

# Comment on...

## Research & Development Tax Relief

Research & Development (R&D) tax relief is an incredibly generous corporation tax relief that is currently available for companies undertaking qualifying R&D activities. SME's can claim **a cash repayment of 33.35% of qualifying expenditure.**

### What is R&D?

For corporation tax purposes, it essentially covers any project that **seeks an advance in science or technology through the resolution of scientific or technological uncertainties.**

Scientific or technological uncertainty exists when knowledge of whether something is scientifically possible or technologically feasible is not readily available or deducible by a competent professional working in the field.

Even if the advance in science or technology sought by the project is not achieved, R&D still takes place. This means that costs relating to abortive projects could qualify for R&D relief.

### What can I claim?

There are two R&D schemes that run in parallel:

- The **SME scheme**, for Small to Medium-sized Enterprises;
- And the **RDEC scheme**, for Large companies as well as SMEs whose projects fall out with the SME scheme for various reasons, such as the receipt of a SMART or Innovate UK grant.

The level of relief available depends upon the scheme the Company uses. A project will normally qualify for the SME scheme if the Company has less than 500 full time employees and either; an annual turnover under €100m, or a balance sheet total under €86m. There are, however, a number of things to consider before determining whether a project will qualify under the SME scheme (again, watch out for grants!).

## SME Scheme

The SME scheme is notably the more beneficial R&D scheme of the two. If the Company is tax paying, it can take an enhanced deduction (130% of eligible expenditure) to reduce its tax bill. Alternatively, if the Company has made a loss, the Company can “sell” these R&D losses to HMRC in return for tax credits. Regardless, it is a win-win for the Company.

Company	R&D Qualifying Expenditure (for example)	Tax Relief (Additional Losses)	Tax Credit (Cash)
Profitable SME	£100,000	£230,000 (worth £43,700 at 19% tax rate)	nil
Loss making SME	£100,000	None - Loss surrendered	£33,350

## RDEC Scheme

The RDEC is an 11% tax credit (increasing to 12% after 1/1/18) of the qualifying R&D expenditure incurred. A complex seven step process has to be considered before the Company will receive the tax credit, however, practically speaking, 8.8% of qualifying expenditure (or 9.7% of qualifying expenditure after 1/1/18) can be claimed as a tax credit. The credit itself is taxable and there are also further restrictions on what expenditure qualifies under the scheme.

Company	R&D Qualifying Expenditure (for example)	Tax Relief (Additional Losses)	Tax Credit (Cash)
Large Company (expenditure pre 1/1/18)	£100,000	None	£8,800
Large Company (expenditure post 1/1/18)	£100,000	None	£9,720

## How can Chiene + Tait help?

Chiene + Tait has a specialist team that is experienced in identifying qualifying projects and preparing R&D claims to meet HMRC's requirements. Our team can establish what costs are eligible and review previously submitted claims to ensure maximise relief.

In the past 24 months, we have successfully submitted over 75 R&D tax credit claims resulting in over **£2.5 million** being received by our clients, **achieving a 100% success rate**.

- Information correct at 19 March 2018

For further information, please contact:

Neil Norman, Entrepreneurial Partner at [neil.norman@chiene.co.uk](mailto:neil.norman@chiene.co.uk)  
David Philp, Assistant Manager at [david.philp@chiene.co.uk](mailto:david.philp@chiene.co.uk)