

R&D tax relief.

It's a winner



Despite R&D tax relief being introduced in 2000, there still remains a misconception regarding what actually constitutes 'research and development' for the purposes of HMRC legislation. R&D tax relief and tax credits are still among the most under-claimed tax incentives currently available. Ensure your business is not missing out!

R&D tax relief – The UK's most generous corporation tax relief.

A series of legislative updates and revisions since the relief was first introduced has transformed R&D tax relief into one of the most enabling and generous reliefs available. Yet, despite these changes, R&D tax incentives are still being missed, resulting in thousands of eligible companies **losing out on significant tax benefits.**

The main reason behind the widespread failure of companies taking advantage of the reliefs is the misconception regarding what actually constitutes 'research and development' for the purposes of the HMRC legislation. Most companies mistakenly believe that unless a scientist operating in a secret laboratory and dressed in a white lab coat is employed by the company, then R&D is not taking place.

R&D activity does not have to be 'blue sky' innovation, nor does it have to consist of creating new technologies. Instead, appreciable improvements to existing technology which would be regarded by those considered experts in the field (company employees for example) to be 'difficult' are perfectly acceptable where the R&D legislation is concerned.

We can assist you with any R&D tax relief claims. Retrospective claims can be made for the past two accounting periods which can often result in a significant repayment of corporation tax, or if a company is loss making, a claim for R&D tax credits. **It is important to discover if a claim can be made as soon as possible so as not to miss out on any time limits.**

So how does the R&D tax relief work?

HMRC will allow an extra 125% (30% for large companies) of identified costs to be written off against taxable profits. Therefore if R&D expenditure of £100,000 is identified, HMRC will allow £225,000 to be included in the tax computation, giving an extra £125,000 of cost to be offset against taxable profits.

The current corporation tax rate is circa 20% which equates to a £25,000 reduction in a tax liability. Loss making companies are not excluded from the benefits, and tax credits can be claimed on the losses enhanced by the R&D expenditure instead of carrying the losses forward to offset against future profits. Loss making companies are able to surrender the losses attributable to the R&D claim for a 14.5% R&D tax credit.

So what expenditure does it relate to?

Identifying the costs associated with the R&D activity is often seen as a laborious and minimally beneficial process when the cost of gathering the information is compared to the tax benefit. In reality, HMRC encourage a pragmatic approach to gathering cost information.

The expenditure allowed as part of the claim falls into five key categories: staff costs, consumables, subcontract labour, externally provided workers and heat and power cost.

Our programme of support

Our expert team work to ensure the best advice is given relating to this niche area of opportunity. From a brief initial telephone conversation, we can quickly identify whether or not you are eligible to claim this valuable relief.

Our pragmatic and practical approach enables us to maximise a claim and submit the necessary paperwork in an HMRC friendly format. Our tailored approach combined with our expertise in assisting many different types of businesses, in all industries, ensures seamless liaison with the tax authorities to process R&D claims within four weeks of submission.

Are you eligible for an R&D tax relief claim?

Below is a list of sectors in which we already make successful claims:

- Aerospace and defence
- Alarms, CCTV
- Automotive industry
- Banking and finance
- Chemicals, paints and adhesives
- Clothing, textiles and fabrics
- Construction and building materials
- Electronic and electrical
- Engineering and machinery
- Food and drink producers and processors
- Foundries
- Games software industry
- Health
- Household goods and textiles
- IT hardware
- Insurance brokers (software development)
- Land remediation
- Lighting
- Marine
- Manufacturing
- Media and entertainment
- Personal care, cosmetics and household
- Pharmaceuticals and biotechnology
- Printing and packaging
- Property and construction
- Software development
- Telecommunications
- Travel industry
- Transport
- Waste recycling
- Water treatment

Contact us to receive a free health check
and one of our experienced advisers
will quickly ascertain whether you will qualify
for R&D tax relief. Call us on 01254 261166
or email advice@bptax.co.uk

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