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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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