

RESEARCH & DEVELOPMENT TAX RELIEF -

HOW WE CAN HELP



IN THE GOVERNMENT'S AUTUMN BUDGET OF 2018, THE GOVERNMENT REITERATED ITS COMMITMENT TO SUPPORTING RESEARCH AND DEVELOPMENT (R&D) THROUGH SERIOUS TAX RELIEFS.

The Treasury's own research shows that for every £1 spent on R&D tax relief, up to £2.35 in R&D spend is stimulated.

In other words, increasing R&D tax relief should mean businesses invest and innovate more, increasing productivity and, ultimately, profitability. All of which is good for economic growth.

R&D tax relief is widely applicable. Companies have to meet certain conditions, but the availability of the relief is far broader than many firms realise.

To qualify for the relief, your company simply needs to prove it is seeking an "advance in science or technology" in its R&D project, that the knowledge sought is not publically available and that it would not already be known by a competent professional in that field.

So, if your company is trying to create something innovative and novel, there is a good chance R&D tax relief will be available.

The tax relief is split into two schemes - one for small to medium-sized enterprises (SME) and one for larger companies.

The SME scheme is the most generous and is likely to be the more appropriate scheme for most tech companies, largely because most are - let's face it - start-ups.

Just how generous the scheme is, is simply demonstrated. If you're a small tech firm you can expect to reduce your corporation tax bill by a total of 230% of the money you spend on R&D.

This is broken down in two ways. Firstly, you are allowed to deduct 100% of your "qualifying costs" from your annual profit and then a further 130% deduction on top. In other words, for every £100 you spend you can cut £230 from your taxable profits.

If the tax deduction results in a tax loss, the company can elect to surrender the loss for a payable cash credit from HMRC equal to 14.5% of the enhanced loss. This means that the company receives 33.35p back from HMRC for every £1 spent on R&D.

To claim the relief, you need to be a SME and show how your project meets the definition of R&D. The Government defines as SME in these circumstances as a company of less than 500 staff and with either a turnover of under €100m (£87.7m) or a balance sheet total under €86m (£75.4m).

HW FISHER HAS ASSISTED MANY CLIENTS IN SUCCESSFULLY CLAIMING R&D TAX RELIEF. FOR A NO OBLIGATION DISCUSSION TO SEE IF YOUR COMPANY CAN BENEFIT, PLEASE CONTACT

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