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WHAT BUSINESSES SHOULD KNOW ABOUT R&D TAX RELIEFS

If your business is involved in research and development (R&D) in any way, then it helps to know about the government tax relief schemes that are available. These exist to help offset some of the cost required to carry out R&D by providing a tax relief, and yet many qualifying businesses don't actually know that these incentives exist and are available to them.



What is the R&D Tax Relief scheme?

The R&D relief is there to help businesses that develop innovative new solutions in the field of technology and science.

This broad category means that many companies can actually find that they are eligible for the tax relief, which can even be claimed against projects that prove to be unsuccessful.

Why does the government offer the R&D tax relief scheme?

Britain needs to be able to compete on the global stage and this means investing in new solutions that take the fields of tech and science further. The government knows that the R&D activity required to make new discoveries and to bring new products to market is expensive.

In order to help the UK to gain a strong competitive position in a global marketplace, it encourages R&D to stimulate innovation and provide broader economic gain.

The tax relief is a way to encourage businesses to leverage their talent to make new discoveries, without needing to take on the full burden of cost.

What counts as R&D?

The government lays out defined criteria to help businesses to assess whether their activity is actually classed as R&D.

Crucially, the work must seek to advance a solution in the field of tech or science so that there can be an eventual commercial application if the development is successful.

The definition can include work done by sub-contractors or on a partnership basis, recognising that many R&D projects are done collaboratively. The work must also be in line with the business or be a future line of development if the R&D activity is successful. Crucially, the results of the R&D must advance the broader field as a whole, rather than just improve outputs for the business. Uncertainty of outcome must also be present.

What counts as R&D?

There are two main relief types - the SME R&D tax relief which is for small and medium sized businesses and which allows them to deduct 130% of qualifying relief costs from annual profits, as well as the usual 100% deduction (230% in total). Loss making activity can also be claimed against. The R&D Expenditure Credit is for bigger companies and can also be claimed by subcontractors. It offers 11% credit against qualifying expenditure within a calendar year.

Making a claim

To make a claim for Research & Development Tax Credits, the business must submit paperwork with evidence that demonstrates they have fulfilled each of the eligibility criteria. This can be time-consuming and requires a high degree of knowledge in the field in order to obtain the maximum amount of tax relief.

For this reason, many businesses use R&D tax specialists to support them in their application - either on a one-off basis or as a continuing programme of work throughout the year. This provides access to expertise and the necessary resources required to physically prepare, submit and liaise on submissions with HMRC.

For more advice on R&D, speak to us at Highwoods & Associates today.



About Highwoods & Associates

At Highwoods & Associates, we maintain a high level of personal relationship with our clients thereby ensuring a wider range of interaction which raises trust and long-term commitments from our clients.

Our clients do not feel on their own because we do not only help with financial accounting but also on developing businesses and making taxation decisions for your organisation. This proves to be a major help since it is provided by professionals who have the know-how on facing and solving entrepreneurship and taxation hiccups in a reliable way.

In all our activities, we encourage clients to express their views and strive to create an inviting environment and atmosphere for them to do so comfortably.

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