



CLAIM WHAT YOU ARE DUE IN R&D TAX RELIEF

You may be surprised as to what is classified as R&D.

Could your business benefit from a reduced tax bill or cash refund from the government? If you are not already claiming Research and Development (R&D) tax relief, perhaps you should be.

There is a lot of terminology around R&D tax relief, but don't be put off. The key point is this:

- If you are a SME, for every £100,000 spent on R&D, you can receive a £230,000 deduction from your corporate taxable profits. This will potentially trigger an extra tax saving of up to £24,700.

If you are loss making you can claim a cash refund of up to £33,350.

- If you are a large company, you can make a claim under the RDEC scheme, the effective cash for benefit is 9.7% on qualifying expenditure.

These are valuable benefits. And if you think you are not spending any money on R&D, think again. You may well be.

Can you answer yes to any of these questions?

- Do you manufacture anything?
- Do you carry out any design work?
- Have you developed your own software?
- Have you developed any processes including software that improve internal efficiencies?
- Are you using existing technologies in a unique way or combining or interfacing them in an original manner?

If you can answer in the affirmative to any of these (and there are more prompts we can put to you) then you might be able to claim R&D tax relief.

Please see overleaf for more details.



This factsheet has been written for the general interest of our clients. It provides only an overview of the regulations in force at the date of publication. It is therefore essential to take advice on specific issues. No responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this leaflet can be accepted by the firm.

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HOW DO I KNOW WHAT I CAN CLAIM?

Essentially, R&D tax relief focuses on “projects” that are “seeking an advance in science and/or technology” through the “resolution of scientific, and/or technological uncertainty”.

The wording isn’t particularly easy to interpret and can lead people to overlook potentially eligible R&D costs. For example, they may not have classified certain activities as projects. They may not have fully appreciated that some activities are resolving uncertainties. But if, for example, you are trying to improve certain processes in your business, there will usually be an element of uncertainty about whether you will succeed. Associated costs could therefore be eligible for an R&D tax relief claim.

We can make an application for advance assurance. If approved by HMRC it will allow the first three accountancy periods of claiming R&D relief without raising further enquiries.

DO YOU OCCASIONALLY HAVE BRIGHT IDEAS WHILE DRIVING TO WORK (OR IN ANY OTHER SITUATION) THAT YOU AND YOUR TEAM HAVE THEN SPENT SOME TIME CONSIDERING?

Any such “Eureka!” moments should be a trigger for capturing R&D costs. Did you have a meeting to discuss any follow-up actions? From the moment you or anyone else in your business has a flash of inspiration, any subsequent costs can be eligible for R&D tax relief.

CAN I CLAIM R&D PROJECTS THAT FAIL OR ARE ABANDONED?

Yes. Your R&D activity doesn’t have to result in a successful product, service or internal process improvement for you to be able to file a successful claim. Even if you only investigate an idea briefly, any costs incurred in doing so could be eligible.

ARE THERE ANY PITFALLS WHEN MAKING A CLAIM FOR R&D TAX RELIEF?

There are quite a few potential pitfalls. The tax legislation around R&D claims is highly complex, as is the case law. There are many grey areas to confuse the inexperienced. HMRC’s requirements are also constantly changing. Therefore, achieving successful R&D tax relief claims that maximise cash returned to the business depends on having a deep and current understanding not only of the legislation, but the way that HMRC applies it.

It is also worth noting that from 1 April 2020 the amount of payable R&D tax credit that a qualifying loss-making company can receive in any tax year will be restricted to three times the company’s total PAYE and NICs liability for that year. This measure recognises that this valuable relief must reach genuinely innovative companies.

WHAT IF I DON'T HAVE THE TIME OR EXPERTISE TO LOOK INTO MY ELIGIBILITY FOR R&D TAX RELIEF?

Speak to us. Thompson Jenner LLP has expertise and resources to help. After an initial, free, one-hour open discussion we can generally assess within reason the merit of any potential claim or refund.

Thompson Jenner LLP has a dedicated team with the experience and specialist skills required to help with any claim. If you would like to meet to discuss the services which we are able to provide, please contact one of our specialist partners.

We are always happy to offer a completely no cost/no obligation initial meeting.



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