

Deepash Patel

# r&d tax relief

*“A government incentive scheme aimed at encouraging UK companies to invest in Research and Development, delivered through the taxation system”*

Telephone: 0203 740 7172

Mobile: 07470 625 623

Email: [deepash.patel@ela8.co.uk](mailto:deepash.patel@ela8.co.uk)

Web: [www.ela8.co.uk](http://www.ela8.co.uk)

## SME R&D Tax Relief

- If profitable, relief at 24.7% of the qualifying R&D costs
- Losses may be exchangeable for up to 33.35% of the qualifying R&D costs

## R&D Expenditure Credit (RDEC)

- A taxable above-the-line credit of 12% of the qualifying R&D costs (currently 9.7% after corporation tax)

## Capital Allowances

- Immediate relief for capital expenditure incurred for carrying out R&D and for providing facilities for carrying out R&D – significant timing difference

# What counts as R&D?

## ADVANCE

Technical steps must create at least an appreciable advance or improvement to the current state of the art

## UNCERTAINTY

In pursuing the advance there must be the resolution of technological uncertainty

## DIFFICULTY

A competent professional in the field must not be able to readily deduce the solution to the problem

# What activity is eligible?

ela8

tax relief for clever companies

What sort of **activities** does your company undertake?

Are you developing or improving products, tools, services, materials or processes?

Are you conducting experiments with new equipment or with production techniques?

Are you trying to make something more efficient, scale it up, reduce its cost or improve its impact on the environment?

Are you facing scientific or technological challenges in trying to reach your goals?

Have you experienced technical failures in doing the work?

At the start of the work, did you have to consider whether the project was feasible or realistic?

If you answered **YES** to any of these you may be eligible to claim tax relief

## Project costs that relate to eligible activities are potentially qualifying: -

Staffing costs such as salaries, employers' NI and pension contribution

Payments to staff providers such as agencies and other third parties supplying manpower

Materials and utilities (water, fuel and power)

Computer software that is specifically required to support your R&D efforts

Sub-contracted R&D, where you are paying a third party for a package of work

- There are a number of complicated rules which also apply, expertise is required to ensure claim constructed in accordance with rules
- Cost capitalised as tangible fixed assets are excluded, but may claim as an RDA (note that there may be potential to claim R&D tax relief if costs are included in intangible additions)
- Cost subsidises may impact which scheme is relevant for your claim

## It doesn't have to be complex...

- Any approach that is demonstrably fair and conservative, and backed by the technical experts in the company, can be acceptable to HMRC
- Project based, Team based, Individual based and Proportionate approaches have all been successful - often we use a layered approach
- The nature of embedded R&D can present challenges since eligible activities often spread thinly across numerous projects, but role-based approaches and example activities can be used to simplify claim
- This approach has proved successful for a number of large companies, generating millions of pounds of benefit

Significant Government focus on construction to help resolve the housing supply crisis.

Typically, eligible construction R&D include innovations that result in quality, cost, productivity or performance efficiencies or which overcome difficulties in meeting industry regulation.

## Examples:

- Bespoke software (e.g. automation, BIM, data analysis)
- Tooling, machinery, process or production methodologies
- “Transforming UK Construction” R&D Competitions

The nature of our service is flexible and bespoke, in order that we can deliver the right support to clients:

Full claim preparation	Support with HMRC enquiry
Scoping exercise	Technical queries – dealing with QC and HMRC
Reviewing claims	Optimising claims



# Questions?

**ela8**  
tax relief for clever companies