

Research & Development Tax Relief

Advice on SME R&D and R&D Expenditure Credit (RDEC) tax relief schemes:

- **Identify Qualifying Expenditure**
- **Prepare R&D Narrative Claim and Expenditure Reports**
- **Estimate Potential Tax Relief for New Projects**

What is R&D Tax Relief?

Many businesses invest in science and technology research and development to improve their competitiveness.

The UK Government encourages companies to develop new processes, products and services, as well as improvements to existing solutions by giving tax relief as a proportion of qualifying R&D expenditure.

The key considerations when identifying projects that attract R&D tax relief are:

- Does the project seek to create an advance in science or technology?
- Does the advance extend the overall knowledge or capability in science and technology?
- Does the project seek to resolve tangible uncertainties that competent professionals working in the same field can't readily resolve and where such solutions are not already commonly available?

What advice do we provide?

Our specialist R&D tax relief knowledge will help you:

- Determine which of your projects are likely to comply with HMRC's R&D tax relief criteria
- Prepare financial summary of each R&D claim
- Prepare R&D narrative report minimising interruption of your technical staff
- Update your CT600 return working closely with your accountant

What expenditure qualifies as R&D?

- R&D staff salaries, pensions and Employer National Insurance
- 65% of R&D subcontractor fees
- Administration and recruitment costs relating to R&D activities and personnel
- Utility costs attributable to R&D
- Direct consumable and material costs used within R&D projects

What other support do we provide?

- Pre-emptive assessment of new project costs to estimate potential contribution benefit of anticipated R&D tax credits
- Preparation of your 'Advance Assurance application' for R&D tax relief to give you confidence that HMRC will approve your first three R&D claims

R&D tax relief example:

SME business with 2 staff & 2 subcontractors working on R&D projects

Qualifying Expense	Annual cost	% spent on R&D	Totals
Employee 1: (salary, pension, ENI)	£45,000	40%	£18,000
Employee 2: (salary, pension, ENI)	£35,000	90%	£31,500
Subcontractor fees @ 65%: (2 part-time):	£32,500	100%	£32,500
Tools hire:	£10,000	80%	£8,000
Consumables:	£9,000	100%	£9,000
Utilities: (Gas, elect & water)	£5,000	20%	£1,000
Total R&D Expenditure:			£100,000
SME R&D uplift: (230%)			£230,000
R&D tax credit: (if company has operating profit)			£24,700
R&D tax credit: (if company is loss-making)			£33,350

Find out more

For further information, advice and guidance please contact our specialist:

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This is a general illustrative guide only and individual professional advice should be obtained on specific issues. Information is believed correct at time of publication in November 2020 but may alter.

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