

Research & development tax relief



Rewarding innovation

Companies conducting qualifying development work can claim government backed tax reliefs of up to a third of the associated costs.





What is eligible R&D?

The definition of R&D is much broader in scope than you might think and can include any work that seeks to improve or create a process, material, device, product or service through the resolution of technological uncertainty the solution to which was not readily deducible to a competent professional working in the field. Whether or not a project achieves its objective does not matter; and in fact if a project failed for technological reasons then this is a strong indicator that qualifying R&D has taken place.

Any field of science or technology may be the focus of an R&D project by companies in almost any industry sector. From 'softer' technology projects such as developing improved food packaging through to software development and on to 'hard' industrial engineering projects from the manufacturing sector.

How does it work?

Once eligible activities have been identified a company may look back to the last 2 accounting periods for the associated qualifying R&D spend incurred on permanent and temporary staff costs, consumable materials (including utilities), subcontractors and software licences.

Relief is then claimed under one of 2 schemes - the SME and large company scheme. The SME scheme is the more generous but comes with complex conditions

Relief is claimed in the company tax return and for small to medium sized enterprises (broadly those with fewer than 500 employees) is given by way of an enhanced deduction

from taxable profits and a reduced tax liability of up to a quarter of the qualifying spend. If the company has current year losses it may claim a payable cash credit of a third of the qualifying spend.

Large companies instead claim a 'research and development expenditure credit' calculated as 11% of qualifying R&D spend (c.9% net of tax) and recorded as income in the profit and loss account.

Capital expenditure is not eligible for relief under the above described schemes but can instead attract Research and Development Allowances (RDAs) which provide an accelerated 100% deduction from taxable profits.

Possible sectors and example projects that could qualify

Food & drink

New recipe development to meet consumer demand, government regulations or dietary requirements

Manufacturing & engineering

New process development to improve efficiency or increase output

Property & construction

Development and application of new building materials and novel construction techniques

Software development

Development of new programming techniques and algorithms in order to achieve a technological advance

Marine

New propulsion system or hull form design possibly leading to increased performance characteristics

How we can help you

HMRC have several specialist R&D units set up specifically to deal with all company tax returns that include a claim for relief. These units will expect to see supporting documentation evidencing that the costs claimed are in respect of qualifying R&D and fall into qualifying categories of cost.

PKF Francis Clark has a specialist Innovation and Technology Tax Group (ITTG) familiar with preparing claims with an enviable success rate. Our experience and understanding of the complexities of the regime mean that we can help you identify all areas of eligibility, associated qualifying expenditure.



Contact us



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Stuart is a corporate tax partner who specialises in international business tax matters and advising complex corporate entities, heading up the international services group for the firm. He trained with a 'Big 4' firm in London and Bristol before joining a specialist tax consultancy in Bath as a corporate tax consultant, where he developed a senior advisory role advising a wide spectrum of clients from start-ups and niche businesses, to leading complex projects for clients such as Mulberry Group Plc and Crabtree & Evelyn Group.



Clive Townsend

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Clive has 20 years experience of advising entrepreneurial growth companies on corporate tax planning, providing pro-active advice to both shareholders and the company to mitigate tax and increase value. Additionally, Clive is a founding member of PKF Francis Clark's Innovation & Technology Tax Group advising companies on R&D Tax Credit and Patent Box.



Katie Farley

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Katie is a highly experienced tax consultant specialising in all aspects of corporate and business tax with a particular specialism in R&D Tax credits and Patent Box, compliance and tax accounting. She also advises companies and their shareholders on the tax aspects of corporate finance work including business sales and purchases.



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Ian started out with the Inland Revenue in 1983 and has been with Francis Clark since 1990 developing a specialism in business taxes. Ian is now a senior member of the firm's Innovation & Technology Tax Group and is vastly experienced in the identification and preparation of R&D claims.



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Lisa is a chartered tax adviser with more than 10 years' experience in corporate tax, who specialises in R&D tax relief and innovative tax planning.

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