

Not heard of R&D Tax Credits? You might be pleasantly surprised!



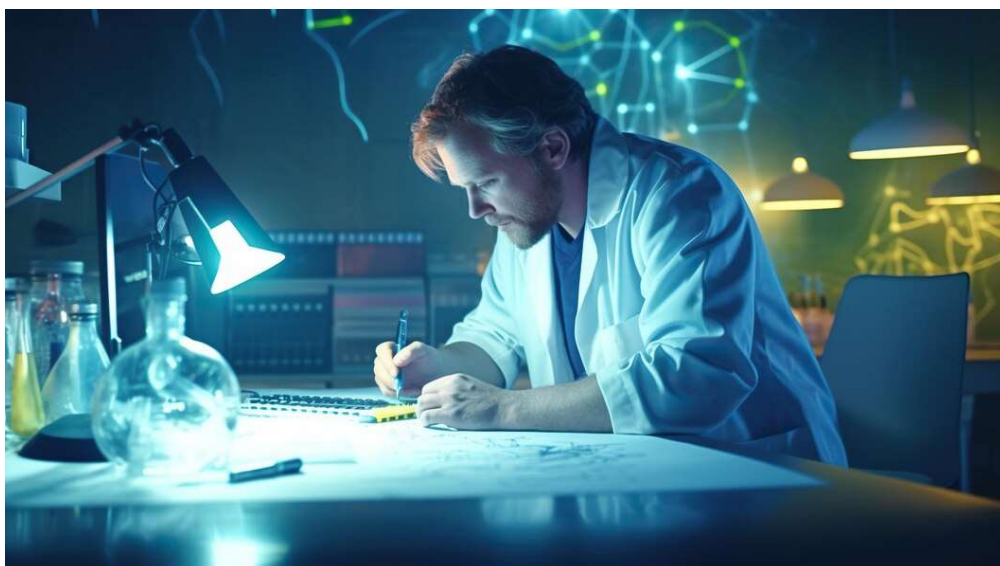
The R&D tax credit scheme was introduced in the UK in 2000 to encourage UK companies, both in profit or loss-making, to invest in R&D projects through the development, evolution or innovation using science and technology. The government realised that encouraging innovation is a way of improving productivity, performance and competitiveness in the UK. Any company solving a technical or scientific uncertainty can claim back their research and development costs. This includes improvements to existing products, process improvements, testing, or developing a new way of doing something.

It is estimated that over 75% of eligible companies never see the R&D cash benefit come back into their business because they do not know, or have not been advised, that they can claim, and most companies don't even realise that much of what they do is eligible. The average UK claim value is now around £50,000!

We specialise in helping smaller companies get the same expert advice on R&D tax claims as larger companies. So whatever size your business is, we will help you maximise your claim; working with you to produce a claim in the form that the HMRC will accept.

There are many myths and fallacies surrounding R&D Tax Credits and these cause many businesses to miss out on valuable financial benefits. Many of these myths concern which businesses qualify for R&D Tax Credits and there is also a lot of confusion surrounding what qualifies as R&D work in order to make a claim. R&D is traditionally associated with only certain types of companies and certain industry sectors. This leads many eligible businesses to decide (wrongfully) not to claim for the R&D tax credits they are entitled to. This means that there are many UK businesses that could be claiming R&D tax credits, but they are not.

Research and Development (R&D) tax credits in the UK are designed to encourage innovation by providing financial incentives to companies that invest in R&D activities. Here's a basic overview of how they work.



To claim R&D tax relief your business will have to show how their work and their project:

- Attempted to achieve an advancement in science and technology (whether successful or not).
- The Business overcame uncertainty or tried to do it.
- Could not be easily worked out by a professional in the field.
- The work/project completed by your business must involve developing or improving a process, product or service in order to be eligible for R&D relief.

In addition:

- You must be a limited company in the UK that is subject to corporation tax.
- You must have carried out research and development in the field of science or technology.
- You must have spent money in order to try to achieve the R&D goals.

Types of Companies:

- Small and Medium-sized Enterprises (SMEs): Companies with fewer than 500 staff and either an annual turnover under €100 million or a balance sheet total under €86 million.
- Large Companies: Those exceeding the SME thresholds.

Qualifying Activities:

- The project must aim to make an advance in science or technology.
- It should involve overcoming scientific or technological uncertainties.

- The work conducted must be related to your company's trade.

Qualifying Costs:

Eligible costs include, for example:

- **Staff Costs:** Salaries, wages, bonuses, Class 1 National Insurance contributions, and pension fund contributions for staff directly and actively engaged in R&D.
- **Materials and Consumables:** Materials and consumables used or transformed in the R&D process.
- **Software:** Software used in the R&D activities.
- **Utilities:** Power, water, and fuel used in R&D activities.
- **Subcontracted R&D (SME scheme only):** Costs of R&D activities contracted out to other entities.
- **Externally Provided Workers (EPWs):** Payments to third-party staff providers for workers engaged in R&D.

The percentage of R&D costs you can claim back varies, depending on whether your business is making a profit or a loss. The maximum amount you can claim back, if your business qualifies for it, is 33% of any money spent on qualifying R&D activities. While the R&D Tax Credit scheme is generous in recognising and incentivising R&D expenditure, it is crucial to carefully delineate qualifying from non-qualifying costs. Keeping accurate and detailed records of all expenditures related to R&D projects will help ensure compliance and maximise the benefit from the scheme. For complex cases or substantial claims, consulting with an R&D tax credit specialist is advisable to navigate the specifics and avoid pitfalls.

Get cash for R&D work already done!



R&D Tax Credits enable companies to either reclaim tax paid, reduce tax paid, or in the case of loss-making companies, to surrender losses for tax credits. On a simple level, the R & D Tax Credit brings a cash injection for R&D work already done. Not claiming, means hidden value in your business might not be recognised. It is important to work with an R & D consultant to maximise your claim.

How can an experienced R&D consultant help?



We have worked with RandD Tax for many years – they are a specialist R&D Tax Credits consultancy firm, whose experience and track record are second to none.

HMRC has recently paused processing of certain claims to investigate some irregular claims. In order to reduce these irregularities, HMRC are tightening their controls and requesting higher quality R&D reports in support of the claim. The additional attention to the report writing is there to eliminate R&D fraud, which does happen from time to time (whether intentionally or not). If you are claiming yourself or via your accountant (who may not have time for the level of detail needed), this is the bit where things might get more complicated.

An R&D report has two basic elements - a technical narrative report describing in words why the project qualifies and what the project is, and an expenditure summary which shows the project expenditure and qualifying expenditure category and generates an R&D qualifying expenditure number for the tax return. A common error, which an experienced consultant will help you avoid, is to view the two elements as being divorced. One done by a company's technical professionals who worked on the project and the other being an accounting or book-keeping task. They are in fact interdependent.

The R&D report should be written first and involves an assessment of the work done, on which the company has expertise, against the R&D Guidelines - which an experienced consultant can explain and relate to the project with input from the company's technical professionals. The write up of these must include a description of the qualifying R&D activity which is resolving scientific or technological uncertainty. This is vital as in

the legislation this must directly relate to the expenditure claimed.

Following this the qualifying expenditure should be considered. An accountant or bookkeeper might usefully supply the total figures, but it must be the competent technical professionals, like scientists, engineers, or developers, who decide what portion qualifies based on a consideration of the project against the Guidelines.

Once these two elements are complete a third element is the actual filing of the R&D claim. You might think surely this is a straightforward accountancy task? Unfortunately, in our experience, accountants who handle R&D claims irregularly, if at all, can make errors in this area. These errors can either cost a claiming company money or generate HMRC Compliance checks, which can be very time consuming and delay the R&D claim payments. The introduction of the R&D specific CT600L, in 2021 and changes in 2022, has been a source of many errors. Is an accountant who maybe handles one R&D claim a year, if any, fully on top of all these details? It is very unlikely. Again, a good consultant with an eye for the R&D related detail can help avoid these errors.

It might be tempting to save on costs and prepare the claim by yourself or via your accountant, who is already familiar with your business from a 'numbers' viewpoint. A claim is a lot more involved than just a numbers exercise. A lot can go wrong, and this has only been touched on here. There are many benefits to engaging an experienced R&D consultant. Not only will it take the pressure away from you having to complete every aspect of your claim, but also ensures that it is as accurate and efficient as

can be. With our vast R&D tax expertise combined with extensive technical knowledge, we help generate a technical report to support your claim. We will be able to establish exactly what is claimable in your project, whilst making the process as smooth as possible for you. We can help you to put both the accountancy aspect and technical report together and work closely with your accountant, providing a solid foundation to support your claim.



Looking back on the last 12-18 months, only one conclusion can be drawn - it's been a momentous year for the SME Research & Development Tax Relief scheme and sadly for all the wrong reasons. The SME R&D claim rates reduced for costs from 1 April 2023, claimants had to grapple with the new mandatory online R&D Additional Information Form (introduced in August) and HMRC's intensified enquiries programme proved to many to be seriously flawed. In October there was a glimmer of sanity with the publication of new R&D Guidelines which, while useful, only serve to underline how bad HMRC's compliance team is at understanding what is and is not qualifying R&D - unfortunately to the detriment of SME claimants unlucky enough to be picked out for a compliance check.

But it is far from the ‘Doom and Gloom’ picture that a lot of consultants are portraying in the media! We offer a specialist R & D consultancy service that is totally independent. R&D consultancy is all we do, and we have helped with over 7,250 successful R&D tax credit claims, generating over £221 million for our clients. We are passionate about all aspects of the R&D credits scheme and actively engage with HMRC, to gain both knowledge of, and contribute to, any points of debate around the R&D schemes.

We provide full-service R&D consultancy on a no win, no fee basis. This includes working through HMRC enquiries, and we do this while being fair on fees. Nobody in the industry could do more for their clients, and nobody charges as competitive a fee for such a full service. Our service adds insight and exceptional value to the claims process. Every company is different, and every R&D claim is different. Our experience makes navigating the Issues Involved straight forward.



The key steps in the R&D claim process and how we can help you, every step of the way.

Here are the 5 steps in our claim process.

1. Initial Qualification

Identify the scope of the R & D tax credits claim and any specific issues which impact the claim e.g. a qualifying project with qualifying costs, and which scheme to claim under? What are the deadlines? Rough assessment of the benefit and outline of the detailed process below.

2. Project Narratives

Establish the baseline from where the advance in knowledge or capability in a field of science or technology is sought. Describe the advance. Describe the scientific and/or technological uncertainties, and how they were overcome or how the resolution was attempted. Failed projects can qualify for R & D Tax credits – the advance in technology does not have to be achieved to claim R & D tax credits.

3. Cost Gathering

Eligible costs are those that relate to the activity of resolving technological uncertainty, both directly and, for some costs, indirectly. The cost types that can be claimed are defined by legislation.

4. Benefit calculation & claim filing

We carry out an Internal compliance check, then the accounting handling of the claim, including filing the claim correctly with supporting information.

5. Payment

Depending on the nature of the benefit, the scheme, and HMRC's workload they process and pay the claim in 4-16 weeks.

As part of self-assessment, HMRC may ask questions about a claim before payment, and we work through these as part of our service. HMRC enquiries can delay your R & D tax credit claim – especially if you don't have expert support and advice.

HMRC Enquiry Service

At RandD Tax, we can help you through HMRC R & D enquiries process. Handling HMRC R&D tax credits enquiries is part of our full client service. Questions from HMRC about an R&D tax credit claim can appear daunting, but we can remove this stress at RandD Tax. Part of our service is assisting you in handling all HMRC enquiries or meetings. Our Managing Director and your dedicated consultant attend all meetings with HMRC.

Struggling with an R&D Tax Credits enquiry from HMRC, but not a client? We can help.

Let us conduct a no obligation review and see if we can help you. The starting point is a review of documentation and HMRC questions. We have an excellent track record of helping companies who did not use our service initially, but we then helped them to navigate HMRC's enquiries successfully.



If you would like any more information or think that you might be eligible to make a claim, please email me your details and I will arrange to contact you for a free, no obligations phone call to discuss your eligibility.

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Click on these links for further information about Tony Ryan:

<https://www.randdtax.co.uk/our-team/tony-ryan/>

<https://www.youtube.com/watch?v=aErkygiHevE&t=50s>