

# R&D tax reliefs: an introduction.

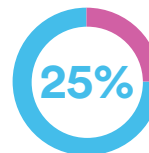


Small and Medium sized enterprises 'SMEs' are able to access research and development 'R&D' tax relief credits. An additional deduction of 130% is given on eligible expenditure. The cash tax value of claims for tax paying companies is 25% of qualifying expenditure or £25 for every £100 of qualifying expenditure. The cash benefit of claims for loss making companies is 33% of qualifying expenditure, or £33.35 for every £100 of qualifying expenditure.

**SME**  
**<500**  
**employees**



**CASH**  
**TAX VALUE**

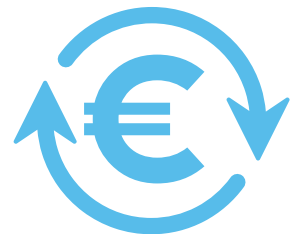


**25%**

of  
**QUALIFYING  
EXPENDITURE**



**R&D**  
**TAX RELIEF  
CREDITS**



**SME <**  
**100m €**  
**ANNUAL**  
**TURNOVER**

**33%**  
**CASH**  
**BENEFIT FOR**  
**LOSS CLAIMS**

## R&D Tax Relief for SMEs

### An SME is defined as a group/company with:

Less than 500 employees, and

Annual turnover under 100m Euros, or

Balance Sheet total of not more than 86m Euros.

**But be careful**, this can be a complex area and consideration needs to be given to the wider group and any investors.

### What is R&D?

R&D takes place for tax purposes when there is a project that meets the two following criteria:

1. It seeks to achieve an advance in science or technology; and
2. It seeks to resolve scientific or technological uncertainty:
  - a. Direct and indirect activities which contribute to achieving the advance through resolving the uncertainty are R&D.
  - b. The R&D starts when the work to resolve the uncertainty starts, and ends when it is resolved.
  - c. A project does not have to be successful, abortive projects can be R&D too!

### How to identify qualifying R&D

- Were there several different design or technology choices that you had to choose between and it was not obvious which one would achieve the desired advance?
- Did you have to create something new because existing products/technology were unable to provide the capability required?
- Would another competent professional in your field hold out what you have done as advancing knowledge and being challenging to achieve?
- At any time during the project did you have to change the desired outcome due to technical issues or complexities?
- Were there any technical issues on the project that resulted in delays in delivery?

**If you can answer YES to any of these questions it is likely the project contains some R&D.**

### Qualifying Costs

**Staff costs** including: Salary, bonus, employers pension and social security.

**Externally provided workers** - 65% of the payment to agencies/third party companies for providing resource engaged on the R&D.

**Subcontractors** - 65% of the payments made to companies or organisations working on the R&D project.

**Software licences and consumables items** or transformable materials (water, fuel, power).

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