

ggtc®

Government Grant & Tax Consultants

R&D Tax Relief Overview

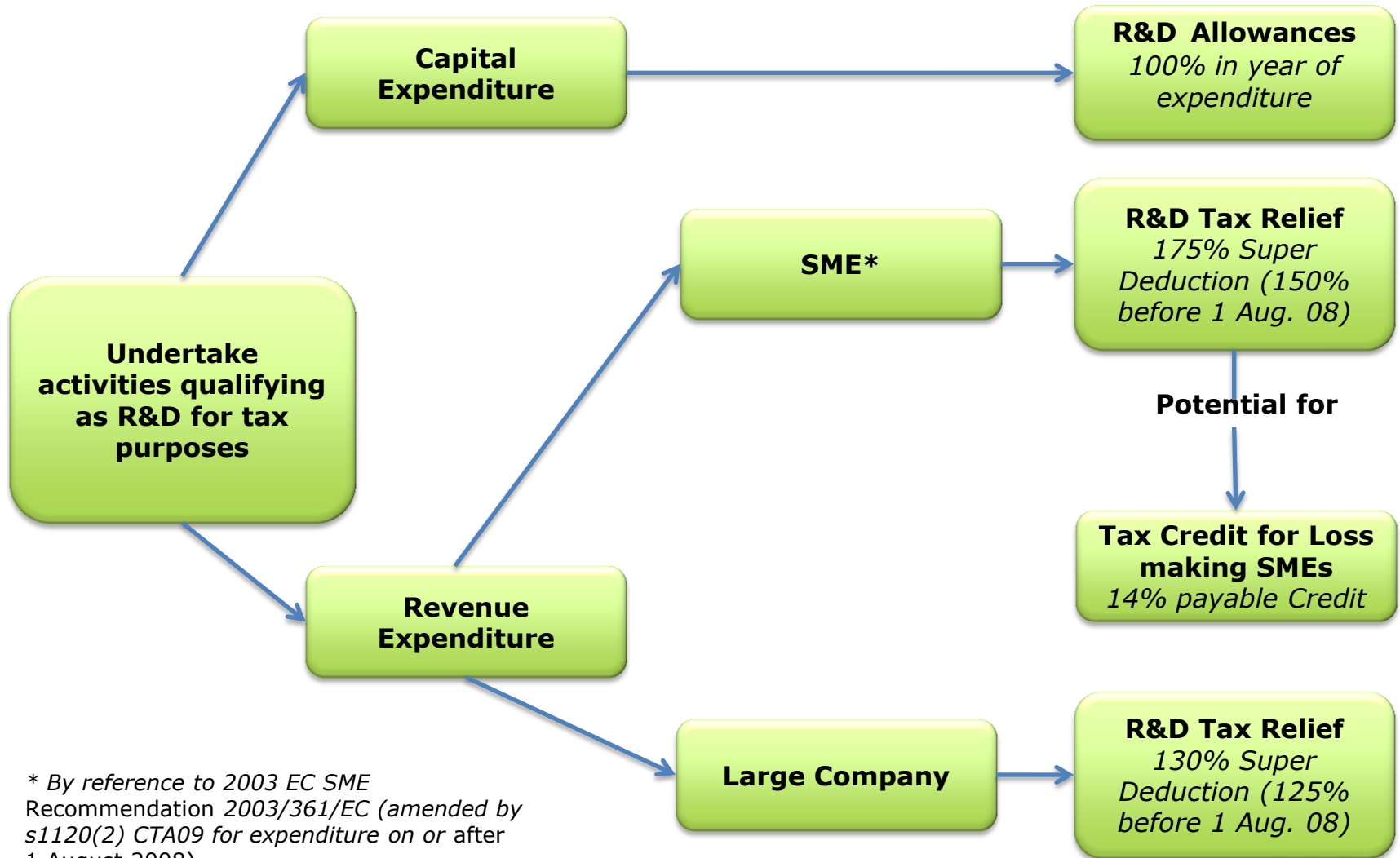
In partnership
with



A member of the Experience Group

 **experience** →

Strategic Business Resource for SME's



* By reference to 2003 EC SME Recommendation 2003/361/EC (amended by s1120(2) CTA09 for expenditure on or after 1 August 2008)

For expenditure incurred after 1st April 2011

R&D Tax Relief
175% Super Deduction



R&D Tax Relief Increases to
200% Super Deduction

For expenditure incurred after 1st April 2012

R&D Tax Relief
200% Super Deduction



R&D Tax Relief Increases to
225% Super Deduction

R&D Tax Relief – SME Scheme

175% Super Deduction of qualifying R&D expenditure (For expenditure incurred before April 2011)

For Profit Making SMEs claiming R&D tax relief:

- 75% (the deduction) x (Corporation Tax Rate of **21 %**)
= **Net Cash benefit worth 15.75%** of qualifying R&D expenditure, for expenditure incurred before April 2011.
- 75% (the deduction) x (Corporation Tax Rate of **28 %**)
= **Net Cash benefit worth 21%** of qualifying R&D expenditure, for expenditure incurred before April 2011.

For Loss Making SMEs claiming R&D tax credit:

- 175% (the uplifted deduction) x 14% fixed rate for R&D credits
= **Net Cash benefit worth 24.5%** of qualifying R&D expenditure
- Or increase losses using the uplifted 175% deduction.

Meaning of R&D

- Latest version issued on 5 March 2004 and effective for accounting periods ending on or after 1 April 2004
- Para 3: *"R&D for tax purposes takes place when a **project** seeks to achieve an **advance in science or technology**."*
- Para 4: *"The activities that directly contribute to achieving this advance in science or technology through the resolution of **scientific or technological uncertainty** are R&D."*
- Para 5: *"Certain **qualifying indirect activities** related to the project are also R&D. Activities other than qualifying indirect activities which do not directly contribute to the resolution of the project's scientific or technological uncertainty are not R&D."*

What is a Technological Advance?

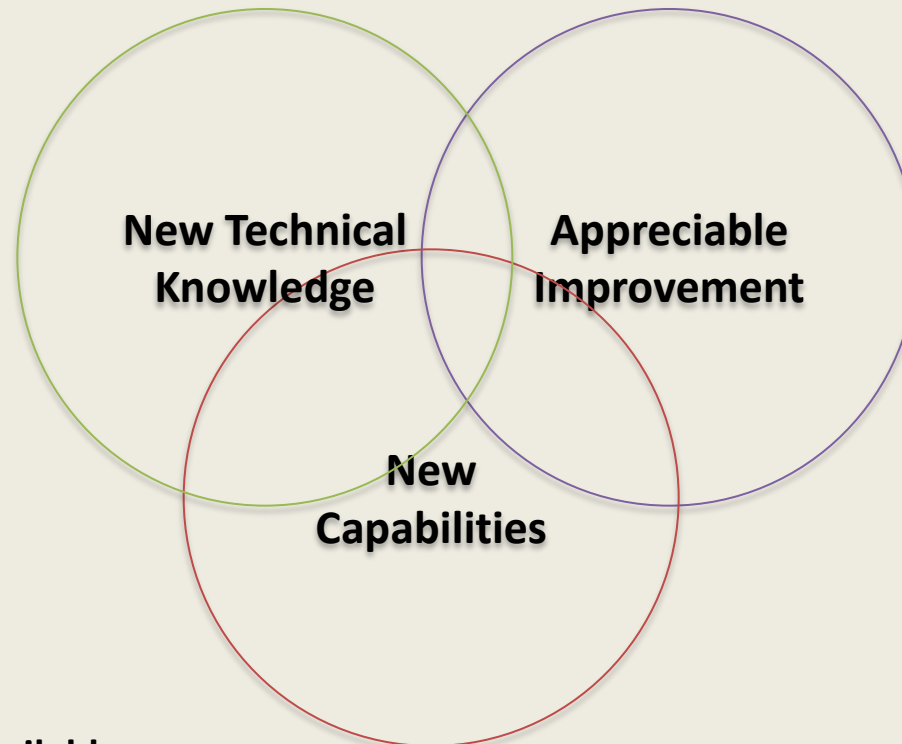
- Increase in **overall knowledge or capability** in a field of **science or technology**
- **Appreciable improvement** to an existing process, material, device, product or service through scientific or technological changes
- Use science or technology to duplicate effect of an existing process, material, device, product or service in a new or appreciably improved way

GGTC have vast experience across multiple industries and sectors in compiling successful claims. Some food industry specific examples include:

- Reduced sodium content, whilst maintaining flavour in food manufacture to meet with new health standards
- Packaging process and materials
- Changes in production for greater efficiency and competitiveness
- Software advancements for track and trace of dairy products back to original source

*These are just a few examples, however in the main, the misconception of R&D being test labs and white coat workers is very much not the case. Many companies we see feel they don't qualify, however a lot of their operation is fundamentally R&D for tax purposes.... **For which there could be a valuable sum of money in relief going unclaimed.***

What is a Technological Advance?



**Not readily available
or deducible by a competent professional working in the field.**

Qualifying cost categories

Qualifying R&D expenditure categories (from 1 August 2008)

- **Staffing costs** - include all cash sums paid to staff, employers' Class I NIC and employers' pension contributions
- **Software & consumable items** – relating to R&D (apportion), This includes water, fuel and power of any kind.
- **Externally provided workers** - 65% qualifying if not connected with staff provider. 100% of salaries etc. qualifying if connected
- **Clinical trial volunteers**
- **Subcontracted R&D (outwards)**
(not claimable under the Large Company Scheme)
 - If unconnected: 65% of amount charged
 - If connected: Lesser of the subcontractors qualifying costs and amount actually charged

How do I know if I qualify?

What's the next step?

- Call GGTC – 01727 738600

Or

- Call FoodEast - 01733 253006.

10 minutes on the phone will determine if the work you have been doing will probably qualify for tax relief. Remember, 95% of the firms we visit are eligible for an R & D Tax credit and each one of these made that phone call

Don't delay – call today!