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R&D Tax Reliefs
Are you eligible?

Are you eligible for enhanced R&D tax reliefs

R&D tax reliefs are available in almost every industry and are not restricted to 'hi-tech' activities. However, it is still the case that a large proportion of companies that are eligible to claim the reliefs do not. Ask yourself the following questions:

- Does your company develop new products or processes or is it seeking to improve its existing products or processes?
- Is the company duplicating existing products or services, but in a new or improved way?
- Has your company implemented a new software system designed for your particular business or industry?

If so, then the company may be able to claim generous R&D tax reliefs.

How much is the relief worth?

The amount of relief varies according to the size and profitability of the company. For profitable small and medium enterprises (SMEs)(see below for definition), for every £100 of qualifying R&D expenditure incurred, there could be up to **£25 of additional tax savings**.

For large companies, the relief is still available, but at a lower rate of approximately **£9 of additional tax savings** for every £100 of expenditure.

Even if your company is loss making, a cash repayment may still be available (known as an R&D tax credit). For SMEs, a **repayment of up to £33** for every £100 of qualifying expenditure may be available. However, losses that would have been available for offset against future taxable profits of the business would be foregone. Nonetheless, for loss making companies a cash repayment is usually welcome!

What is an SME for R&D purposes?

For a single company, it will be an SME if it has fewer than 500 employees AND either:

- Annual turnover of €100 million or less; or
- Assets in the balance sheet of €86 million or less

For groups, generally, the limits above apply to the group as a whole (although the rules are complex in this area).

What is R&D for tax purposes?

Under Government guidelines, R&D takes place when a project seeks to achieve an advance in science or technology through the resolution of scientific or technological uncertainty.

As long as a scientific/technological advance is sought, even projects that fail can be eligible for R&D reliefs.

What is an advance in science or technology?

If the product or process that is being developed is "better" than the original in a non-trivial way, then this may constitute an advance in science or technology. If a product or process is the same as the original, but the method by which it is produced or made is "better" than previously, then again, this may constitute an advance in science or technology.

What is scientific or technological uncertainty?

In order to claim R&D tax reliefs, the R&D project must not have been straightforward. If difficulties were encountered, or if the project time and costs overran, then uncertainty is likely to be present.

What costs qualify?

Generally, R&D costs must have been charged to the profit and loss account in order to qualify capitalised costs may still be claimed, although it is more difficult to do this. The main categories of qualifying costs are:

- Staffing costs (including salary, bonus, employer's pension contributions and NIC – dividends are not included).
- Consumable items.
- Some software.
- Subcontractor costs and externally provided workers (although only 65% of such costs qualify).

The activities directly related to developing the product or process, or in making it better will qualify. In addition, certain indirect activities such as admin and maintenance may also qualify.

**For more
information
contact**

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How can DSG help?

At DSG we have a team of tax professionals with R&D expertise who can review whether your business is eligible for a claim and can help through the entire claim process. We can identify what projects and costs will qualify, compile the supporting documentation, and can help submit the claim to HM Revenue & Customs. In short we can help to maximise the tax relief that is available to you.

We will meet with you free of charge to understand and discuss any potential claim. If we think you have a valid claim for R & D, we will agree a fee with you up front so that there are no surprises. Fees are based on the size and complexity of the claim and are usually based on the tax saving to you. However, if you prefer a fixed fee, we are happy to do this.

For further information and for a complimentary initial meeting contact us today.



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