

## Your claim for Research and Development relief



# What is Research and Development relief?

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Research and Development (R&D) relief is a corporation tax relief that may reduce your company's tax bill. If your company is a Small or Medium-sized Enterprise (SME), you may be able to receive a tax credit instead, in the form of a cash sum paid by HM Revenue & Customs (HMRC).

# Which R&D projects might qualify for relief?

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Your company can claim R&D relief if it seeks to achieve an advance in science and technology through the resolution of a scientific and technological uncertainty. The legislation enables companies to make R&D claims in a wide range of industries, including:

- Software and IT
- Manufacturing
- Pharmaceuticals
- Engineering and process design
- Chemicals.

# What costs qualify for relief?

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The procedure for identifying and claiming R&D expenditure can be quite complex. Typically, claims can include elements of the following:

- Staffing costs
- Consumables
- Subcontractor costs
- Externally provided workers
- Light, heat and power costs.

## R&D is a piece of cake...

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A bakery which produces luxury pastries and tarts for several high end supermarkets has introduced improvements to both its manufacturing and the quality of its products:

- The improved manufacturing process has lead to a significantly reduced overall wastage.
- They have developed a new dough which has been proven to cook more quickly than others which has increased the businesses productivity.
- A new ingredient has been included in their pastry recipe which has lead to an improved shelf-life.

The business has demonstrated a successful advance in science and is eligible to claim R&D relief.

## Could R&D save your day?

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A charity has designed a new advanced lifeboat to replace its existing fleet.

- The new lifeboat has improved handling and manoeuvrability which has reduced response times.
- It has replaced the material previously used to build the lifeboat with a lighter composite material.
- A new system has been developed to launch the lifeboat in the most suitable and practical response location.

The charity has made a clear advance in technology and an R&D relief claim can be submitted.

## Who can claim?

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You can claim under the SME scheme if:

- You are a UK limited company
- Your annual turnover is less than €100m (c. £84m)
- You employ fewer than 500 people
- Your balance sheet is less than €86m (c. £70m).

The benefits of claiming under the SME scheme are:

- The company can claim an enhanced tax deduction of 230% of the qualifying revenue expenditure in the relevant accounting period for expenditure incurred after 1 April 2015. That is, for each £100 of qualifying costs, the company can have the income on which the corporation tax is paid reduced by an additional £130 on top of the £100 spent.
- If your company is making losses or paying very little corporation tax, then the company can surrender their enhanced losses for a tax credit (cash).
- There is also the option of using the claim to create or enhance business losses. The company can elect to carry forward the loss and offset it against future financial year profits, saving corporation tax in future years.

## What if you are a “Large Company”?

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- Since 1 April 2015, large companies have been able to claim a Research and Development Expenditure Credit (RDEC) at a headline rate of 11% of their qualifying expenditure on R&D. Small and medium-sized enterprises receiving grant funding or with subsidised R&D expenditure can also claim a RDEC.
- Companies classified as ‘large’ for R&D are broadly those with more than 500 employees (as a group, where applicable).

# What can Haslers do?

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With Haslers' R&D service, we will identify whether your company is carrying out qualifying R&D work and, if so, submit an R&D claim to HMRC. We only charge a fee if we are able to achieve a tax benefit for your company, so there is no financial risk in exploring if a claim can be made.

# What's involved?

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- A Haslers' R&D specialist will meet with you to assess and confirm your company's eligibility to make an R&D claim.
- Once eligibility is confirmed, our specialist will visit the company's premises to perform a detailed review of R&D activities and costs.
- Haslers will prepare an R&D claim and either submit the claim to HMRC, or liaise with your company's accountant to advise on the figures they need to include on the company tax return.

# How much will it cost?

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We only charge a fee if we are able to generate a tax repayment or saving for the company. Our fee will be based on the amount of tax received or saved by the company.

# Contact Haslers

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