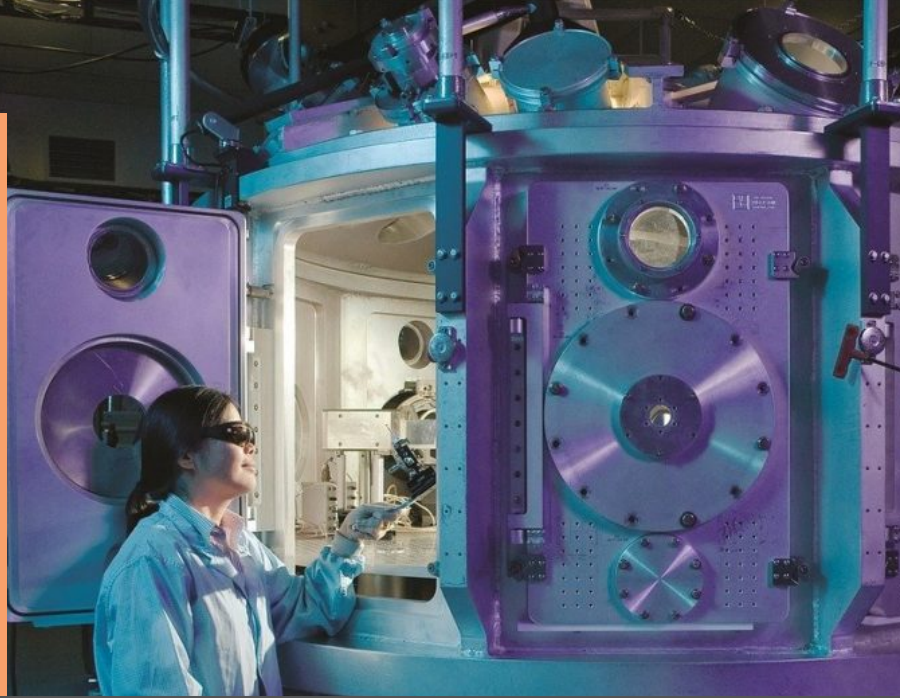


*"On average, engineering companies invest £386,000 a year on R&D activity, meaning they are potentially able to claim £100,360 in funding"*



## R&D Tax Credits – Is your business eligible?

According to the Government website, R&D Tax Credits are defined as follows: Research and Development (R&D) reliefs support companies that work on innovative projects in science and technology. It can be claimed by a range of companies that seek to research or develop an advance in their field.

It can even be claimed on unsuccessful projects. In essence, the incentive is in place to reward innovation within UK businesses and fuel growth. If you invest funding into the development of new products, services or processes you are eligible for R&D Tax Relief.

This investment in innovation entitles you to make an R&D tax credit claim enabling either a corporation tax reduction and/or a cash payment. What's more, if you are claiming for the first time you can generally claim research and development tax relief for the last two completed accounting periods.

### Eligibility for R&D Tax Credits?

In order for you to claim R&D Tax Credits, you must meet the following criteria:

- Limited UK based company that is subject to corporation tax
- Have actively performed qualifying research & development activities
- Have invested funds into these projects

Research & development is prevalent in almost every sector, from transportation & storage to recruitment and construction, and almost everything in between.



If you are partaking in specific projects to make an advance in science or technology, you are eligible, regardless of your size or sector.

Brief examples of this may include:

- The improvement of manufacturing or production technologies, processes, techniques or procedures
- Software development or IT initiatives related to process or product improvements
- Extending the functionality of existing systems such as CRMs

Even if the R&D you have carried out has not been successful, under the government's definition of research and development you could still qualify. This includes work you have completed on behalf of a client as well as your own efforts.

## **R&D Relief Schemes**

Depending on the size your business, there are different R&D options which may be applicable.

### ***SME's***

You may be eligible for R&D relief if you are an SME with:

- Less than 500 staff
- A turnover of under 100 million euros or a balance sheet total under 86 million euros

This is the scheme that will be applicable to most UK businesses and claims can be made via the R&D tax credit scheme. In some cases, there are circumstances such as subcontracting and grants that will render a claim invalid for SMEs and in those cases, you may need to make a claim via RDEC.

### ***Large Company***

- More than 500 staff
- A turnover of over 100 million euros or a balance sheet total over 86 million euros

Claims for large companies need to be made via the Research & Development Expenditure Credit (RDEC) Scheme.



## **Claimable Costs**

There are a number of costs you can claim for when undertaking an R&D project and below we briefly break down the various areas:

### ***Employee Costs***

- Salaries
- Wages
- Class 1 National Insurance Contributions
- Pension Fund Contributions

### ***Subcontractor Costs***

- 65% of the relevant costs of using a subcontractor for R&D activities are claimable Software
- Software license fee's purchased for research and development

### ***Consumable Items***

- You are able to claim for the relevant proportion of consumable items used in your R&D efforts and this includes utilities and materials.

### ***Research & Development Tax Credit Rates***

If you are an SME, you could be eligible to claim up to 33p for every £1 you spend on qualifying research & development. Large companies can claim up to 10p for every £1 spent on R&D.

'The 'Manufacturing', 'Professional, Scientific and Technical', and 'Information and Communication' sectors continued to have the greatest volume of claims, making up a total of 71% of claims and 75% of the total amount claimed for 2016-17

'According to HMRC figures, in 2018 the average claim value for a UK SME was £53,714.

At The Business Board, we take a pro-active and lateral approach to your financial strategy, considering all the options available to you.

If you would like an informal financial review to identify where cost savings can be made and areas of potential growth capitalised upon, talk to us on 0118 338 1818 or email us at [info@thebusinessboard.co.uk](mailto:info@thebusinessboard.co.uk)

We look forward to hearing from you.

\*Source – HMRC