

Powering the prosperity of small businesses in the digital age

Small business owners wear multiple hats—from CEO, CFO, and CMO to stocking shelves and delivering orders. They should have the opportunity to unlock their full potential by accessing the same technology that big businesses use to their advantage, such as artificial intelligence (AI) tools and systems. Advanced digital technologies, from AI to payments, empower small- and medium-sized enterprises (SMEs) to increase their productivity, get paid faster, and make informed financial decisions with complete confidence.

According to the Intuit QuickBooks Small Business Index Annual Report 2025, small businesses using multiple digital tools report twice the revenue growth as those that don't. Yet, many UK SMEs

are falling behind in their use of digital tools, and over a quarter still do not use basic digital tools.¹ If the UK's SMEs doubled their uptake of digital tools, it would lead to a productivity boost of £16.6 billion.²

Putting the right support in place to drive SME digitalisation must be taken seriously. It will be integral to boosting growth and productivity and securing the highest sustained growth in the G7 by 2030. Singapore's Go Digital and New Zealand's Digital Boost demonstrate the effectiveness of bold, multifaceted strategies. These successful programmes combine targeted support, financial incentives, regulatory reforms, and accessible training to drive enormous shifts in digital adoption.

1. Drive digital adoption

CHALLENGE

- Small businesses stand to benefit immensely from digital tools, but more than 1 in 4 SMEs in the UK still do not use basic digital tools. There is a lack of support to help them overcome the barriers to adoption, and previous attempts, such as the Help to Grow: Digital programme, fell short due to design flaws, limited reach, and misalignment with SME needs.

SOLUTION

- Prioritise SME digitalisation in the Industrial Strategy and develop a comprehensive digital adoption plan with clearly defined targets to deliver by 2030.

Ask: The forthcoming Small Business Strategy should set concrete targets and objectives that drive collective action towards the digitisation of the UK economy by a set date. For example, by 2030, we should aim to have 90% of SMEs with at least a basic level of digitisation and 75% using emerging technologies like AI. The European Union has implemented these targets successfully to ensure the prioritisation of digital adoption programmes across Europe.

- Implement new incentives, such as tax credits and grant funding programmes, to remove the financial barriers preventing SMEs from adopting digital tools.

Ask: At the Autumn Statement, implement a new digital productivity tax credit or extend full expensing of capital investment to digital technology. This would enable every business that invests in digital tools to cut their tax bill by up to 25% for every £1 they invest.

- Create an online platform that provides tailored guides and resources to support SMEs at every stage of their digitisation journey, from initial technology selection to ongoing optimisation.

Ask: The new Business Growth Service should work in partnership with the private sector to make support resources and tutorials available to all SMEs. By leveraging AI, the platform would act as a concierge to provide tailored advice on digital solutions for their unique challenges.

2. Simplify and digitise business administration

CHALLENGE

- ✔ Making Tax Digital (MTD) represents a significant opportunity to provide better digital services across government. The programme has already boosted annual productivity by £6.5 billion, and it has been the most successful catalyst for SME digital adoption. It has reduced the time spent on tax administration and improved cash flow forecasting, enabling SMEs to make more informed financial decisions. But constant delays to the implementation timeline have meant that there are still up to £57 billion worth of productivity gains yet to be realised.³

SOLUTION

- ✔ Maintain the ambition of delivering His Majesty's Revenue & Customs' (HMRC) digital transformation agenda in full in order to encourage SMEs to adopt more digital tools and technologies.

Ask: Use the Spending Review to focus HMRC resources on improving the effectiveness of existing digital services and delivering flagship digital adoption programmes, like MTD.

Ask: Introduce a phased approach to mandatory e-invoicing for business-to-business (B2B) transactions in order to tackle late payments. This could be phased by business size, business structure, or the number of invoices per month.

3. Democratise access to AI

CHALLENGE

- ✔ Governments around the world are exploring regulatory frameworks to prevent harmful AI outcomes, but SMEs are often an afterthought in these debates. The correlation between digital adoption and small business success is clear. Studies show that in the UK, digitally connected businesses are 2.4x more likely to report higher productivity and 2.3x more likely to report higher revenue.⁴ AI-powered digital tools have the potential to tip the scale in favour of small businesses, but they need a seat at the table.

SOLUTION

- ✔ Ensure small businesses have a seat and a voice at the table for any new regulatory frameworks on emerging technology.

Ask: Ensure all government departments issue strategic guidance to their regulators that requires them to conduct a SME assessment for any future AI frameworks.

Ask: Appoint a SME AI champion to work with industry and government to horizon scan for emerging issues, considering SME needs from the outset, and develop AI adoption plans across the economy.

Ask: The Department for Science Innovation & Technology should create an 'AI knowledge hub' that provides guidance to help SMEs understand the capabilities of AI in their sector, as well as the controls and processes they should implement in order to use the technology safely and responsibly.

1. techUK. 'Seven Tech Priorities for the Next Government.' 2024.

2. Progressive Britain. 'Value Added Tax: How Delivering Making Tax Digital Will Unlock a World of Opportunities for UK Small Businesses.' 2024.

3. Volterra Partners and Intuit. 'The Productivity Payout: UK Small Businesses and the Digital Economy.' 2019.

4. Intuit QuickBooks. 'Intuit QuickBooks Small Business Index Annual Report 2025.' 2025.