

Corporate tax

RESEARCH & DEVELOPMENT TAX RELIEF

Our R&D team have a proven track record of many successful R&D claims across a range of industries.

Many business owners are either unaware of the potential benefits of R&D tax relief, mistakenly think it is difficult to qualify for, underestimate the potential benefits or simply do not think the scheme will apply to their business.

These assumptions are often incorrect and we have a proven track record of successfully reclaiming tax for companies across almost all industry sectors. In our brief guide, we look at the basic principles of R&D tax relief and whether or not you are likely to qualify.

WHAT IS R&D TAX RELIEF?

R&D tax relief allows companies to claim a 'super' tax deduction where they are undertaking R&D activities. If a company is loss making, it can also claim a tax repayment from HMRC.

HOW MUCH IS THE RELIEF WORTH?

There are several different R&D reliefs available, but the tax savings are generally:

- for SMEs - £25 for every £100 spent on R&D; and
- for large companies - £9 for every £100 spent on R&D.

For loss-making SMEs, a tax repayment of £33 for every £100 spent on R&D could also be due.

HOW IS THE TAX RELIEF GIVEN?

If a company is profitable and is due to pay Corporation Tax (but has not yet made the payment), the R&D relief will reduce the Corporation Tax due to be paid. If the company is making a claim for old accounting periods and has already paid the Corporation Tax, there will be a repayment from HMRC. If the company is loss-making and has paid no Corporation Tax, there will still be a repayment from HMRC.

WHAT IS R&D?

R&D has a specific definition for tax purposes. If a company is seeking to make a product or process better than the original (in a scientific or technological way), then as long as the project was not straightforward, it is likely that R&D has taken place.

WHAT TYPE OF COSTS QUALIFY?

The main categories of cost that attract the tax relief are:

- staffing costs (including salary, employer's NIC and pension contributions);
- certain software;
- consumables (including heat, light and power); and
- subcontractor costs and externally provided workers.

Generally, only costs charged to the profit and loss account will qualify for R&D tax relief.

IS R&D RELIEF AVAILABLE FOR MY INDUSTRY?

R&D relief is only available to companies, but it is relevant to most industries. If you are working in the following industries, R&D relief may be available to you:

- manufacturing and engineering;
- software development;
- IT and telecommunications;
- food and drink;
- construction;
- pharmaceuticals;
- chemicals;
- energy;
- packaging and printing; and
- architectural design.



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HOW IS AN R&D TAX CLAIM MADE?

An R&D claim can only be submitted with a Corporation Tax return. Typically, when a claim is made, a separate report is prepared which substantiates and provides justification for the claim. If the Corporation Tax return has already been submitted, an amended return will need to be made including the R&D report.

A company can look back **two years** when making an R&D claim. For example, if a company's year-end is 31 December 2017, it has until 31 December 2019 to make an R&D claim for qualifying expenditure within the 2017 accounting period.

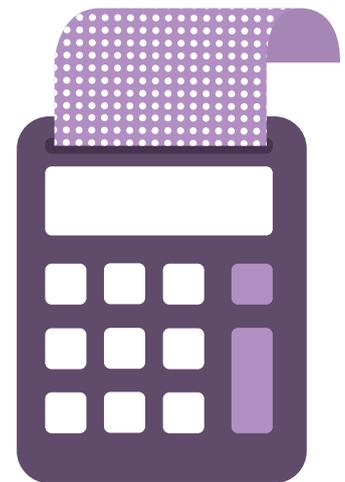
WHY CHOOSE UHY HACKER YOUNG?

Our R&D experts have a proven track record of many successful R&D claims across a range of industries. We understand how to successfully claim the relief and have experience of working with HMRC to ensure that the claims process runs as smoothly as possible.

THE NEXT STEP

To discuss your specific circumstances and to find out whether you could be eligible to claim R&D tax relief, please contact your local UHY tax expert.

Alternatively, read more about us on our website at www.uhy-uk.com.



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