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Are you claiming the full R&D tax credits for your business? You can't afford not to!

Did you know there are cash back credits available to innovative companies which are investing in developing their own products or processes? Despite the wide scope of the Research & Development (R&D) Tax Credits scheme, many eligible companies are still not claiming the benefit of this very valuable relief.

R&D tax credits were introduced by the government in 2000 to encourage domestic innovation and approximately £1.5bn per year is set aside to provide support to companies which are undertaking R&D activities.

Far from only being aimed at men in white coats with test tubes, R&D can be available on re-engineering a product or process which already exists in your industry, but where the know-how is not readily available and so 'technologically uncertain' to you. R&D is also available on making an improvement to an existing product or process, in order that it performs in a new or better way.

Kingston Smith have been involved in successful claims for a diversity of businesses; including a building firm which developed a new type of hard-wearing plaster, a telecoms company which developed a text messaging platform and a software business which developed a program to map inter-personal relationships between staff within an organisation.

Where they are available, R&D tax credits work by reducing a company's taxable profits and thereby reducing the tax charge payable. If a company doesn't owe any corporation tax, or doesn't owe much, then the tax credit can create a tax loss which can be surrendered to HM Revenue & Customs (HMRC) in exchange for a cash-back sum. An eligible business in its early years can hardly afford not to claim!

For small and medium businesses, the R&D tax credit reliefs available are generous. For expenditure on or after 1 April 2015, for each £1,000 of qualifying R&D expenditure, your company can claim a tax deduction for an additional £1,300 on top of the £1,000 cash spend. Where the business is loss-making, this loss can be turned into an HMRC cheque for £333.

For larger companies, available relief is 130% of qualifying expenditure. Under both

schemes, qualifying expenditure will include staffing costs and components 'used in' in the R&D development process.

Making a successful claim can be tricky, but don't let that dissuade you from submitting a claim. The claim should be included as part of your company's corporation tax return, setting out the expenditure incurred and how the qualifying criteria are met. A professional adviser, familiar with the requirements of the scheme, can help you identify qualifying expenditure and maximise a claim for relief. Not all of a company's activity needs to qualify for relief to file a claim; so long as a portion of your work is innovative, complex and challenging and would be judged so by another professional in your field, then it would definitely be worthwhile to review your eligibility.

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