

R&D tax relief

Mark Davis, Managing Director

About us

- Established in **2007**, we have been supporting businesses with claims since inception of reliefs in UK
- Have a portfolio of clients across many sections, ranging from large international **groups** to small software **boutiques** and everything in between
- Work extensively in the **construction industry** with architects, large building conglomerates and modular building firms amongst others
- Have a number of clients engaged in initiatives looking at **Modern Methods of Construction, Digitalisation** and associated fields

“A government incentive scheme aimed at encouraging UK companies to invest in Research and Development, delivered through the taxation system”

A brief history...

- **R&D Tax Relief** introduced in 2000 for SMEs
- Large company scheme added in 2002, **R&D Expenditure Credit** (RDEC) introduced in 2013
- **R&D Allowances** (RDAs) available on capital spend
- Significant **refocusing** of the reliefs in 2023....

What is changing?

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FRAUD AND ERRORS

Digital submission measures to assist monitoring

Enhanced ownership of claims

Additional compliance resources and controls

FOCUS OF BENEFITS

Restrictions of expenditure to focus into the United Kingdom

Updating to include data and cloud computing costs

Adding pure mathematics as a field

LEVEL OF RELIEF

Effective targeting of taxpayer money

Keeping the UK as a competitive location for innovation

Reduce overall cost to the exchequer

COMING UP SOON

Movement towards a single, more simple RDEC-like regime for all

RDEC

- **NOW** - a taxable above-the-line credit of **13%** of the qualifying R&D costs (currently **10.5% benefit** after corporation tax)
- **POST 1 APRIL 2023** - an above the line credit of 20% of qualifying R&D costs and 15% benefit after corporation tax

SME

- **NOW** - an additional deduction rate of 130% of qualifying expenditure and 14.5% payable credit rate leading to a benefit of 33.35% for loss-making and 24.7% for profitable companies
- **POST 1 APRIL 2023** – additional deduction of 86% and a payable credit rate of 10% leading to a benefit of 18.6% for loss-making companies and 21.5% for profitable companies

What is eligible?

ADVANCE

Technical steps taken must create at least an **appreciable advance** or improvement to the current state of the art

UNCERTAINTY

In pursuing the advance there must be the **resolution of technological uncertainty**

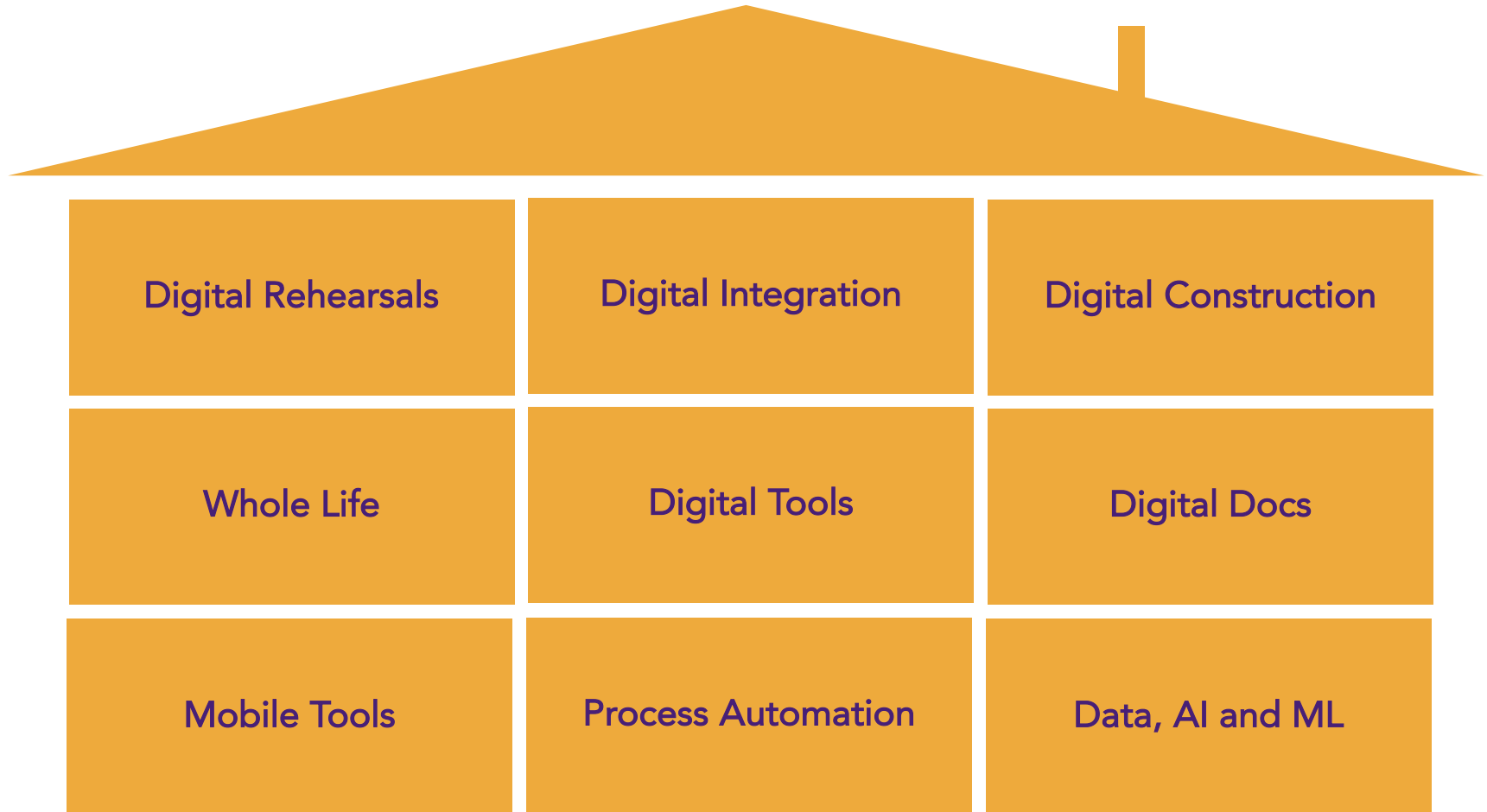
DIFFICULTY

A competent professional in the field must **not be able to readily deduce** the solution to the problem

Where do we see this?

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How is a claim made?

Identify eligible activities – gather supporting evidence

Collect data and quantify qualifying costs that relate to eligible activities

Document the eligible activities and associated qualifying costs in a formal report

It doesn't have to be complex...

- Any approach that is demonstrably **fair and conservative**, and backed by the technical experts in the company, can be acceptable to HMRC
- **Project** based, **Team** based, **Individual** based and **Proportionate** approaches have all been successful
- The nature of embedded R&D can present **challenges** since eligible activities often **spread thinly** across numerous projects, but **role-based approaches** and example activities can be used to simplify claim
- This approach has **proved successful** for a number of large companies, generating millions of pounds of benefit

All questions / discussions welcome!

Mark Davis

07810 071769

mark.davis@ela8.co.uk

Teresa Latch

07889 727075

teresa.latch@ela8.co.uk