

AGRICULTURAL SECTOR R&D TAX CREDITS



REWARDING INNOVATION

Companies conducting qualifying development work can claim government-backed tax reliefs of up to a third of the associated costs. As a firm we are seeing increasing numbers of our agriculture sector clients embracing technological advancements and seeking out scientific and technical improvements - making these reliefs particularly relevant. Many companies don't realise that what they are doing qualifies as R&D, however in this sector, there is a huge amount of science involved and that means a claim may well be possible.

WHAT IS ELIGIBLE R&D?

The scope of what is covered under R&D may be broader than you may think. If there is some element of your work that you cannot do - and to do this you need to create a solution which isn't available in the marketplace - then you could be eligible to claim R&D tax credits. This could be using technology in a new way or even designing new technology to improve or create a process, device, service or product to ultimately mean that you can run and grow your business.

Whether the project achieves its objective or not does not matter and any field of science or technology may be the focus of an R&D project.

The following are just some example areas within the agriculture sector that could qualify:

ARABLE

- Improving or developing new harvesting methods
- Disease or pest protection or prevention
- Development of irrigation systems
- Improvement in crop yield
- Resistance to environmental factors
- New crop growing techniques, for example vertical farming

LIVESTOCK

- Development of monitoring systems
- Breeding programmes to improve yield or prevent diseases
- Feeding methods or meal formulation
- Animal housing and welfare

DIVERSIFICATION

- Waste reuse or repurposing
- Integration of renewable technology, anaerobic digestion plants for example



HOW DOES IT WORK?

Once eligible activities have been identified a company (only limited companies can apply for the scheme) may look back to the last two accounting periods for the associated qualifying R&D spend on permanent and temporary staff costs, materials used (including utilities), subcontractors and software licences.

Relief is then claimed under one of two schemes - the SME scheme (broadly for those with fewer than 500 employees) is the more generous but comes with complex conditions. Relief is claimed in the company tax return and is given by way of 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 up to a third of the qualifying spend.

Large companies claim a research and development expenditure credit (RDEC) calculated as 12% of qualifying R&D spend (c.10% 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.

There are rules around claiming state aid (government grants etc.) under the SME scheme which may mean that a company, whilst small, may only be eligible for the RDEC scheme. Our team will be able to advise on this.

HOW WE CAN HELP

Gathering information

- We will determine which of the two schemes apply
- We will either visit you at your premises or have a call to further understand the business, determine potential projects and qualifying activities
- We will then assist you in gathering the financial information we require to produce the financial side of the claim

Identifying costs

- We will always make sure that the claim is maximised and includes all applicable costs, whilst ensuring that it is both robust and realistic should HMRC review the paperwork
- We will produce a first draft of the report and the figures and share these with you for your approval and comment

Processing the claim

- We will work with your tax adviser to assist with the preparation of the tax computations and submission of the claim
- We will support you fully in the event of a query from HMRC

Transparent fee - we will agree a fee structure with you that reflects your circumstances

- A fixed fee quote, where it is reasonably clear that a R&D claim can be made
- or
- A contingent fee based on the amount of tax benefit secured where the claim is less clear and requires considerably more time investment on our part to determine the existence and amount of the claim

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