



UNLOCKING THE
TAX RELIEF IN YOUR
RESEARCH &
DEVELOPMENT



RESEARCH & DEVELOPMENT
Look Further, Look Deeper & Find More

About CA Research & Development

Capital Allowance Review Service (CARS) is part of a large group of companies that advises on a number of tax related issues that are set in legislation but rarely fully understood by both client and their advisors.

CARS based in the midlands forms part of a dynamic group which has been advising for 70 years from offices in Stoke-on-Trent and London. The broad range of skills offers outstanding client service and is well positioned to deliver strong advice to individuals and businesses. There are over 60 members of staff who have a range of skills and professional qualifications and have a simple goal, to provide innovative tax saving ideas, be proactive and to offer the very best possible solutions for all your personal and business needs.

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Research and Development Explained

Introduction to Research and Development

Research and Development (R&D) tax relief and credits give a tax advantage to both small and medium sized enterprises (SME's) and large companies undertaking qualifying activities. The tax relief has been available to small and medium sized companies since 2000 and to large companies since 2002.

R&D tax relief is a government incentive to encourage companies to invest in science and technological activities by claiming relief on qualifying costs. Innovation will be of great importance to business success as the economy reshapes. For many companies this will require investment in sciences and technologies.

What is an eligible project?

It may come as a surprise for people in many industries that much of the work they undertake to grow their business can qualify for significant tax benefits. This tax relief can help fund the technological advances you need to keep your company competitive, by reducing your tax bill or providing you with significant cash back.

R&D activities are not confined to companies in the technology sector. Claims can be made across a range of sectors including the following to name just a few:

Manufacturing
Engineering
Construction
Automotive
Pharmaceutical
Software

Many claims are missed because companies do not appreciate the breadth of the definition of R&D.

R&D tax relief is applicable to companies that are:

Creating new or improved products,
Developing new processes
Improving existing products and processes

Therefore this could apply to any business sector. They are even available for companies that write software for either internal or commercial use.

What do I stand to gain?

If you have an eligible project in either of the two previous accounting periods, you may be eligible to a refund of overpaid corporation tax. In addition if you are an SME and made a loss, you may be eligible to surrender the losses for a repayable tax credit. If you are claiming in the current tax year, then a R&D claim will reduce your due corporation tax bill. You will also have the benefit of our knowledge in helping you to structure projects in the most tax efficient way by working with us to claim R&D tax relief.



The Benefits of R&D Tax Credits

The benefits of R&D tax credits

The R&D scheme works by allowing SME companies to obtain relief for 230% of qualifying expenditure. Thousands of businesses large, medium and small have already received generous R&D tax credits directly from HMRC. What's more, your company could receive cash credits for projects worked on from as long as two years ago right up until its next corporation tax payment is due. In addition SME's that have been in a loss situation are allowed the alternative of a cash payment if they surrender their losses to HMRC.

Eligible costs

Examples of the revenue expenditure companies can claim R&D tax credits on are as follows:

Employing staff directly and actively engaged in carrying out R&D

Paying a staff provider for staff provided to the company who are directly and actively engaged in carrying out R&D.

Materials, both consumable or transformable materials used directly in carrying out R&D Water, fuel and power used directly in carrying out R&D

Software used directly in carrying out R&D.

Working example

A standard UK limited company carried out £75,000 worth of qualifying research and development work. The company makes a profit in the tax year of £150,000.

Tax position before claiming Research and Development

Expenditure on eligible expense	£75,000
Company profit	£150,000
Corporation Tax due before claiming R&D ($£150,000 \times 19\%$)	£28,500

Tax position after claiming Research and Development

Additional R&D tax relief on eligible expense ($130\% \times £75,000$)	£97,500
Company profit after R&D tax relief ($150,000 - 97,500$) Corporation	£52,500
Tax due after claiming R&D ($£52,500 \times 19\%$)	£9,975

Tax Saving after claiming R&D

£18,525



Maximise your companies claim

Frequently, accountants mistakenly conclude that eligible clients would not qualify for tax credits or that would be a long arduous process and so don't pursue the claim. We can help you put together a robust claim, either as a standalone project or as part of wider tax compliance and planning service.

Let us help you assess whether your company can claim and then use our expertise and experience to make a R&D tax credit claim on your company's behalf.

Our approach

By profiting from our specialist knowledge and experience, you can be sure of maximising your R&D tax relief claim. As a rule, we submit R&D tax claims up to three times higher than in-house prepared claims and those filed by generalist accountants. Unlike other providers in the market we will not leave your accountant to defend our claim. We submit your claim directly to HMRC on your behalf.

- We handle your R&D claim from start to finish, with just two to three hours of your time.
- We can maximise your R&D claim because, with our vast experience of putting together R&D claims, we know precisely what you can claim and how much you can claim.
- We write technical reports you'll support and that R&D tax inspectors will approve.
- We make sure HMRC handles your claim quickly, not only because we have a right-first-time approach but also because of our outstanding relationship with R&D tax inspectors, to whom we speak daily.
- Our 5-Step Claim Process is simplicity in itself, meaning you'll always know where we are with your claim.
- 100% success. We have successfully claimed R&D tax relief for all our clients. For over ten years, and without exception.
- An unbeatable offer. Confident of delivering a winning service, we offer our services on success - only basis.



**With just two or three hours of your time
we will take care of your claim from start to finish**



Frequently Asked Questions

Why can't I use my own accountant or tax advisor to prepare the claim?

The answer is you could, but consider the following: R&D Tax Relief is a specialist area of Corporation Tax, most accountants do not have the knowledge in house. The scheme has been around since 2000. You may be thinking why hasn't your accountant spoken to you about the relief in the past, perhaps because they don't have the specialist knowledge and if they haven't informed you about the relief before now, how can you be sure that they will prepare your claim to its maximum?

By working with us, you will be able to get the best of both worlds, specialist advice without having to change your accountant. We will help you to maximise your claim by identifying all eligible projects with your team, Identifying eligible costs and apportioning them to projects.

What is R&D?

Research & Development for tax purposes takes place when a company seeks to achieve an advance in science or technology. The pilot activities that directly contribute to achieving this advance, through the resolution of scientific or technological uncertainty, are classified as R&D. The uncertainty element within the process, subsequently means that the result of the activity is unknown and is still to be determined via the process of the activity.

Who qualifies for R&D relief?

Any company or organisation taking on an R&D activity qualifies. The size of company or organisation determines the amount of relief you can receive. A Small or Medium-Sized Enterprise (SME) is a company or organisation with fewer than 500 employees not exceeding £100 Million turnover. If your turnover is more than this then you would be fall into the bracket for the Large Company Scheme.

What rate of relief will I receive?

The tax relief for an SME on allowable R&D costs incurred on or after 1 April 2015 is 230% – that is, for each £100 of qualifying costs, your company or organisation could have its Corporation Tax profits reduced by an additional £130 on top of the £100 spent. If instead there's an allowable trading loss for the period, this can be increased by 130% of the qualifying R&D costs – so that's £130 for each £100 spent. This loss can be carried forward in the normal way, but only if you choose not to convert it to tax credits.

What if my activity failed, do I still qualify for R&D?

Not all projects succeed in their aims. What counts is whether there is an intention to achieve an advance in science or technology, not whether ultimately the associated uncertainty is completely resolved, or resolved to the degree intended. The scientific or technological planning activities associated with projects which are not taken forward (e.g. because of an unexpected technical or commercial challenge) these are still classed as R&D, and are therefor eligible to R&D relief.



How long can you claim R&D for?

The construction and operation of pilot activities while assessing their operations is R&D until the scientific or technological uncertainty associated with the intended advance has been resolved. So essentially up until the point that until the point there is no longer a scientific or technological uncertainty the R&D process is still in operation and can be claimed.

How many claims have been processed by HMRC?

As at 2013, nearly 85,000 claims have been made and over £8 billion of relief has been claimed since the R&D tax credit scheme was launched. More than 24,000 different companies have made claims under the SME scheme, and 6,300 under the large company scheme

Why would the government offer this out?

The Government have set aside approximately £1.5bn per year for companies they deem to be undertaking qualifying R&D activities. The Government wanted to increase the countries R&D base by helping to reduce the cost of corporate R&D and thereby encourage companies to invest in R&D. In turn, this would increase innovation and wealth creation within the economy.

Still not sure if you could qualify for R&D tax credits?

Here are just a few examples. The list is not comprehensive:



Do you manufacture a product?

Do you create software based products or services?

Do you provide a bespoke service which involves integrating hardware components, integrating software or integrating a mix of hardware and software?

Do you provide a service and use a software based product, such as an intranet or departmental business process, to run the business?

Ask yourself, "Is your business under competitive pressure and you are constantly trying to improve your product or service using science or technology?" It could be a new or enhanced software product, a better hardware design, constantly improving and more competitive bespoke engineering systems or a professional service which has been enhanced by using a clever software package.

It doesn't have to be about rocket science or men in white coats. Just ask yourself....

"Do we use science or technology to make our products or services more competitive or to improve them or to create new ones?"

If the answer is yes, then you should seek an assessment from an R&D Tax credit specialist. At Capital Allowance Review Service we will provide this assessment free of charge. Our fee is contingent on success and is only charged when and if you decide to claim.





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WHATS NEXT?

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