

Research & Development Tax Credits for SMEs

KEY FEATURES

Companies only

Two schemes – depends upon company size

Work undertaken should aim to achieve a Scientific or Technological Advance

130% uplift in qualifying costs for SMEs

Loss-making companies can surrender tax credits for a payment from HM Revenue & Customs

'No tax credit, no fee' service available

CREDIT WHERE IT'S DUE

The UK government provides some significant Tax incentives for companies undertaking research and development work (R&D). The aim is to encourage investment in R&D and to make the UK an attractive location for overseas companies to undertake their R&D activities.

There are two schemes, depending on the size of the company. A company qualifies for the small and medium sized company (SME) scheme if it has:

- Fewer than 500 employees.
- Either an annual turnover not exceeding €100m or a balance sheet with gross assets not exceeding €86m.

Any company which is not small or medium sized under the above definition is a large company for R&D purposes.

We work with specialists to review eligibility and to maximise any claim for tax credits.

What is the benefit of performing R&D?

SMEs can claim an additional 130% deduction of the qualifying revenue expense incurred.

If the company is loss-making the company can surrender their R&D Tax credit in return for a cash repayment from HM Revenue and Customs (at a rate of 14.5%).

What expenditure is qualifying?

The following expenditure qualifies for the SME R&D tax relief:

- The cost of staff directly involved in the R&D work.
- 65% of the cost of externally provided workers engaged by the company to work on the R&D project.
- The cost of software and consumable items, including fuel, power and water.

- 65% of the cost of subcontracting specific elements of the R&D work to a third party.

The R&D work must not be subsidised by grants and must not relate to R&D subcontracted to the company by another person.

Definition of R&D

HMRC and the Department of Trade and Industry have issued some guidance on the meaning of R&D for tax purposes.

In broad terms, for an activity to be considered as R&D it should aim to achieve an advance in science and technology through the resolution of a scientific or technological uncertainty.

The R&D should not be seeking to create what is already available (except if it is a trade secret) or could readily be made available by a competent professional working in the relevant field.

Is Commercial R&D qualifying?

Most companies will perform R&D when creating and adapting products, however not all R&D is the same.

Legislation dictates that to qualify for R&D Tax Credits the work undertaken must meet defined criteria. This process and the tests for qualifying are complex. Please talk to us to discuss whether the work you are undertaking may qualify.

Do you qualify?

We work with a number of dedicated R&D specialist firms who are always happy to discuss your business and the potential R&D you incur. They operate simply on a percentage of the Corporation Tax saved, with no other upfront or future fees, and with no contractual obligation for future years. Please contact us to discuss whether a review would be beneficial.

The expert

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consultants and specialists by consistently and continually providing an exemplary service based around our core principles of expertise, commitment and value.

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