



Research and Development

One of the key features to a successful enterprise economy is to have innovative businesses, constantly researching and developing existing knowledge. As the Government push Britain to be more and more inventive and productive, HM Revenue & Customs (HMRC) have introduced a number of tax reliefs to encourage businesses to contribute to Britain's enterprise growth. One of these is the Research & Development (R&D) tax relief.

What is R&D?

R&D is a tax relief scheme introduced by the Government in 2000 to help innovative businesses progress. R&D takes all allowable expenditure incurred during the R&D project and allows you to gross it up by 125% meaning you can effectively deduct 225% of relevant cost from your profits, more than double what you paid out! Qualifying expenditure includes materials, staff costs, subcontracts costs and apportionments of overheads that are relevant to the R&D project. Loss making companies also benefit as they can opt for a cash payment of 14.5% of the losses made, which increased from 11% on 1st April 2014. The R&D is submitted with a report detailing why the project undertaken qualifies for R&D and backing schedules of costs incurred.

What qualifies for R&D?

The main requirement for a successful R&D claim is that your company is undertaking work which aims to make an advance in human knowledge. The common misconception is that the R&D tax relief only applies to those companies working in a scientific sector. In actual fact any sector could qualify for R&D relief if they can prove the project improved knowledge in that field. This could be food technology, engineering, metalwork, the IT sector or even retail, as long as there has been an improvement in a process or product, or a new process or product has been created that improves human knowledge.

What do I do next?

If you believe that your company could be eligible for R&D tax relief there are a number of things that AV Tax Consultants can help you do in order to maximise your R&D claim. These include:

- Start collecting information on what R&D projects you have done or will be doing so that we can advise whether you qualify for R&D relief.
- Establish what costs were incurred during the R&D projects and ensure you have the evidence for these in case HMRC ask for them.

Contact **Delyth Barnett** at AV Tax Consultants LLP on **01908 219100** to arrange a meeting to discuss the potential of this tax relief for your company.