Royston Parkin
Chartered Certified Accountants

Research & Development **tax credits**

What is R&D?

In 2000, the government introduced R&D tax relief to encourage scientific and technological innovation within UK industries. The relief is available to reduce your company's tax bill if your company is liable for Corporation Tax or, in some circumstances, you may receive a payable tax credit.

What counts as R&D?

You must be able to demonstrate to HMRC that the product or service you are planning to include in your claim is truly innovative and, at a technological level, an advance on what is currently available in the market. HMRC define R&D for tax purposes as a project which seeks to achieve an advance in science or technology through resolution of scientific or technological uncertainty. The project doesn't have to be successful to qualify, it is the 'seeking' part that counts.

If you can answer yes to any of the following questions then the company may be eligible to make a claim.

- Has the company undertaken the development of new processes, materials, products or services?
- Has the company made appreciable improvements to an existing process, material, product or service through scientific or technological changes?
- Has the company duplicated the effect of an existing process, material, product or service in a new or appreciably improved way?
- Has the company extended knowledge or capability in a particular field?
- Have scientific or technological uncertainties been addressed?
- Does the company spend money on staff costs, consumables, and/or sub-contractor costs in order to undertake the development work?

Who is it available to?

The relief is generally available to any company subject to Corporation Tax in the UK and who is undertaking R&D relevant to the company. There are differing rules for SMEs and large companies. The definition of an SME is one with fewer than 500 employees and either turnover not exceeding 100 million euros or balance sheet total not exceeding 86 million euros.

How much could you claim?

The amount available to claim depends on the size of the company. SMEs receive an additional deduction of 130% of qualifying R&D costs, whilst loss making companies can surrender those losses in return for a cash repayment from HMRC worth 14.5% of the loss surrendered. Large companies receive a tax credit for 12% of the qualifying R&D expenditure.

Working example for profitable SMEs

A UK limited company makes a profit in the tax year of £100,000 and carries out £50,000 worth of qualifying R&D work during the same period.

Tax position prior to claiming R&D tax credits

Company profit	£100,000
Corporation tax due (£100,000 x 19%)	£19,000

Tax position after claiming R&D tax credits

Additional tax relief on eligible expenditure (£50,000 x 130%)	£65,000
Company profit (£100,000 - £65,000)	£35,000
Corporation tax due (£35,000 x 19%)	£6,650
Tax saving after claiming R&D	**£12,350**

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What is the time limit for making a claim?

If your company has undertaken qualifying R&D but has yet to claim relief, you may make a backdated claim within the anniversary of the filing date. This is generally two years after the end of the accounting period, however this can be extended in exceptional circumstances.

What guarantee do I get that my claim will be acceptable to HMRC?

In 2015, HMRC introduced advanced assurance which means that if your company carries out R&D for itself or on behalf of others, it could qualify for advanced assurance. This means that for the first three accounting periods of claiming R&D tax relief, HMRC will allow the claim without further enquiries.

Our approach

Utilising our experience and specialist knowledge you can be sure that your R&D tax relief claim will be maximised. Unlike some other providers we handle your R&D claim from start to finish which means not only do we submit your claim but we also defend the claim should it be challenged by HMRC.

We operate a three stage approach

- **Initial discussion.**
  Either in person or over the telephone to explore whether a claim is possible
- **Technical meeting.**
  We work with you to identify qualifying projects and to maximise allowable costs within the scope of the legislation.
- **Produce claim documents.**
  We work with you to produce a technical report and a summary of qualifying costs that is required to support the claim.

The next steps

If you feel that you may be eligible to make an R&D claim please contact the partner or manager who usually deals with you and your business, or alternatively if you are not an existing client but would like more information, please contact:

Lynn Pridmore Managing Director
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01302 320444
0114 272 0306

Good with numbers
Great with people

> *Thoroughly trustworthy. Having been a client with Royston Parkin for some 25 to 30 years, I can say without a doubt that the service and advice I have had from them has been sound and proven. Accounting, wages, tax planning, investments advice, even "what to avoid", everything can be left to them.*
>
> Roger Hickling
> Hickling's Funeral Service