

# HOW TO CLAIM AND BENEFIT FROM R&D TAX CREDITS

A FORTUS GUIDE

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# INTRODUCTION

Since the launch of the Research & Development (R&D) program back in 2001, more than £6.5bn has been claimed as tax relief. Even in the most recent year, the cash paid out to support R&D across the country has doubled and will continue to grow year on year.

Many UK companies, however, still wrongly believe that Research & Development Tax Credit is only available to companies in certain sectors like manufacturing, science or technology sectors or that you have developed a product with people in white lab coats!

Despite the relief being around for almost 20 years, an overwhelming majority of business owners still don't know what R&D tax credits are. Many eligible businesses fail to claim what they're entitled to because they assume, they won't be entitled.

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## WHAT ARE R&D TAX CREDITS?

In summary, R&D tax credits are a UK government tax incentive designed to reward UK companies for investing in innovation. However, the name is quite misleading and potentially puts business owners off trying to claim. For example, companies can not only use it to reduce their tax bill but can claim payable cash as a portion of their R&D expenditure. You don't have to be making a profit, you can receive cash immediately and reinvest it into further R&D or growing your company.

## DOES YOUR BUSINESS QUALIFY FOR R&D TAX CREDITS?

To qualify to claim R&D tax reliefs you must be:

- A limited company in the UK that is subject to Corporation Tax.
- Have carried out qualifying research and development activities.
- Have spent money on these activities.



## ARE YOU AN SME OR LARGE COMPANY?

There are two schemes for R&D applying the same incentive but with different reliefs.

If you're an SME (HMRC definition is less than 500 employees, balance sheet less than €86m, turnover less than €100m) you're entitled to 130% uplift in qualifying expenditure, giving you up to 33% cash benefit to the company.

For large companies, the maximum benefit available is reduced to 8.8% of the qualifying expenditure.

## WHAT SECTORS QUALIFY?

You can qualify irrespective of sector. You could be in the food and drink sector, civil engineering, architects, consultancy, IT, manufacturing and many, many more. To give you an idea of the variety of sectors it can include, almost £500m has been distributed across the following sectors;

- Agriculture, Forestry and Fishing.
- Mining and Quarrying.
- Electricity, Gas, Steam and Air Conditioning.
- Water, Sewerage and Waste.
- Transport and Storage.
- Accommodation and food.
- Real Estate.
- Education.
- Health and Social Work.
- Arts, Entertainment and Recreation.

## HOW DO I KNOW IF I'M UNDERTAKING R&D?

HMRC requirements around R&D are purposefully broad.

Your business may well be carrying out research & development if you are creating a new or improved product, process or service. If you are looking to solve a problem where there isn't currently an evident solution, then you may well be undertaking R&D. You don't even have to be doing the work for your own business, R&D projects can include work done for a customer.

### Ask yourself these questions:

- Are we spending money on creating or improving a process, product or service?
- Does the project require advance knowledge or clarify uncertainty?
- Did these projects commence in the last 2-3 years?
- Do you employ people across a variety of job roles to work on these projects?

### Eligible R&D must be:

- Seeking to achieve an advance in science or technology.
- Subject to scientific or technological uncertainty.

Don't let this description put you off looking into R&D tax credits. If you're not sure if your project is scientifically or technologically possible, or you don't know how to achieve it, you could be resolving uncertainties and qualify for R&D tax relief.

## WHAT COSTS QUALIFY?

Costs which could potentially be eligible include; staff costs (gross salary, employers NIC, pension contributions and expenses relating to the project), materials & consumables (including power, heat & light), IT & software, subcontractors and other externally provided work.

## WHAT ARE THE BENEFITS OF CLAIMING R&D TAX CREDITS?

Making a successful claim could make a huge difference to your business. It could provide a valuable and significant cash injection allowing you to re-invest in future R&D, growth and staff. Alternatively, it could significantly reduce your tax bill.

## CAN I MAKE AN R&D CLAIM MYSELF?

Yes, there is nothing to stop you making a claim yourself. However, this will undoubtedly take a significant amount of time. According to HMRC, roughly 50% of all companies who submit their own R&D claim are refused a payment because they don't correctly explain the legal definition of the project as research and development. Our R&D team at Fortus have 100% success rate in the claims we have submitted to HMRC.

## HOW DO I CLAIM?

Firstly, you need to prove to HMRC that your technical innovation meets the current criteria. You'll need a 'technical report' explaining the innovations, the people involved and how this meets the current legislation. It needs to be a written application and more than just a spreadsheet of costs.

What's really important is to make sure that every possible qualifying pound spent is identified and that the costs included in the claim are accurate and robust. Deciding if you keep accurate timesheets or claim a % of staff costs is also a consideration.

Without experience, your claim could end up being rejected and you could have wasted a large portion of time.

# HOW CAN FORTUS HELP?



We're here to ensure you maximise this tax relief opportunity. We'll create a robust R&D tax claim. We know that you are employing us not only to make the right claim but that you spend less time on having to think about it. We've developed a streamlined and effective process making the whole thing hassle free for you.

## HOW MUCH DO YOU CHARGE?

The fees for R&D claims are calculated on an agreed percentage of the benefit you receive. You'll only have to pay your fee once you've received your money from HMRC.



**R&D  
REPORTS**



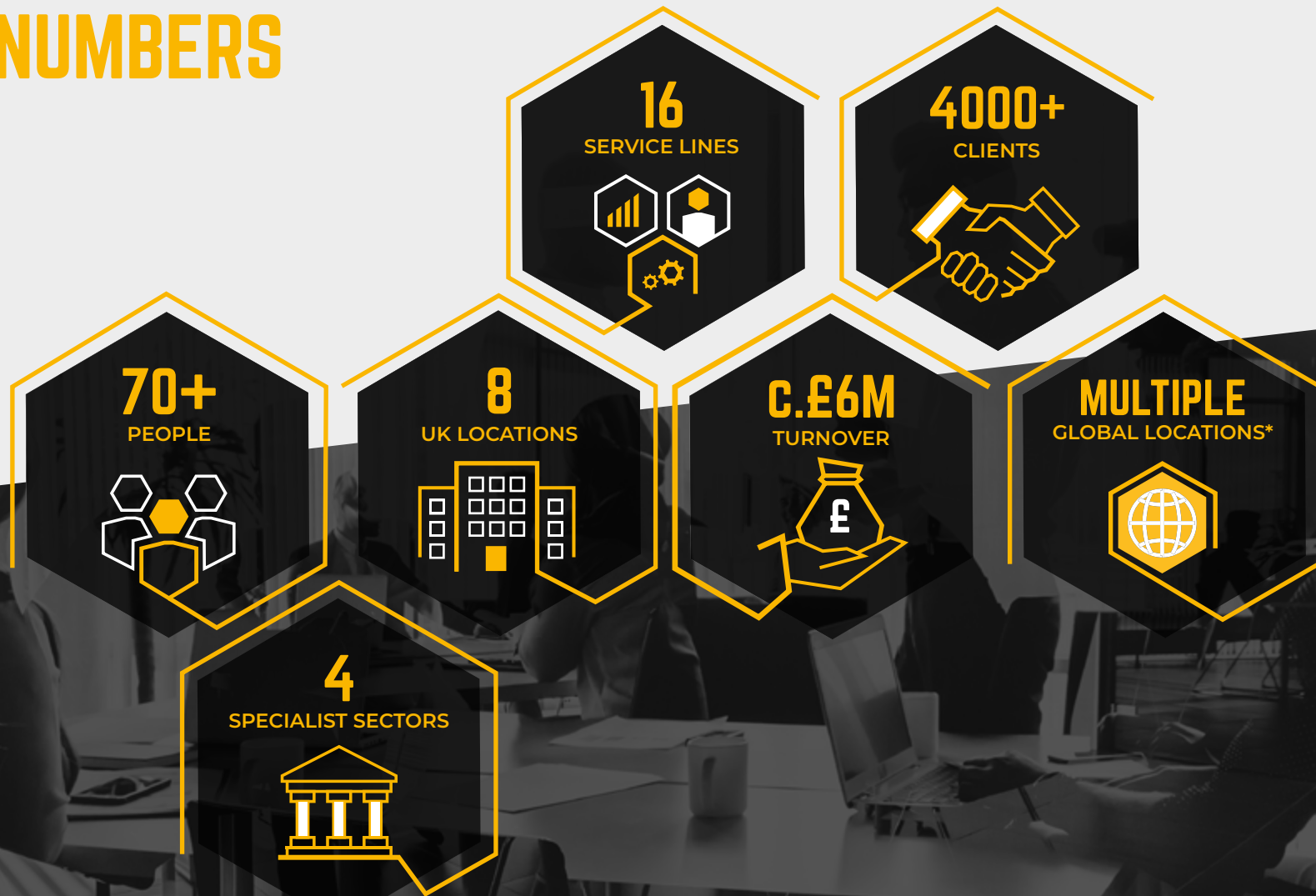
**R&D  
FACT FIND**



**CLAIM  
SUBMISSIONS**



# FORTUS IN NUMBERS





# OUR SERVICE LINES

Business ownership's complex and so are the questions our clients face every day.

With challenges ranging from financial management, recruiting and retaining people, to managing property, funding growth or strategic planning. A single speciality is no longer what's expected from business advisors and accountants.

That's why at Fortus, we offer a full range of advisory services. We're one team, with many talents helping our clients deliver on their ambitions.

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