

Other Sources of Information

For an overview of R&D tax credits see

<http://www.berr.gov.uk/innovation/randd/randd-tax-credits/page11350.html>

This page also provides links to:

- ▶ HMRC r&d specialist units
- ▶ Definition of R&D used for tax purposes
- ▶ HMRC guide on R&D tax credits for small and medium sized companies
- ▶ On-line toolkit to enable companies to quickly check eligibility for the tax credits.

Further sources are listed at the back of the brochure: *Companies' Experiences of Applying for R&D Tax Credits*.

Innovation

Not all innovation is about R&D. All aspects of Innovation whether in skills development, better working practices, R&D etc can be important in maintaining the success of a company. See

<http://www.berr.gov.uk/innovation/>

Disclaimer

This leaflet is designed to provide general information only and none of its contents should be construed as a recommendation to engage, or not to engage, in any particular activity. It does not constitute legal or other professional advice.

Endorsement

The following organisations have kindly agreed to endorse the brochure as a source of information for companies and their shareholders when considering the investments needed to grow and develop the business as part of business strategy: –



Department for
**Innovation,
Universities &
Skills**

BERR | Department for Business
Enterprise & Regulatory Reform

R&D TAX CREDITS What's in it for you?



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R&D Tax Credits are the biggest single funding mechanism for business R&D provided by Government. This tax relief can help fund the technological advances you need to keep your company competitive, by reducing your tax bill or providing you with cash.

About 5,500 companies claim per year and £1.8bn has been claimed since 2000, over half of this by SMEs. This leaflet will help you decide if you also could claim, and tells you where to go next for more information.

How R&D Tax Credits can help you

Companies carrying out research or development work in technology or science are entitled to a deduction when calculating their taxable profits of 150% of qualifying expenditure for SMEs, and 125% of qualifying expenditure for larger companies. In some cases SMEs can receive a cash refund of tax losses of 24% of the R&D eligible costs.

Legislation to extend the support available under the SME scheme to mid-sized companies (250 – 499 employees) will be introduced in 2007 and activated following EU State Aid approval.

The Government also intends to increase the relief for large companies to 130% of qualifying R&D expenditure, and for companies of up to 499 employees to increase the relief to 175% subject to State Aid approval, from April 2008. The cash refund is expected to remain broadly at 24% of the R&D eligible costs.

What's R&D for Tax purposes?

Just catching up with what lots of other companies can do isn't R&D: the work needs to be a genuine advance (though not necessarily a huge one).

Work has to fall within the definition of R&D used for tax purposes. Your work may be R&D if it meets these tests:

- ▶ Does it involve developing scientific or technological knowledge that isn't commonly available?
- ▶ What scientific or technological challenges have had to be overcome? (These have to be uncertainties that competent professionals can't readily resolve, and where solutions aren't common knowledge.)

Rules

There are some detailed rules you need to check before claiming. For example, only some costs qualify, and there's a minimum spend of £10,000 a year on R&D, as defined for tax purposes.

What business people say

" Our advice to newcomers is to research whether the company qualifies for R&D tax credits using the HMRC website and then identify which costs qualify."

Julie Singleton, Company Accountant, Avidex Ltd

" I have personally learnt that if you get the right help by appointing a professional accountancy firm, the claiming process is easy."

Scott Roberts, Managing Director, Crompton Technology Group Ltd

"I would recommend this scheme to other companies due to its impact on reducing the corporation tax liability and making more R&D projects viable."

Tim Marvell, Finance Director, Systems Engineering & Assessment Ltd

Diverse range of companies use R&D tax credits

Are R&D tax credits for you? A huge range of companies from start-ups in the high-tech industries to larger long-established businesses, use R&D tax credits to grow.

Could you benefit?

To learn more why not look at *Companies' Experiences of Applying for R&D Tax Credits?* These case studies give businesses' own advice and views, in their own words, from companies doing R&D in product and process design; high-performance engineering; developing analytical services; new materials and other industries. Companies featured include biotech company Cambridge Antibody Technology; long-established knife manufacturer Harrison Fisher; software company Nonlinear Dynamics Ltd; nanomaterials design and application business Oxonica Plc and construction firm Terrapin International Ltd. The brochure of case studies is available free of charge from: publications@berr.gsi.gov.uk or by calling Publications Orderline on **0845 015 0010** or fax **0845 015 0020**.

Web version is at <http://www.berr.gov.uk/innovation/randd/rannd-tax-credits/casestudiesandleaflet/index.html>