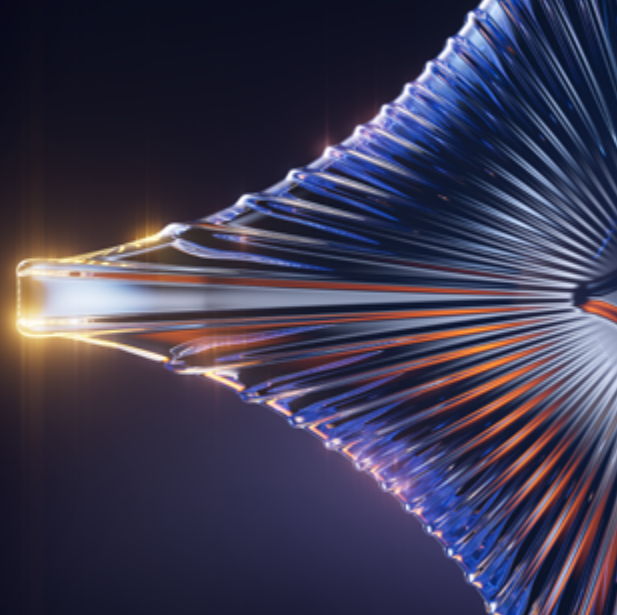


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R&D



Research and Development (R&D) tax relief is a valuable relief for companies with qualifying R&D expenditure. R&D activities are defined as those that seek to advance an eligible field of science or technology and, in turn, aim to resolve a scientific or technological uncertainty, that could not be readily resolved within the field of **science or technology**.

Investing in the Innovation Landscape:

The UK Government has announced a £39.8 billion investment in Research and Development 'R&D' between 2022-2025, with the view of increasing total R&D investment to 2.4% of GDP, by 2027. A pivotal component of this investment strategy is the UK's R&D tax credit regime, which since its inception in 2000 has been a key driver for many businesses to maximise investment in development and utilise the associated tax relief.

Alongside this increased investment in innovation, HMRC has looked to restructure the incentive and how it is administered with a number of legislative changes. We have navigated our clients through this changing landscape, successfully providing support to secure tens of millions in repayable R&D tax credits and Corporation Tax relief.



What types of activities can R&D be claimed against?

A wide range of activities can qualify, and we utilise our team of technical experts, with a varied candidature of experience across a number of technical areas, to assess and understand the R&D activities at a deeper technical level. This is a vital step in the process, as HMRC has been increasing compliance activity in relation to assessment of qualifying activities.

Typical activities where R&D for tax purposes could be found are:

- ◆ Development of novel manufacturing/production
- ◆ processes.
- ◆ Software development.
- ◆ Product engineering/new product development.
- ◆ Engineering design.
- ◆ Civil and built environment design.
- ◆ Biomedical research and production.

Our experienced team will be able to discuss your activities with you and will ask detailed questions to minimise risk whilst maximising your claim.

What costs qualify?

Qualifying expenditure includes staff costs for employees engaged in R&D, externally provided workers (EPWs), sub-contracted R&D, consumable and material costs, items, and software. Qualifying expenditure differs slightly between the Small and Medium Enterprises (SME) scheme and the R&D expenditure credit (RDEC) scheme.

The relief provides a higher rate of Corporation Tax deduction for on eligible expenditure incurred by SMEs, also providing a repayable tax credit to some SME businesses and larger businesses, in the form of the Research and Development Credit (RDEC), that can often be a welcome cash injection. The relief available depends on the type of R&D scheme.

Types of R&D tax relief

SME scheme

An SME for R&D purposes is a company with less than 500 employees and with a turnover of less than €100 million, or a balance sheet under €86 million. Group, partner and linked enterprises are taken into account when looking at these limits.

The current rate of deduction under the SME scheme for qualifying expenditure is 186%, with a 10% tax credit repayment on this enhanced deduction, based on specific criteria being met.

RDEC scheme

Under the RDEC scheme, large companies that breach the above thresholds, and some SMEs, can claim credit with a net cash benefit of 15% of the qualifying expenditure identified.

How can we help you?

We assist our clients in making R&D tax relief claims across a wide range of industries and have an excellent track record of dealing with HMRC. Our proactive approach enables our clients to keep more of the tax saving they are entitled to, whilst saving them time on the submission process and reducing their exposure to HMRC enquiries.

We use our team of specialist technical resource and tax advisors to deal with the most complex of claims, engaging in a rigorous scoping and technical interview process to minimise the administrative burden and prepare robust claim documentation.

Our experts will look to extract all relevant qualifying expenditure and look into the underlying facts of any costs within the reasonable limits of the legislation. Finally, the team work closely with our tax disputes and resolutions team to successfully resolve any open HMRC enquiries.

- ◆ Discuss activities that meet scientific or technological advancement criteria for R&D, including where a project exists, starts and finishes.
- ◆ Quantifying the expenditure related to the qualifying activities, aiming to maximise the claims available.
- ◆ Preparation of the R&D tax relief claim and submission to HMRC.
- ◆ Assisting with HMRC queries or enquiries into claims.

To speak to our R&D specialists and to find out what reliefs are available to you, please contact a member of our team overleaf.



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