



Research and  
Development  
**Tax Relief**



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## 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 24.7p 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).

The government has announced a cap on the amount of credit that a company can claim for periods starting on or after 1 April 2021. The cap will be £20,000 per period plus 300% of the PAYE and NIC payable for the period.

### 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 13% of the qualifying R&D spend (12% for expenditure incurred prior to 1 April 2020).

The credit is taxable at the normal corporation tax rate (currently 19%) which effectively means the benefit is worth 10.53p for every £1 spent on R&D activities.

### What costs are allowable?

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

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



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# Meet 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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