

# Research and Development Tax Relief

## Are you missing out on free cash from the taxman?

The government introduced R&D tax relief to encourage scientific and technological innovation within the UK. Companies are able to receive a cash payment or reduction in corporation tax for carrying out qualifying R&D activity.

Many companies are still missing out on this valuable tax relief.

## Who can qualify?

It is a common misconception that R&D tax relief is only claimable by companies who operate laboratories and employ men in white coats. The definition of R&D is in fact broader than many people realise.

To qualify for R&D tax relief, your company must be seeking to achieve an advance in the field of either science or technology.

If you are developing new or modifying existing products, processes or services, and there is uncertainty surrounding the outcome of the project, you may qualify for the relief.

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# What are the benefits?

There are two regimes for claiming R&D relief – the SME scheme and the RDEC scheme.

## 1. SME scheme

Under the SME scheme, the relief is given as an enhanced deduction (currently 230% of qualifying costs) that reduces the taxable profits / increases the trading losses of the company. Alternatively a cash tax ‘credit’ can be claimed.

A company can claim under the SME scheme provided the company or group has:

- fewer than 500 employees and either
- turnover of less than €100m, or
- gross assets of less than €86m.

A profit-making SME can receive a reduction in their tax liability of up to **43.7p for every £1 they spent on R&D activities.**

A loss-making SME can surrender their losses for a cash credit from HMRC of up to **33.35p for every £1 they spent on R&D activities** (14.5% of the loss surrendered).

## 2. RDEC scheme

The RDEC (Research and Development Expenditure Credit) scheme is primarily used by large companies but is also used when SMEs are prevented from using the more generous SME scheme (for example if they receive a grant or subsidy or have carried out subcontracted R&D on behalf of a large business).

Relief is given as a credit against the corporation tax liability, equal to 12% of the qualifying R&D spend.

The credit is taxable at the normal corporation tax rate (currently 19%) which effectively means the benefit is worth **9.72p for every £1 spent on R&D activities.**



## What costs are allowable?

R&D relief can be claimed on revenue expenditure across four main areas:

1. Staff costs (direct and externally provided)
2. Subcontractor costs
3. Consumable items (e.g. heat, light and power, and materials “consumed” in the R&D process).
4. Software costs.



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# How we can help you

Hawsons offer a specialist R&D tax service to companies who are considering making a claim under the SME or RDEC schemes.

Our team is experienced at guiding you through the claims process to maximise the levels of tax relief obtained. Using our knowledge and experience from making claims in numerous business sectors, we can help your company grow by reducing the company's tax burden.

We pride ourselves on our proven track record of successful claims and high level of customer service. We are committed to assisting our clients in maximising their claims to include all eligible R&D costs.

## Our claim process

The process normally starts with a meeting or telephone call with one of our R&D specialists to find out if your company is eligible to make a claim. This consultation is free of charge. If we think that your company is able to make a claim we will explain what basic information we need.

The most daunting part of the process for many people is the preparation of the technical report, which we manage from start to finish, working with you to answer the questions which we need to address for HMRC. We will provide you with a copy of the claim and supporting schedules before it is sent to HMRC and answer any questions you may have. We will also deal with any HMRC enquiries into the claim.

Our claim process has been designed to take away the stress and uncertainty of making a claim.

## Free initial meeting

We offer a free initial meeting to find out if your company is eligible to make a claim for R&D tax relief.

Check out our social media pages here:



## Our R&D specialists

We would be happy to discuss whether you might be able to qualify for R&D tax relief and answer any queries you may have.

These are the individuals that you will meet, that will prepare the claims and will deal with HMRC on your behalf.



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