

Greater certainty for British businesses as national security investment rules refined

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- Tech firms to benefit following “off-the-shelf” AI being removed from mandatory screening to focus oversight where it’s needed.
- National security to be bolstered as investments in the water sector will be brought under mandatory security screening for the first time to protect critical infrastructure.

British businesses in critical sectors of the economy will benefit from clearer investment rules under the National Security and Investment Act as the government plans to update its screening regulations to ensure they remain up to date and to provide greater clarity for businesses.

Following a 12-week consultation with legal experts, trade bodies and industry leaders, the government is publishing its formal response, setting out how it plans to refine the sectors requiring notification under the National Security and Investment Act. This improved transparency is designed to reduce administrative friction and maintain the UK’s standing as a highly predictable, rules-based destination for investment.

The Act empowers the government to scrutinise acquisitions that could risk national security. It mandates that investors gaining control over companies in 17 sensitive sectors, such as defence and energy, must notify the government for screening before the transaction proceeds.

The government intends to lay secondary legislation in Parliament later this year to implement these updates.

Chief Secretary to the Prime Minister Darren Jones said:

We are making the right choices for businesses to invest in the UK. We have listened to their concerns and are refining these rules to give businesses the clarity they need - cutting red tape where we can - while strengthening our controls on critical sectors like water and advanced semiconductors, where our national security interests demand it.

Artificial Intelligence

AI systems that are “off-the-shelf” will be removed from mandatory notification rules, focusing instead on firms that develop or modify advanced AI. The government is continuing work on the precise definition to ensure that widely available systems used for standard business tasks remain outside the net.

Semiconductors and Critical Minerals

Semiconductors and critical minerals will move into their own dedicated categories, separating them from the Advanced Materials section. This makes it simpler for companies to check if they need to notify the government.

These vital sectors are critical to the modern economy and will now have their own tailored rules. For semiconductors, the definition now captures advanced packaging and specific chip design processes to ensure hardware remains secure from the ground up. For critical minerals, the government will further consider whether additional minerals should be in scope, in line with those highlighted in the 2025 UK Critical Minerals Strategy.

Water

For the first time, water-operating companies are being brought directly into the mandatory notification process. The new rules will focus on major water companies and larger independent providers.

Following industry feedback, the government has confirmed that companies in the general water supply chain will not be subject to mandatory notification.

Notes to editors

- Today's announcement outlines the government's intended updates following consultation. The current rules remain in force until secondary legislation, to be laid in Parliament later this year, comes into force.
- Clarifying amendments will also be made to the Communications, Critical Suppliers to Government, Data Infrastructure, Energy, and Suppliers to the Emergency Services schedules to improve clarity on when businesses are required to notify.
- Updated and more detailed guidance will be provided across the majority of sectors, including defence, to address stakeholder feedback and improve legal certainty for the investment community.
- The National Security and Investment Act's Notifiable Acquisition Regulations came into force in 2022 and set out which activities in 17 sensitive areas of the economy bring an entity into scope of mandatory notification.
- The Advanced Materials and Synthetic Biology schedules will remain unchanged following the consultation.
- This press notice is for information only. Businesses should refer to the relevant legislation and formal guidance for regulatory requirements.

<https://www.gov.uk/government/news/greater-certainty-for-british-businesses-as-national-security-investment-rules-refined>