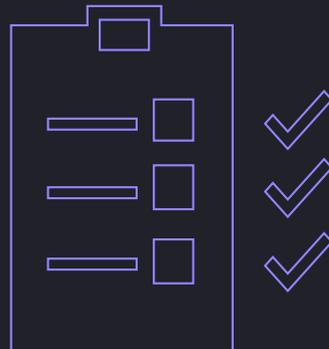
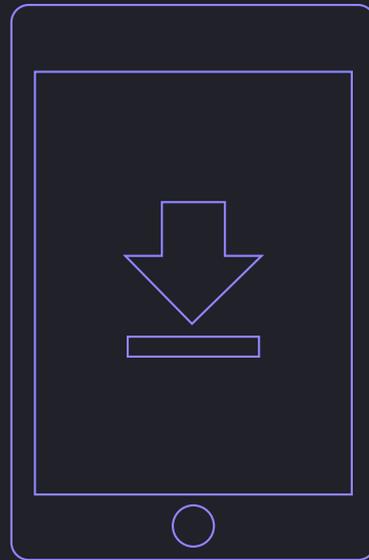


Unlocking your tax with research & development





How to tell if you do R&D and are eligible?

The definition of research & development is very broad, so we believe that all sectors should consider making a claim in order to maintain a competitive advantage compared with others.

All industries will be affected and the main area that we focus on is software development where coding is bespoke which inherently suggests that you are overcoming technical uncertainties to create your own product or services. Simply connecting apps will not be claimable but bespoke coding will always be claimable.

The full definition of R&D can be found by googling "rdsimpleguide.pdf" or by clicking [here](#).

**Some examples of what
can be claimed within your
business may be:**

Make prototypes or products

Creating new innovative technology

Sensors and smart devices

Research, development and testing

Customer web portal and notifications

Creating software or web development

Seeking to improve devices, processes,
materials or services

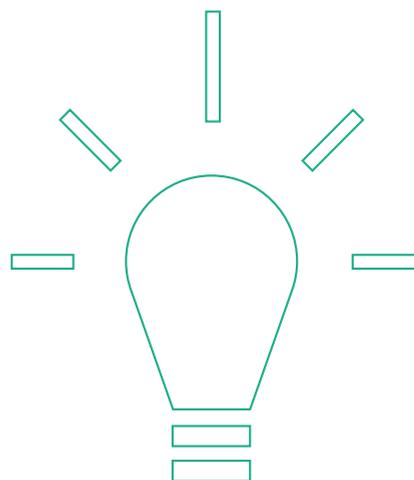
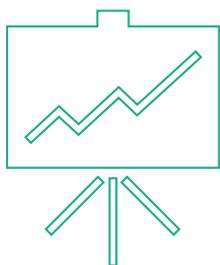
Modifying an existing technique for a
unique application

Analytics tracking and reviewing tool

Using ingredients in a new way
to achieve greater efficiency or

Integrated software to contact
customers

functionality, such as food and drink
production



Large

or small — there's a scheme for your company

**We can help if you are
a small or medium sized
enterprise (SME) with
less than 500 employees
and either:**

- **an annual turnover
under €100 million**
- **a balance sheet
under €86 million**



Or if you are a larger company, then
you can still apply for the Large
Company Research & Development
Expenditure Credit (RDEC).

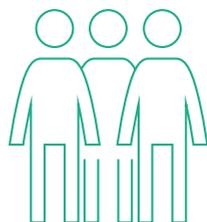
From 1 January 2018 you could get
up to 12% of your R&D refunded.



What costs can I include in the claim?

All costs relating to R&D activities which can be categorised as:

Staff costs including salaries, bonuses, employer's pension contributions and national insurance contributions.



Consumables costs including software licences and heat, light and power.

Costs of external resource or subcontract costs.

Importantly, there is no upper cap on the expenditure that you can claim and any projects or products that have failed you would still be able to make a claim for.

What if I have tax losses?



SME's can surrender their tax losses for a corporation tax refund.

To be eligible to make an SME R&D tax claim your business must meet certain criteria:

be a UK registered trading company;

meets the definition of an SME

does not receive funding for its R&D activities (or have the project subcontracted to your business)**

** If you are a large business or have the project subcontracted to you then you may still be eligible for tax relief.



How to determine my cash benefit?

The examples on the next pages set out the cash benefit for a profit and loss making business assuming £100,000 of qualifying spend.

1

Assume £100,000 qualifying spend on profit making business

	£
Taxable profit	150,000
130% enhanced deduction on £100,000	-130,000
Taxable profit (after R&D enhanced deduction)	20,000

Calculation of cash benefit:

19% Tax due on £150,000 (without R&D enhanced deduction)	28,500
19% Tax already saved on £100,000 R&D spend	19,000
19% Tax due on £20,000 (following R&D enhanced deduction)	3,800

Additional tax benefit	£24,700
R&D cash value	£43,700

Effective tax rate on £100,000 qualifying spend 43.7 pence per pound.

2

Assume £100,000 qualifying spend on loss making business

£

Taxable loss	-125,000
130% enhanced deduction on £100,000	-130,000
Taxable loss (after R&D enhanced deduction)	-255,000

Calculation of loss making business' cashback:

Surrender at 14.5% the lower of 230% enhanced deduction (£100,000 + 130%); or	-230,000
Tax loss	-255,000
For example $230,000 \times 14.5\%$	33,350

Corporation tax refund

£33,350

Effective cash benefit rate on £100,000 qualifying spend 33.35 pence per pound.

Choosing whether to surrender the loss or to carry forwards any unrelieved losses depends on when you expect to make sufficient profits in excess of any accumulated enhanced losses going forwards.

We have several clients who are profit making and surrender their losses for a corporation tax refund every year.

What do I need to know?



HMRC offers a three year Advanced Assurance although it is non-obligatory in order to make a claim. This allows a company to disclose to HMRC what projects it is intending to work on and to ask whether it would be considered research and development for tax purposes.

For each subsequent claim for the relief we will send a report of the company and its activities as a general introduction to what industry the projects are being carried out under. This will be accompanied by the R&D specification report outlining what the projects are and how they meet HMRC's requirements.

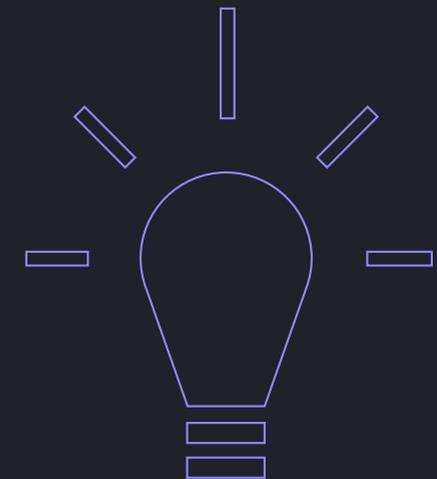
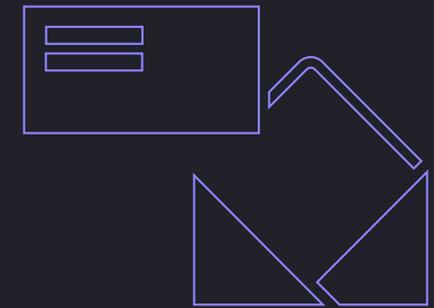
We will help you to flesh out the specific wording that you need to include in these reports. We have an HMRC compliant template for you to complete but each project should be outlined with a start date, end date, technological uncertainties and methods of overcoming them.

If your company is part of a group then tests will need to be made to consider which scheme you can apply under and, if you are within the SME R&D scheme, we have forms to ensure that you can claim 100% of subcontractor costs and not just 65%.

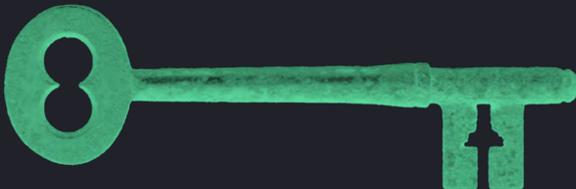
Industry fees range from 10 – 22% of your cash value.

Please feel free to get in touch with us today and we can help you decide if you qualify and are due a refund.

Please call Gary Green on 0203 728 2848
or email contact@keybusinessconsultants.co.uk



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