

Guide to **R&D tax relief**

In this guide you'll find information on:

- Overview of R&D tax relief
- Projects that may qualify for R&D tax credits
- Eligibility for R&D
- Why dns?



R&D tax relief - summary

- ✓ The R&D scheme enables the companies to either reduce its corporation tax liability or get a tax refund or tax credit from HMRC. Businesses can improve their cashflow with the help of the scheme.
- ✓ If you are a qualifying SME, you can claim back £18.6 (£33 prior to April-2023) for every £100 spent on R&D under the SME R&D scheme.
- ✓ Under RDEC (mostly suitable for larger businesses or when an SME is not eligible for the SME R&D scheme), you can claim back £15 (post-tax) for every £100 spent on R&D.
- ✓ R&D occurs when a project or activity seeks to create a new product or process or improve an existing product or process. All you need to demonstrate it is the outcome was uncertain when the project started and competent professionals were used to deliver the project.
- ✓ R&D can occur in almost every sector, from breweries to large scale engineering units.
- ✓ dns are leading tax experts who have helped hundreds of businesses like yourselves to maximise their claim.

Guide to R&D tax relief

R&D tax relief was introduced for SMEs in 2000 and extended to larger companies from 2002. The scheme is designed to encourage greater R&D spending, leading in turn to greater investment in innovation and is one of the main principles of UK government business support.

Since 2000, there have been 500,000 claims for R&D tax relief. In 2020/21, 78,825 SME claims were made and a total of £4.2 billion has been claimed under R&D tax benefits.

What is R&D tax relief?

For tax purposes, when a company undertakes a project that seeks to achieve an advancement in overall knowledge or capability in a field of science or technology, it is involved in R&D. The R&D scheme enables the company to either reduce its corporation tax liability, get a tax refund on previously paid tax, or, if the company is loss-making, they could receive a tax credit by proving that they have incurred costs on qualifying R&D.

There are two schemes that businesses can use:



RDEC – Claim back £15 for every £100 spent on R&D

Primarily for larger companies but SMEs who are not eligible for the SME R&D Scheme could be eligible to claim.

What projects qualify for R&D?

Projects that make an advancement in some area of science or technology will usually qualify for R&D. It doesn't have to be a ground-breaking invention or those that happen only in white coats scientific laboratory, but it does need to achieve advancement in science or technology, and by extension the industry in some way.

For a project to qualify, the company needs to explain how the project:

- ✓ looked to seek an advancement in a field of science or technology.
- ✓ had to overcome an uncertainty.
- ✓ tried to overcome this uncertainty.
- ✓ could not be easily worked out by a professional in the field.

Therefore R&D can include creating new processes, products or services, making recognisable improvements to existing ones and even using science and technology to replicate existing processes, products and services in a new way.

Am I eligible for R&D tax credit?

Whatever the size of your business, if you are creating new products, processes or services – or modifying existing ones – there is a good chance you could be carrying out R&D. R&D can take place in any sector. It occurs in everything from food-processing to software development, construction to healthcare.

If you can answer 'Yes' to these questions then, it looks like you are involved in R&D:

- ✓ Do you create new products, services or processes, using science or technology?
- ✓ Or have you improved your existing products, services or processes or experimented with new equipment or production techniques?
- ✓ Have you had difficulties and challenges in trying to create or improve these products or processes?
- ✓ Do you or your team have experience or qualifications relevant to this work?

Fact: R&D Tax relief can be claimed even if the project failed! HMRC will confirm whether you are eligible, when the advance notification is submitted to them.

R&D takes place in most sectors:

- | | | | |
|----------------------------|--------------------------|--------------------------|--------------------------|
| ✓ Aerospace | ✓ Electrical contracting | ✓ Industrial controls | ✓ Pharmaceuticals |
| ✓ Agriculture | ✓ Electrical engineering | ✓ Engineering | ✓ Plastics injection |
| ✓ Apparel | ✓ Electronics | ✓ Information technology | ✓ Precision machining |
| ✓ App development | ✓ Environmental | ✓ Insurance | ✓ Printing |
| ✓ Architecture | ✓ Consulting | ✓ IT resellers | ✓ Process engineering |
| ✓ Audio visual integration | ✓ Environmental | ✓ Job shops | ✓ Product engineering |
| ✓ Automotive | ✓ engineering | ✓ Life science | ✓ Security systems |
| ✓ Breweries | ✓ Fabrication | ✓ Manufacturing | ✓ Integration |
| ✓ Bridge construction | ✓ Fire protection | ✓ Marine construction | ✓ Ship and boat building |
| ✓ Building system controls | ✓ Food & beverage | ✓ Masonry | ✓ Software |
| ✓ Chemical | ✓ Food processing | ✓ Material handling | ✓ Structural engineering |
| ✓ Civil engineering | ✓ Foundries | ✓ Mechanical contracting | ✓ System integration |
| ✓ Construction | ✓ Furniture | ✓ Mechanical engineering | ✓ Technology |
| ✓ Contract manufacturing | ✓ Gaming | ✓ Medical devices | ✓ Manufacturing |
| ✓ Cosmetics | ✓ General contracting | ✓ Metals | ✓ Telecommunications |
| ✓ Cybersecurity | ✓ Government | ✓ Mining | ✓ Tool & die |
| ✓ Digital advertising | ✓ Contractors | ✓ Network engineering | ✓ Value-added resellers |
| ✓ Distilleries | ✓ High tech distributors | ✓ Oil & gas | ✓ Waste management |
| ✓ Distribution | ✓ HVAC | ✓ Packaging | ✓ Wineries |

Why dns?

dns are the UK's leading Accountants and Tax Advisors. We employ in-house tax and technical experts who are well-versed with HMRC's guidelines. With hundreds of claims already filed with HMRC, we can help you secure the tax relief you're entitled to.

Reasons for working with dns:



Our aim is to make valuable tax reliefs available to those who should receive them and have helped hundreds of businesses, some of whom had no idea they are eligible.



We use efficient resources and experts to maximise your claim.




We hate cutting corners and therefore prepare a robust technical report to provide to HMRC and guide your accountant (if needed) for completing the relevant tax returns.



Our fee structure is simple and we work on a fixed-fee basis.

Contact us for a free R&D tax credit consultation and an analysis of the claim value you might expect.

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