

Can you recognise R&D in your company?

- you may be surprised how many companies can't
- don't lose out by being one of them!

The Government's R&D Tax Credit Scheme was introduced for Small and Medium Enterprises (SMEs) in 2000 and one year later for large companies.

The schemes apply to UK registered Limited Companies:

- R&D costs can be offset against UK Corporation Tax.
- If there are no profits a cash payment is available.
- ✓ All subject to qualifying conditions being met.

The average benefit per small company is £45,000 - benefits typically range from £10,000 to several hundred thousand pounds and you can claim year on year.

"Linda at RandDTax has been a pleasure to work with. We have found the whole process very efficient and instrumental in getting fantastic results for our clients."

Jenny Rainer, FCCA
Anderson Phillips Accountants

"My experience of dealing with government was just too much pain for small companies. Thank you Linda for all your hard work with our claim and successfully obtaining Tax Credits for us."

William Pearson, MD
Morgan's Pomade



WHAT ARE RESEARCH & DEVELOPMENT TAX CREDITS?

- Research and Development (R&D) credits reduce the amount of corporation tax payable by a company, or there is a cash payment available if a company made a trading loss in the relevant accounting period. The amount that can be claimed is based on qualifying R&D expenditure – i.e. your R&D costs each year. There are two schemes: the large company RDEC (Research and Development Expenditure Credit); and Small and Medium Enterprise (SME) R&D Tax Credits.
- The big challenge for SMEs and their tax accountants is understanding what qualifies as R&D and how to cost their research and development activities.
- **For SME companies with under 500 employees - qualifying costs include:**
 - ✓ Internal labour costs (often the largest cost).
 - ✓ A proportion (65%) of relevant sub-contracted R&D costs for activities carried out by subcontractors based anywhere in the world.
 - ✓ Energy, consumables and wasted materials.
- Since 1st April 2015 qualifying R&D costs can be enhanced by an additional 130%. The enhanced value is counted as an expense to offset against profits when calculating a company's trading profit or loss for corporation tax purposes.
 - ✓ If profitable that equates to a **corporation tax saving of £5,200 for every 20,000 spent on R&D** (at 2016-17 tax rates).
 - ✓ Or if you made a trading loss in the year, **the cash payment available is between 18% and 33% of your qualifying costs** (at 2016-17 tax rates) - the actual percentage depends on the amount of your trading losses.
- Retrospective claims can be made going back two years based on a company's accounting year end – i.e. during the current year you can claim for the last two completed accounting years.

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www.randdtax.co.uk

RandDTax

Company Profile

(October 2017)

RandDTax is the trading name of Terry Toms and Partners Ltd. Our Consultants throughout the UK help companies to recognise, scope and claim R&D Tax Credits, **gaining in excess of £78m for more than 930 companies since September 2012.**

Terry Toms, the founder, has sat on the R&D tax credit committee at Intellect (forerunner to TechUK), spoken at Intellect, HMRC and other events on R&D tax credit issues and assisted in running workshops on software industry claims for HMRC on behalf of Intellect and TechUK.

Linda Eziquiel, Principal Consultant at RandDTax has written a professional development (CPD) training course for accountants: Claiming R&D Tax Credits [http://www.accountingcpd.net/Linda Eziquiel](http://www.accountingcpd.net/Linda_Eziquiel)

The Directors and Consultants in RandDTax combine a vast range of senior management and technical experience gained in software, technology, engineering, manufacturing and in the finance and tax sectors.

We have made claims worth between £20,000 and £900,000 for our small and medium enterprise (SME) clients, with the top 50 clients benefitting by well in excess of £100,000 each.

A lot of our business is introduced by practicing accountants or our existing clients and other professionals in our network. Some accountants are not aware of the range of activities that qualify as R&D so we also contact companies directly.

We help companies scope out their R&D activities, draft a technical justification document to support their claims, advise them on identifying qualifying costs and assist their accountant in dealing with HMRC. Our job is to help make the claim process simple and safe.

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EXAMPLES OF QUALIFYING RESEARCH & DEVELOPMENT ACTIVITIES

Type of Industry	Examples of R&D Activities
<ul style="list-style-type: none"> Technology and software development 	Development of software, hardware, apps, AI, biotech, fintech, computer games, etc.
<ul style="list-style-type: none"> Equipment/machinery manufacturing 	Development of hifi systems, clinical equipment, gadgets, machinery – design/prototyping/testing
<ul style="list-style-type: none"> Precision engineering 	Design and development activities to create a CNC manufacturing process for a new part
<ul style="list-style-type: none"> Food production, food NPD and packing ind. 	Recipe or manufacturing process development, manufacturing trials, innovation in food packaging
<ul style="list-style-type: none"> Plastics and materials manufacturing 	Development of new raw plastic or other material to meet colour, strength and durability standards
<ul style="list-style-type: none"> Computer hosting and networking / telecoms 	System development for mid-range hosting and network services or VOIP services
<ul style="list-style-type: none"> Cosmetics NPD and manufacturing 	Development and testing of new cosmetics recipes for mass manufacture
<ul style="list-style-type: none"> Aerodynamic testing 	Creation of new testing environments and systems



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