

It's time for R&D tax relief to go, to be replaced with...

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The [FT has noted this morning](#) that:

The UK government's £7.3bn research and development tax credit system is failing to deliver significant additional spending by businesses, according to a report that warns the 20-year-old policy could prove a "costly failure".

The data comes from the Centre for Business Research at Cambridge Judge Business School and suggests that R&D in the UK is now between 10 and 15 per cent lower than when the tax credits were introduced.

I admit to having long been a cynic of R&D tax credits. I always thought the greatest quantity of R&D they created was in the accountancy profession, seeking ways to relabel normal expenditure as R&D to claim the additional tax reliefs available.

Don't get me wrong: I think that there are beneficial tax reliefs. I also believe that they are much less common than has been generally thought by politicians, the Treasury and others for some time.

This is a case in point. If you want to encourage R&D it should be part of an industrial strategy. You do not want R&D generically: you want R&D specifically. The aim is to produce concentrations of excellence. And the way to achieve that is to give grants, and not splash money around in the hope that some will do some good.

Quite clearly the splashing the cash policy has failed. The UK is not creating the required excellence at much when we also very obviously need to do so. It is time for this tax relief to go, and with it all the opportunities for profit that it provides to accountants and a whole range of consultants. Instead, we need real innovation in pursuit of real goals. Picking winners and then backing them should be the policy. That's terribly untrendy, I know, but it's what we need to do.

And we should start with the technologies to support a Green New Deal.