

Jackson Stephen  
have secured tax  
refunds in excess  
of £17 million

Many companies  
are missing out on  
this valuable tax  
relief



## Research and Development - Not just Rocket Science!

For many years there has been the misconception that R&D claims can only be made for cutting edge and brand new products. This has led to thousands of potential claim opportunities being missed.

R&D claims are not limited to those businesses that work in the pharmaceutical industries; in fact, Jackson Stephen have made successful claims across most industry sectors. One of the main criteria for a successful R&D tax credit claim looks at whether something has been significantly improved. This can be as simple as making something lighter, faster or simply more efficient.

In fact, R&D is not limited to creating or improving products, as making your manufacturing process more efficient also falls within the definition of R&D as does software development. The key to a successful claim is being able to show that you have been attempting to make some form of advance or overcome technological problems.

As a result, a wide range of industries can claim R&D credits, we have seen successful claims for companies as diverse as food & drink producers, building contractors, software designers and slipper manufacturers. In fact the largest single claimants of R&D tax relief are banks who spend significant amounts developing in-house software.

### Potential Businesses

As mentioned the legislation does not restrict R&D tax relief to high-tech companies and as a result companies in a wide range of industries may be able to benefit: eg:

Pharmaceuticals

Food & Drink

Electronics & Electricals

Engineering

Foundries

Software and IT

Manufacturing

Chemicals & Glues

Waste Recycling Plants

Games Development

## Benefit of making a claim

With effect from 1 April 2015, small or medium-sized enterprises (SME) are entitled to claim a tax deduction equivalent to 230% of their qualifying expenditure in the year. For example, if you spend £10,000 on research and development, you are treated as if you had spent £23,000 when calculating your taxable profits.

The Research and Development Expenditure Credit (RDEC) is a taxable credit paid at a headline rate of 11% on qualifying expenditure incurred from 1 April 2015 to 31 December 2017 and at a rate of 12% on qualifying expenditure incurred from 1 January 2018 onwards. For a 19% corporate taxpayer, the current rate of RDEC results in a 9.7% net benefit after tax. Some companies with a nil corporation tax liability may be eligible for a payable tax credit subject to a PAYE/NIC cap.

The RDEC increases visibility of R&D expenditure and it is recognised above profit before tax in a company's statutory accounts.

Qualifying expenditure categories available under the RDEC scheme are predominantly staffing costs, externally provided worker costs, consumables, software, utilities and payments to qualifying bodies.

The net result of this is a reduction in the tax payable for a profitable company now and in future.

But R&D is not just for profitable companies. A loss making company who is undertaking R&D may surrender losses and claim a refund equal to 14.5% of the surrendered loss (this equates to just under 33% of the actual expenditure.)

Claims need to be made within 2 years of the company's year end. This means you can potentially claim for all qualifying expenditure incurred in the past 36 months.

## R&D Claims

Whilst the R&D process can be complex and the claim looks at a variety of areas where costs are incurred, Jackson Stephen can guide you through the process and do the bulk of the analysis for you.

Items of expenditure that potentially qualify are:

Staff costs for those involved with the R&D project

Consumables (items used in the R&D process)

Software costs

Light, heat and power costs (a proportion of these can be claimed)

Subcontractor costs (a proportion of the costs could qualify)

If you have any questions or would like to discuss the potential to make a claim on a no obligation basis, please contact Steve Crompton or Carole Brown on the details below:

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