



# RESEARCH AND DEVELOPMENT

Is your company innovating? Research and Development (R&D) tax credits provide extremely favourable tax reliefs for companies who engage in innovation. It is not just relevant to technology companies and qualifying R & D can be found in many different industries. Claimants are entitled to enhanced tax reliefs and in certain cases can receive cash back from HMRC. Speak to us to discuss your circumstances.

**A company can claim R&D tax relief on qualifying expenditure incurred on a qualifying project. There are two separate regimes, the SME (Small & Medium Enterprises) and the large company regime.**

The SME regime allows for a 230% deduction for qualifying costs against profits chargeable to corporation tax. This represents a cash saving of 46p per £1 of spend on R&D from 1 April 2016. If the R&D claim results in a loss for corporation tax purposes that loss can be surrendered for cash at a rate of 14.5%, giving a 33.35p payable credit per £1 of R&D spend. **This can result in significant tax repayments by HMRC.**

The large company regime provides a 130% deduction for qualifying costs. The large company regime also provides for an R&D expenditure credit ("RDEC") as an alternative to the main 130% relief.

## **Why consider R & D?**

In our experience R&D can apply to almost all sectors and we find many companies have concluded they do not qualify for the relief when in fact they are entitled to substantial claims. It is possible to make retrospective claims for open corporation tax years and recover corporation tax previously paid. This should more than cover the cost of claims and establish a process for future years' claims.

## What activity qualifies?

Broadly a project will qualify for R&D tax relief if it advances the overall knowledge or capability in science or technology. There must be a technological or scientific uncertainty which is resolved and the knowledge surrounding the advance must not be readily available in the public domain.

A project may improve a process, device, material, or product and provided that an advance in science or technology is sought through the resolution of scientific or technological uncertainty the project can qualify for R&D.

## Examples of recent successful claims have been:

- Haulage company - integrating their delivery system onto a tablet device
- Electrical engineering company – development of prototypes to improve rail safety
- Plant hire company – bespoke modification of heavy plant
- Food processing company – development of new cooling methods
- Several manufacturing companies who have improved a key production process to achieve greater levels of efficiency or have reformulated or improved their existing products

In simple terms, you only need to ask yourself “have we improved anything?”  
If the answer is yes then it is worth further discussion.

## How can Bates Weston help?

We have significant experience in making successful R&D claims for our clients and we will work with you to ensure you obtain the maximum benefit from any claim:

- meeting your technical team to discuss projects undertaken to establish qualifying projects
- assisting in identifying costs eligible for relief
- preparing an R&D report for submission to HMRC
- liaising with HMRC on your behalf to process tax repayments
- dealing with HMRC enquiries

Contact us today for an initial discussion on your circumstances to see if you could reclaim cash back on your R&D.

### Contact information:

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