystem by investing into venture funds. The BBB has also developed the British Growth Partnership (BGP), which provides a state-backed vehicle through which pension funds and other institutional investors can invest into life sciences and technology companies.

The Bank's investments demonstrate the potential of this model. In 2024, British Patient Capital invested in Myricx Bio as part of its £90m Series A through Future Fund: Breakthrough. Myricx Bio has since agreed to be acquired by Novartis for up to \$1.5bn, including \$1.1bn upfront, demonstrating the significant value for the taxpayer that can be created by backing high-potential UK life sciences companies at an early stage.

Beyond direct investment, the bank's British Growth Partnership Fund I achieved its first close of £200 million, with commitments from Aegon UK, Cushon Master Trust, M&G, and the British Business Bank, closely followed by an investment in Draig Therapeutics as part of its \$65 million Series B financing round. This marks the first life sciences investment made by the Bank's British

Growth Partnership Fund I, and demonstrate that the bank is playing an essential role in the mobilisation of pension funds.

Resource for the bank should therefore be expanded for both direct and fund investment, allowing greater scale and more deployment such that initiatives like Future Fund: Breakthrough, Life Sciences Investment Partnership, and the BGP able to continue catalysing investment into high-growth UK companies, and directly address the undersupply in late-stage venture capital.

National Wealth Fund

The launch of the National Wealth Fund (NWF) was a very welcome development. If effectively targeted and aligned with the priority sectors and pro-innovation approach of the Government's wider Industrial Strategy, the NWF can be an effective tool in delivering growth in every postcode.

To fully unlock the Fund's potential, priority sectors must include high-growth, innovation-driven industries – such the life sciences, including engineering biology– both of which are already recognised by government as critical to UK growth, and uniquely positioned to create high-value rewarding jobs across the country and resilience to public health threats and healthcare supply chain sovereignty. Both have considerable sector-specific infrastructure gaps that need to be addressed, and are critically dependent on more traditional infrastructure projects such as building and transport. The Fund should therefore consider the benefits and impacts on all priority sectors when making general infrastructure investment decisions. This will require it to build sector specific expertise and work closely with others across government. In particular, the NWF should better target investment towards life sciences, and consider lowering its minimum investment size so that it can play a more effective role in supporting growth, particularly in medicines manufacturing where existing opportunities are not being supported by the Fund currently.

Increasing access to private finance

A lack of scale up capital is the key barrier to the successful translation of UK scientific discoveries into global life sciences businesses. The sector faces structural constraints, including the capital intensity of R&D, long development timelines and the challenges of scaling businesses through later-stage investment. Bold steps must therefore be taken to mitigate these constraints by incentivising and directing private capital towards growth-stage investment in strategic sectors, including life sciences and engineering. The BBB can and must be a key agent in this.

Pension funds – both local government and defined contribution – are well placed to increase their exposure to late-stage VC funds and growth-stage public market deals. The capital-intensive and long R&D timelines of the life sciences align well with the longer-term investment horizon of pension funds. The Burnham Government is to be congratulated on its early success with the new Scale-Up Fund led by Railpen and the BBB. Further action by government to improve access to finance through incentives for pensions to invest in the UK will help close the funding gap between the UK and US by unlocking a significant new source of domestic capital.

It is, therefore, critical that government continues to give this agenda, and the Mansion House Accord specifically, its full backing and maintain pressure on the pensions industry to change its behaviour in the interests of the country. Ministers must ensure the UK pensions industry – which enjoys a dependable and growing income enabled by tax relief at great cost to the UK tax-payer – uses our nation's wealth to build an economic future for UK citizens' benefit. That means linking tax relief to the backing of innovative UK companies creating value that improve our lives. The option of mandation should remain on the table, if the pensions industry does not allocate to venture capital.

Leading innovation

The UK formula of local leaders working with world-class universities, investors, local businesses has created clusters of innovation across the UK – in Manchester, Cambridge, Darlington and Dundee, among many others. These clusters are engines of wealth creation, turning research and investment into high-value businesses. A combination of targeted place-based investments and UK-wide incentives – most crucially R&D tax reliefs – will help give companies a home advantage, and build a cycle of investment, wealth creation and economic growth in every postcode.

Policy calls:

- Create preferential access to publicly funded R&D infrastructure, data, expertise and business support for UK life sciences SMEs and growth potential companies, ensuring public investment delivers greater value for UK growth.
- Enable more innovative UK SMEs to deliver clinical trials at NHS sites across the country by directing existing funding towards the SME pathway within the NIHR Industry Hub.
- Protect and strengthen R&D tax credits for UK biotech and R&D service businesses, and restore ERIS rate to 33p/£ by focusing credits exclusively on IS8 sectors .
- Increase the EIS lifetime limit further for Knowledge Intensive Companies provided the recent raises show positive impact.
- Increase the rate of income tax relief for investors in knowledge intensive EIS- and VCT-qualifying companies compared with non-qualifying ‘run of the mill’ businesses.
- Champion reinvestment by resetting the BADR cap to the extent that proceeds are reinvested in qualifying shares, and exempt reinvested founder proceeds from CGT.
- Increase BADR lifetime limits from £1m to at least £5m for reinvestment.
- Protect Patent Box and accelerate the impact for loss making companies investing in R&D.

Encouraging a public and private sector ‘home bias’ for UK SMEs

Publicly funded R&D and business support should also be designed to give UK life sciences SMEs preferential access to the infrastructure and resources they need to develop and scale. This should include access to UKRI-funded capital infrastructure, the NIHR Industry (clinical trials) Hub, and national patient cohorts and data resources such as Genomics England, Our Future Health and the Health Data Research Service.

DHSC should direct NIHR funding towards the NIHR Industry Hub for clinical trials, with enhanced and ringfenced funding for the SME pathway to roll-out its early success to more SMEs across the country. DBIST and DHSC should ensure that publicly funded R&D assets prioritise access for UK companies with strong growth potential, including access to relevant infrastructure, data and expertise. Further incentives should be created within the UK’s clinical trial infrastructure by

enabling clinical trials units to retain sponsor funds for reinvestment, with a commission to the NIHR industry Hub to enable privately-funded scaling of this national access point.

These assets represent a significant public investment and can provide a major competitive advantage to UK-based companies, but access can be difficult for smaller businesses to navigate or afford. Government should therefore consider mechanisms that give qualifying UK SMEs preferential access to relevant publicly funded infrastructure, data and expertise, following the precedent of the MHRA's differentiated support for SMEs through its scientific advice service.

Case study: Stablepharma

Stablepharma is a UK-based biotech company developing technologies to overcome one of the most significant barriers to global health – an inability to deliver temperature sensitive pharmaceutical products without relying on the global cold chain. Data from the World Health Organisation suggests that over 50% of vaccines are currently wasted annually as a result of failures in this chain.

They have developed patented StablevaX™ technology, that can thermally stabilise and deliver a wide range of vaccines without the requirement for refrigeration. It is designed to dramatically enhance the performance of new and existing vaccines, and Stablepharma hopes to revolutionise the vaccine industry by helping shield vaccines from temperature-related deterioration and wastage.

Stablepharma carried out a world-first clinical trial for a fridge-free vaccine at the National Institute for Health and Care Research (NIHR) at University Hospital Southampton. Results showed that the tetanus-diphtheria vaccine, known as SPVX02, can be stored at temperatures of up to 30°C for at least two years without losing effectiveness. Following this success, Stablepharma has been granted approval for a 2b phase trial for further assessment with a larger group.

Dr Jonathan Fennelly-Barnwell, Interim Director of Approvals at the Health Research Authority says, 'It's great to see ground-breaking trials like this one take place in the UK and demonstrates how our clinical research system is attracting world-first, innovative health and social care research that has the potential to transform people's lives.'

Enhancing the tax system to drive reinvestment and early-stage investment

A pro-innovation and pro-entrepreneurship tax system is essential to the full realisation of the ambition and vision of the life sciences. While the current system has many positive elements, there are many areas that are inaccessible or limiting as a result of complexity or unnecessary barriers. Existing schemes need to be streamlined where possible and better targeted to ensure that the intentions behind the incentives are realised, and that the system takes into account the intricacies of our highest potential sectors, such as life sciences. Crucially, founders and funders should be rewarded for the risk they take in creating wealth, encouraging them to repeat that risk-taking and reinvest in the next generation of innovative UK businesses.

Case study: Resolution Therapeutics

Edinburgh-based Resolution Therapeutics has drawn directly on the UK's R&D tax credit regime to accelerate development of its lead cell therapy programme, RTX001, for end-stage liver disease. By reducing the net cost of our research and development activity, the relief has allowed the company to reinvest around £5m back into R&D since 2020, and to sustain the pace of a capital-intensive, pre-revenue biotech pipeline through early clinical development.

That investment has translated into jobs outside London. Resolution was born in Edinburgh, and the R&D tax credit has directly supported the growth of their Scotland-based team, now standing at 21 high-skilled employees, with some world-leading experts in macrophage biology.

The investment has also allowed Resolution to host PhD and Master students from local universities, who are able to develop biotech experience. Around 40% of Resolution's workforce is now based in Scotland, contributing to the region's growing reputation as a hub for advanced cell and gene therapy manufacturing.

R&D tax reliefs

R&D tax credits have been critical to the growth and success of UK life sciences and biotech. BIA members regularly cite them as the most important support they receive from government. Multiple measures have been put in place to improve the effectiveness and efficiency of the schemes, and reduce fraud. They are now much better targeted at the R&D intensive sectors they are intended to support and that are critical to delivering the Government's Industrial Strategy.

These adjustment – including a focus on the IS8 sectors – should result in a reduction of the cost of the scheme to the Exchequer, which should allow for the R&D-intensive SME rate to be returned to its original levels of 33p/£, before the Conservatives' cuts. Increasing the rate as outlined would provide broad benefits across the sector and country, most notably, it would lead to an increase in R&D investment, creating more jobs and anchoring companies more strongly in the UK.

Research intensity is an important element of the R&D incentive framework, but the current definition can exclude companies that should qualify for the enhanced rate of relief. In particular, companies with significant VC investment can be deemed ineligible due to control rules or high non-trading costs, such as VC management fees, which can artificially reduce their proportional R&D spend. The definition should therefore be updated to better reflect the policy intent, with the research intensity test either explicitly limited to trading companies, as reflected in HMRC guidance, or adjusted to exclude loan relationships, derivatives and impairment charges from total relevant expenditure.

Further proposals related to capital expenditure in R&D tax credits are covered on page 20

EIS/VCT

The tax-advantaged EIS has underpinned the increase in early-stage venture investment across a range of sectors over the past decade.

The recently announced changes to the lifetime eligibility thresholds (from £20 to £40 million) are extremely welcome, markedly increasing the schemes relevance and usefulness for the later stages of life science companies' growth. The long and expensive R&D and regulatory process for medicines means the life sciences sector uniquely requires much greater sums of capital before reaching market and generating revenues than other sectors. As such, the previous £20m limit

restricted the usefulness of EIS and VCT for life sciences compared to other less capital-intensive sectors.

Additionally, increasing the rate of income tax relief for investors in knowledge intensive EIS- and VCT-qualifying companies would recognise the additional funding challenges Knowledge Intensive Companies face, and risk taken on by the investor, incentivise investment into these companies and boost engagement with these schemes. This greater rate of relief could be further limited to Knowledge Intensive Companies within the eight prioritised Industrial Strategy sectors, which would reduce the cost of this policy to the Exchequer.

BADR

BADR should be one of the primary mechanisms within the tax environment to reward founders and wealth creators taking risk and support reinvestment to drive growth. However, dramatic cuts to the reliefs have had marked impacts on founders' willingness and ability to reinvest.

Currently, founders can only benefit from the BADR lifetime allowance once. This means that after a successful exit, even if they reinvest their proceeds into a new UK startup, they cannot claim the reduced rate again. Allowing the BADR lifetime cap to be reinstated to the extent that gains are reinvested in qualifying shares would reward serial entrepreneurs and encourage them to build and scale multiple companies in the UK rather than cashing out or leaving the ecosystem.

More broadly, founders should be able to reinvest proceeds from an exit into qualifying UK businesses without incurring CGT on the amount reinvested. Exempting founder proceeds that are reinvested from CGT would strengthen the incentive to recycle capital into the UK's innovation ecosystem and ensure that successful exits generate further investment and new businesses.

What's more, life sciences founders face long, high-risk development timelines before any exit, so the £1m BADR limit is quickly exceeded. Raising it to at least £5m – and ideally closer to £10m – would better reflect this reality and strengthen incentives to build and scale companies in the UK.

Patent Box

The Patent Box incentivises UK companies to develop and commercialise intellectual property, supporting R&D-intensive sectors like life sciences. It is an important element of the tax landscape.

Currently, UK companies can only access Patent Box tax relief once a company is profitable. This means startups and loss-making companies often cannot benefit from these additional tax incentives during the critical period of scaling up. Patent Box losses should be calculated at the sub-stream level rather than at the entity level. This would allow profitable IP streams to benefit from the regime even where the company remains loss-making overall due to continued R&D investment. This proposal would let them access Patent Box benefits earlier, turning future tax savings into cash to support growth before profits arrive.

Loss-making SMEs should be permitted to monetise Patent Box deductions at the applicable RDEC rate (currently 16.2%) or ERS rate (currently 26.97%). This would bring forward cash support to the point at which it is most impactful and align the regime more closely with the funding needs of scaling companies.

Creating a pro-business environment to support UK life sciences growth and investment

The Government should explore the development of dedicated Life Sciences Investment Zones in key regions, using targeted tax incentives and business support to attract investment, encourage entrepreneurship and strengthen the ecosystems around existing clusters. These could be particularly valuable for the R&D services sector, where access to specialist infrastructure, talent and capital is critical to growth.

The Cambridge–Manchester corridor would provide a strong pilot for this approach, bringing together two complementary and globally significant life sciences clusters and testing how greater connectivity between regional ecosystems can drive investment and commercialisation. Building on the existing Cambridge - Manchester partnership, this could provide a model for strengthening interactions between other UK clusters and for developing a more connected national life sciences ecosystem.

Securing jobs

Employment in UK life sciences has grown consistently in the past decade, from 232,000 in 2012/13 to 360,000 in 2023/24.⁹ With increasing numbers of scaling companies and a more attractive commercial environment created by the Labour Government through the US-UK Pharmaceutical Deal, there is considerable scope for further job creation. Alongside public finance institutions providing capital investment and home advantage (as described above), tax incentives can help anchor manufacturing services and employment in the UK. Labour's commitment to increase spending on medicines is further boosting the UK's reputation as a place for the global pharmaceutical industry to invest, creating jobs and delivering medicines for a healthier and more work-ready population.

Policy calls:

- Expand the current R&D tax relief scheme to include UK capital expenditure within RDEC and ERIS to anchor sciences manufacturing in the UK.
- Increase the individual option limits under EMI and CSOP, and remove the requirement for CSOP awards to count towards the EMI individual limit.
- Meet the commitment outlined in the UK-US Arrangement to increase NHS spending on new medicines from 0.3% of GDP in 2026 to at least 0.6% of GDP by 2036.
- Meet the commitment outlined in the UK-US Arrangement to increase total NHS spending on all medicines from 10% to 12% of the NHS budget by 2036.
- Ensure that the commitment to substantially lower claw-back rates for medicines meeting certain conditions benefits smaller companies in the next voluntary scheme.

R&D tax reliefs

Capital expenditure is not currently eligible for relief within the R&D tax relief scheme. As such, companies not eligible for capital allowances have no incentive for capital investment, as Capital Allowances do not provide cash credits. Significant capital expenditure is required to establish manufacturing facilities, but once in place, they can be a strong anchoring point for companies,

⁹ [OLS, DSIT, DHSC, DBT: Bioscience and health technology sector statistics 2023 to 2024. \(2025\)](#)

making moving overseas a less attractive prospect. Therefore, making capital expenditure eligible for relief would create a significant incentive for companies involved in the manufacture of experimental medicines and medical devices for clinical trials to scale, stay and serve the world from here. There will be more high-growth, R&D-intensive businesses with stronger roots in UK soil. In order to promote substantive investment, eligibility could be limited to Structures and Buildings Allowance, special rate pool assets, and assets with a unitary value of more than £100k.

EMI/CSOP

The EMI employee share scheme is a powerful policy tool for supporting innovative, young and R&D-intensive companies to create jobs. 68% of biotechs that responded to a previous BIA survey (unpublished) stated that they offer EMI options to all their full-time employees. It helps them attract and maintain the talent they need to innovate and grow their businesses by offering a more competitive remuneration package at no or minimal financial cost to the business.

Currently, the amount of share options an individual can receive under EMI and CSOP is capped, and CSOP awards count towards the EMI limit. The £250k individual limit for unexercised EMI options has remained unchanged for some time and can quickly become insufficient in companies competing for senior scientific and commercial talent. This can restrict key employees from receiving meaningful equity incentives, particularly in high-growth or high-value companies. Increasing the limits and removing the overlap would allow businesses to reward and retain talent more effectively, without penalising employees for receiving both types of schemes.

Meeting the commitments of the UK-US Arrangement

The UK-US Arrangement securing a 0% tariff on pharmaceutical exports to the US is an important boost for the UK life sciences sector and should be treated as a key enabler of the Government's ambition to strengthen the UK as a place to develop, manufacture and commercialise innovative medicines. By preserving access to the world's largest pharmaceutical market while keeping UK-based manufacturing competitive, the arrangement strengthens the case for companies to invest, manufacture and retain high-value activity in the UK, not only by large global companies, but by contract manufacturer SMEs across the country too. The Government should build on this advantage by ensuring that the domestic market and wider policy environment reinforce the UK's attractiveness as a base for life sciences investment.

Case study: Autolus

Autolus Therapeutics is a homegrown UK life sciences success story. Spun out from University College London in 2014, it has grown into a commercial-stage biopharmaceutical company built on British science. Its CAR-T cell and gene therapy for acute leukaemia was invented in the UK, by a UK team, and is manufactured at Autolus' £250 million facility in Stevenage. Autolus' facility employs over 400 highly skilled staff and anchors the wider Stevenage cluster. Following a NICE approval in December 2025, UK patients with acute leukaemia are benefitting from this treatment, developed and manufactured in the UK and exported to the world.

The 0% tariff on pharmaceutical exports to the US - secured by the UK Government as part of the UK-US pharmaceutical agreement – supports the retention of manufacturing within the UK, the export model and the wider UK life sciences environment. Strengthening the UK manufacturing and export model will help to protect UK taxable profits, UK jobs and maintain UK innovation and R&D.

The 0% tariff enables Autolus to continue to manufacture in Stevenage, whilst continuing to have access to the world's largest pharmaceutical market.

The Government's commitments to increase NHS spending on medicines should be delivered in full, providing greater certainty for companies investing in the development and commercialisation of new treatments in the UK. In particular, the commitment to increase NHS spending on new medicines from 0.3% of GDP in 2026 to at least 0.6% by 2036, alongside the commitment to increase total medicines spending from 10% to 12% of the NHS budget over the same period, should be met.

These commitments have the potential to strengthen the UK market for innovative medicines, improve patient access and provide a stronger incentive for companies to invest and launch in the UK. The recently announced commercial environment pilots and research projects present an opportunity to introduce reforms to the access environment to better recognise the value of medicines in key areas of innovation, including in rare diseases and cancer.

It will also be important that the planned reduction in claw-back rates on medicines sales via future voluntary and statutory schemes delivers meaningful benefits for smaller and growing companies, which can be particularly sensitive to the impact of pricing and reimbursement terms on their ability to invest, scale and bring new products to market.

The Government should ensure that the design and implementation of these reforms does not disproportionately favour larger companies, but supports a diverse pipeline of innovative UK businesses.

For any further information on the contents of this submission, please contact the BIA policy team at policy@bioindustry.org.