



No boundaries for bright ideas

UKTech: A unique hotbed
for pioneering thinking

July 2019

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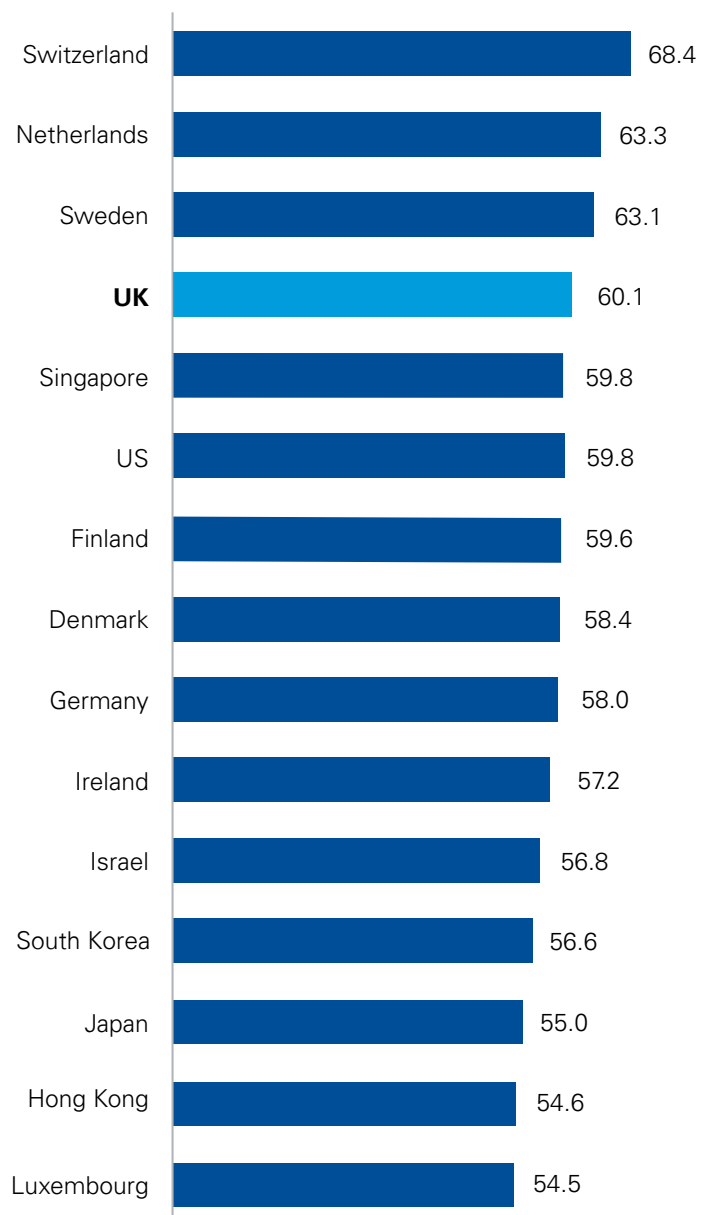
The UK's technology sector is a unique hotbed of pioneering ideas – with growing numbers of investors looking for a slice of the action.

Innovation and creativity are hardwired into the UK's DNA. Fourth in the Global Innovation Index¹, the UK now boasts Europe's most successful digital economy, worth nearly £184 billion²—with tech expanding 2.6 times faster than the rest of the economy³.

London's Old Street is one of the world's largest tech start-up clusters. Some 300,000 people work in tech in the capital⁴ alone and the UK remains the top destination for fintech investment activity in Europe with over \$20.7bn in deals in 2018⁵. With large numbers of venture capital firms clamouring to invest, the UK is also the tech unicorn capital of Europe⁶.

Underpinning this explosive growth is the country's world-class expertise in both the digital consumer space and industrial and B2B technology developments. Everything from electronic systems, communications, data management and analytics, and data centres to cloud services, AI, cyber, semiconductor design and sensors. And it underpins every sector from health and defence to finance, agriculture, defence, retail, property and beyond.

Global innovation index report 2018



Source: www.globalinnovationindex.org

¹ WIPO Global Innovation Index 2018

² Tech Nation 2018 Report

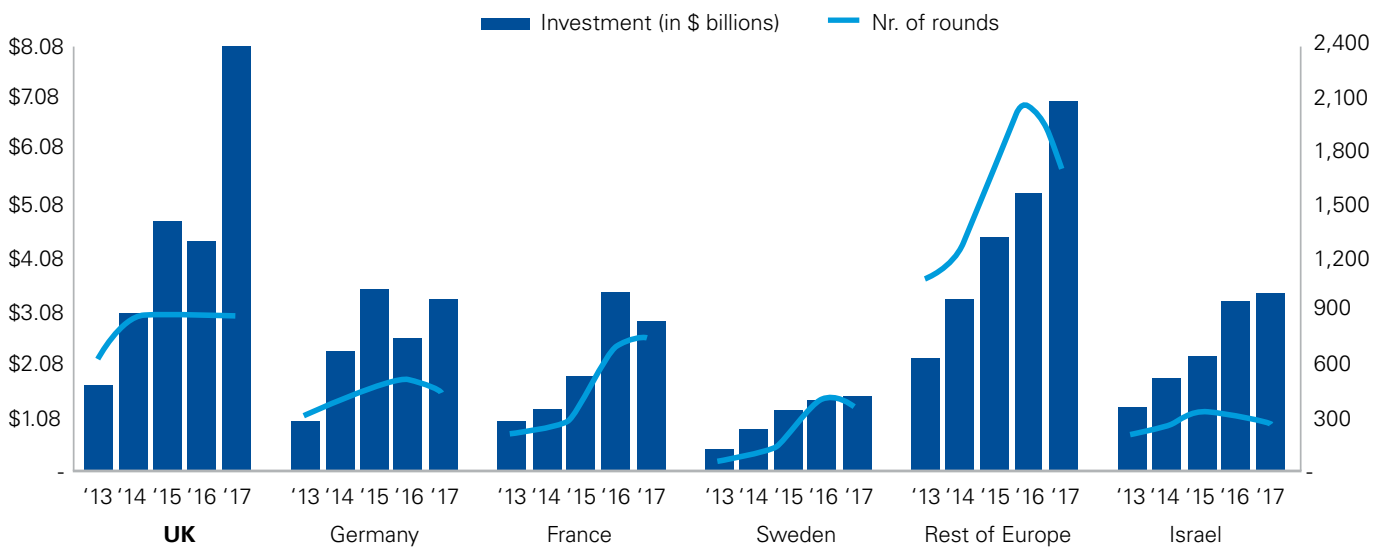
³ Tech Nation 2018 Report

⁴ Tech Nation 2018 Report

⁵ KPMG 'The Pulse of Fintech 2018'

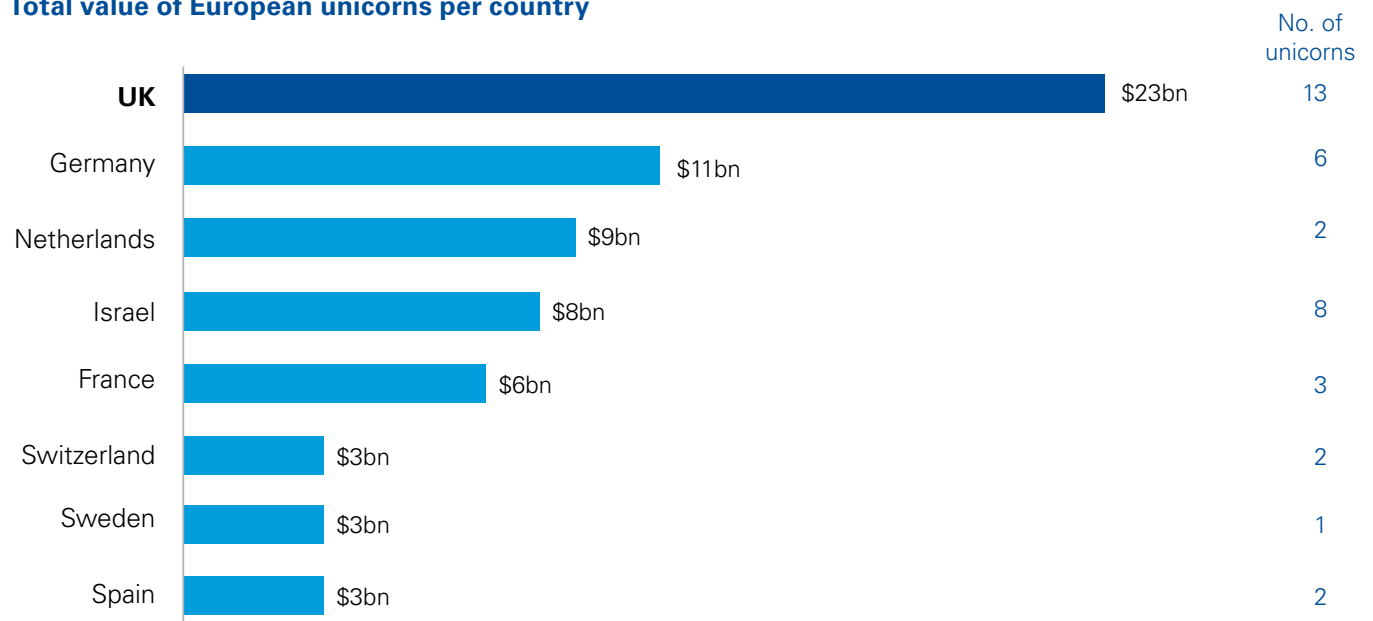
⁶ Dealroom and Tech Nation

Venture capital investment in 2017



Source: Dealroom.co

Total value of European unicorns per country



Source: Dealroom.co

The perfect incubator

Why do fledgling tech companies flock to the UK? The ideal combination of pragmatic and pioneering, it is one of the world's most business-friendly environments – including law, language and time zone – and has the lowest corporation tax in the G7. Its light touch regulatory framework is backed by a robust intellectual property system and flexible labour laws – creating the space for innovators to spread their wings.

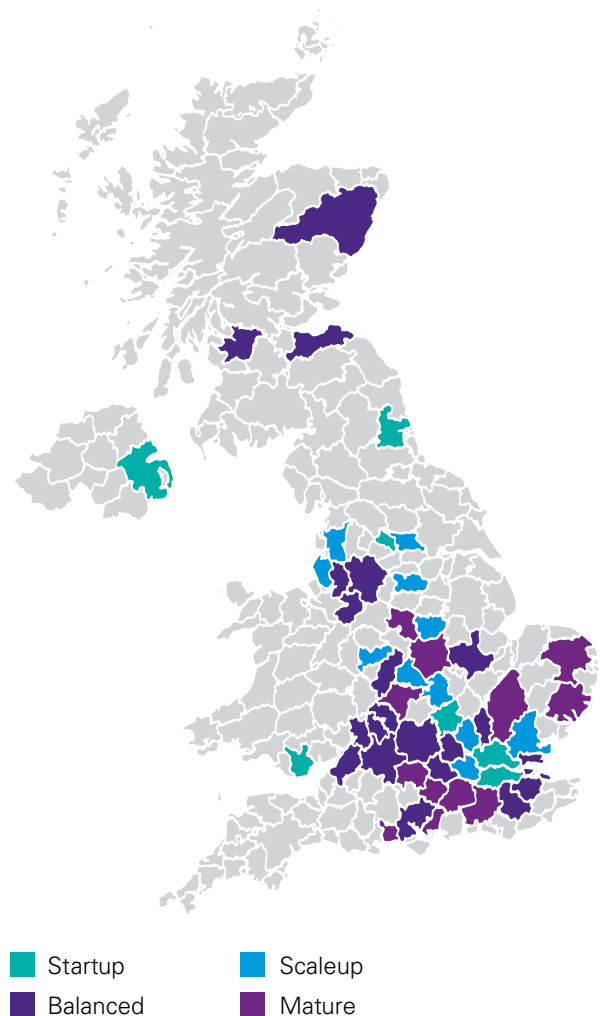
The Government provides a supportive environment for start-ups and SMEs by providing tax incentives and R&D credits. The upcoming Digital Services Tax in April 2020 is part of a cross-border drive, mirroring similar measures being introduced across the EU, although the UK tax won't impact start-ups and SMEs.

There's also a deep pool of talent available – much of it international – with four of the world's top ten universities based in the UK. London start-ups have the fourth most international workforce in the world, after Singapore, Berlin and Chicago⁷. There is also extensive collaboration between academia and the private sector to take developments from the drawing board to commercial reality.

And while London is home to some of the biggest names and concentrations of entrepreneurs, the UK also has 30 other significant technology clusters nationwide. These range from major cities such as Glasgow and Manchester, to 16 smaller tech towns and so-called 'silicon suburbs'⁸.

The UK is also effectively a test-bed on tap. With the largest e-commerce market in Europe⁹, it has one of the highest digital buyer experiences – a ready-made platform for international companies with an online presence to road-test their models, products or services.

Growth Stage distribution of companies in Travel to Work Areas across the UK



Source: Tech Nation 2018 Report

⁷ Tech Nation 2018 Report

⁹ DIT

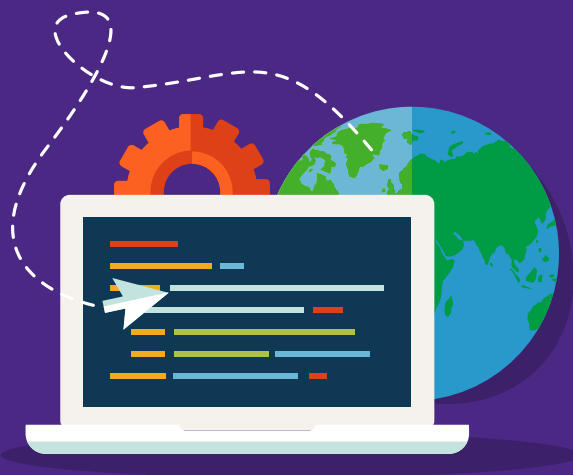
⁸ Tech Nation 2018 Report

The Brexit effect

Inevitably, leaving the EU will have some impact on tech in the UK – although far more limited than some other sectors. The industry has little exposure to cross border supply chains and does not operate a highly regulated market.

That said, the smooth running of cross border contracts is a priority, as well as maintaining EU data privacy standards to ensure the seamless transfer of data. Likewise, many firms stress the importance of continued access to international talent to safeguard the UK's pole position in innovation.

Some overseas investors are currently holding back on further expansion or new investment until there is greater clarity on Brexit. For the most part, however, the sector continues to be buoyant.



Gearing up for tomorrow

Key to future success will be intensified support from Government to ensure tech prospers and is widely promoted as one of the jewels in the UK's crown. The Industrial Strategy will be instrumental here in fostering innovation and investment. So too will be a ramping up of STEM education, such as teaching coding from junior level and boosting tech apprenticeship schemes.

Likewise, any further reductions in the headline tax rate would draw in tech companies, as well as enhanced IP incentives to outstrip European competitors. Quality infrastructure is also vital — 5G network and superfast broadband, but also first class transport services to connect tech hotspots nationwide.

Expect also to see a growth in 'sandbox industrial parks' in the UK: mini-ecosystems that focus on areas in which the UK excels — such as cyber, semiconductor or anti-virus technology, or autonomous vehicles — and create a space for cutting-edge R&D, supported by investment tax breaks and essential resources as such ultra high speed broadband.

KPMG - the bridge for clients in the US and the UK

KPMG is the only one of the Big 4 accounting firms to have a permanent UK-operated presence in the United States and similar US-operated presence in the UK. We recently opened a subsidiary of the UK business in New York; KPMG UK (Transatlantic) LLC, to support US companies with a presence in the UK – or those looking to establish one there.

Staffed entirely by UK principals and professionals working in partnership with US client service teams and specialists back in the UK, we provide on-the-ground support so that US companies can navigate the UK business environment and its unique growth opportunities.

Our expertise helps businesses hit the ground running, with everything from legal and tax advice, to business remodelling, accessing finance, digital strategies, and growth and right-sizing plans.

We were also the first Big Four firm to appoint a Head of Brexit in the UK and have been advising clients on the frontline ever since. From supply chain issues, to customs, working capital, contracts and people, we've spent the past three years helping our clients to de-risk and identify where the new openings lie.



How KPMG can help

The potential for UK tech is immense as a continued global hotbed of creativity, ingenuity and entrepreneurship. If you'd like to find out more, contact:



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