Research and Development Tax Relief

WSM BUSINESS ADVISORY
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Research and Development ("R&D") Tax Credits are the government's flagship scheme to encourage companies to invest in research and development.

Of the two schemes available, small and medium sized companies ("SMEs") can claim much greater tax credits than large companies.

What are SME Tax Credits?

SMEs can claim enhanced tax deductions of 230% of their R&D expenditure which is equivalent to a reduction in the Corporation Tax liability of 44%.

For those companies which are not making profits, there is a cash back option so they can claim over 33.3% in cash from HM Revenue & Customs ("HMRC") on their qualifying R&D expenditure from 1 April 2015.

What is an SME?

An SME for the purpose of R&D Tax Credits is a company which has less than 500 employees and a turnover under €100m or total assets under €86m - a definition encompassing over one million companies in the UK.

Despite this, only 18,630 claims by SMEs were registered under the most advantageous scheme in the most recently released statistics, and on average they each claimed over £58,776 from HMRC.

What R&D qualifies for Tax Credits?

R&D Tax Credits are available to projects which provide a scientific or technological advance and address uncertainties.

SMEs address scientific and technological advances on a regular basis; often without realising it. Many projects which create or improve a process, product or service of the company will qualify for R&D tax relief.

It does not only apply to new ideas; projects that duplicate processes, products or services which competitors already provide may also qualify for R&D Tax Credits.

Projects usually start by addressing uncertainties. This might be assessing the feasibility of the idea, determining how it can be achieved in practice or how it can be made more cost effective or consistent.

Which costs qualify for Tax Credits?

Costs that are incurred directly or indirectly in the R&D project will qualify for Tax Credits including:

- Employee costs
- Contracted staff
- Consumable materials
- Software
- Utilities
- Payments to clinical trials volunteers
- Subcontracted expenditure
- Indirect costs

How do you make a successful claim for R&D Tax Credits?

Lodge a claim with HMRC - but it will almost certainly pay to seek expert assistance from an accountant or other advisor who is familiar with the claims process.

Just turn over the page to find out how WSM can help you if you have something that you think might qualify as R&D expenditure.

How WSM can help with your claim:

- We help compile the technical report setting out the scientific and technological advances to give your project the best opportunity of success.
- We submit the report and negotiate with the R&D specialist units at HMRC.
- We ensure all the costs qualifying for R&D Tax Credits are included in your claim.
- We liaise with your tax agent to submit the R&D Tax Credit claim to HMRC.
- We advise you of the amounts of Tax Credit due and the dates by which the company should expect repayment.
- We keep you up to date on the progress of your claim.

What to do next

Contact one of our specialists:

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