



# R&D Tax Credits

## What are R&D Tax Credits?

Research and Development (R&D) tax relief (or credit) is a company tax relief that can either reduce a company's tax bill or, for some small or medium sized (SME) companies, provide a cash sum. It is based on the company's expenditure on R&D.

For there to be R&D for the purpose of the tax relief, a company must be carrying on a project that seeks an advance in science or technology. It is necessary to be able to state what the intended advance is, and to show how, through the resolution of scientific or technological uncertainty, the project seeks to achieve this.

From 1 April 2012, the tax relief on allowable R&D costs became 225 per cent - that is, for each £100 of qualifying costs, your company or organisation could have the income on which Corporation Tax is paid reduced by an additional £125 on top of the £100 spent. It also includes a payable credit in some circumstances.

You can only claim under the scheme for SMEs if your company or organisation meets the definition of a SME for R&D Relief purposes.

There are different schemes for larger businesses.

## What questions will HMRC ask me?

These are the key questions that you will be asked when requesting an R&D Tax Credit from HMRC:

1. How was it decided that R&D had taken place
2. A description of the scientific & technological advance sought
3. The uncertainties involved
4. How and when the uncertainties were resolved
5. Why the knowledge being sought was not readily deductible by a competent professional
6. Were any grants, subsidies or contributions received for the project within the claim
7. Who owns the Intellectual Property of the products resulting from the R&D
8. Was the R&D carried out for others ie clients, this could mean your claim is rejected

## What is Patent Box?

The Patent Box scheme came into force in April 2013. The scheme allows companies to apply a lower rate of Corporation Tax to profits earned from its patents after this date (as well as profits arising from supplementary protection certificates, regulatory data protection and plant variety rights).

**To maximize your claim ask for help when identifying the relevant costs**