

EQ Taxation

R&D Tax Credits



CHARTERED ACCOUNTANTS



What are R&D tax credits?

R&D tax credits are a government incentive to encourage innovation. R&D can be defined, for tax purposes, as:

- Seeking an advance in science or technology
- Undertaking activities which aim to achieve the advance by resolving scientific or technological uncertainties

For the avoidance of doubt, the R&D activities are NOT required to be successful.

You can find more information within our case studies later in this booklet.

What are the basic criteria for making a claim?

- You must be operating as a limited company
- You must incur qualifying costs on an identifiable project
- You must make the claim no later than two years from the end of the accounting period in which the expenditure is incurred

Which sectors can make R&D claims?

There are many companies that could potentially make claims, but currently don't. R&D can apply to product development and improvement, process improvement and design work amongst others. We have prepared claims for companies operating in a number of key sectors such as:

- Agriculture
- Construction
- Design
- Engineering
- Information Technology
- Manufacturing
- Food and drink
- Packaging
- Software
- Waste Management

These sectors are by no means exhaustive.



Why choose EQ Taxation to deliver your R&D claim?

EQ Taxation aim to ensure our clients claim the valuable tax benefits to which they are entitled.

- EQ Taxation have a team of specialists delivering successful R&D claims
- We have a 100% track record of success – every claim submitted has benefitted the claimant company
- We operate on a known fee basis, with fees agreed in advance of the work proceeding
- A typical claim requires only three to five hours of our clients' time
- Our team will work with yours to prepare a claim that is credible and accurate yet captures the spirit of your R&D work
- EQ Taxation have secured tax repayments for clients from as low as £5,000 to as high as £475,000
- Our fee protection insurance policy ensures that, in the event of an HMRC enquiry, your claim will be fully defended

We offer our R&D service as part of a fully integrated tax compliance service, or as a stand-alone service working with your existing agent.

What reliefs are available?

The reliefs available depend on the size of your company. There are two schemes:

a) The SME scheme

From 1 April 2015, qualifying costs are eligible for an uplift of 130%, meaning that for every £100 of qualifying spend, the company would receive a tax repayment of up to £26, assuming it was paying corporation tax.

For example, for the year ended 31 March 2017 an SME company with pre-tax profits of £1,500,000 and qualifying R&D costs of £500,000 would have a corporation liability of £300,000 if no R&D claim were made. The tax

liability would be reduced to £170,000 if an R&D claim were made, saving the company £130,000.

For loss making companies, the R&D losses can be surrendered for a repayable tax credit, currently at a rate of 14.5%, a valuable boost to cash flow.

b) The Research and Development Expenditure Credit (RDEC) scheme

This was introduced on 1 April 2013 and replaced the previous large company scheme in April 2016, allowing large companies to receive a tax credit of 11% before tax, based on qualifying costs.

What type of costs qualify for R&D?

- Gross wages (but not dividends or benefits in kind)
- Employers' NIC and employers' pension contributions
- Consumable materials used in the R&D process (some restrictions apply)
- Utility costs for water, electricity, oil and gas
- Computer software costs
- Subcontracted labour costs/externally provided workers

"EQ has worked closely for some time with the Glendale Group and provides valuable and proactive assistance in compiling and submitting our application. EQ deliver a diligent and professional service, working closely with our management and engineers to ensure a comprehensive report is submitted, giving optimum value for our business."

Bruce Galloway
Managing Director, Glendale Plastics Limited



Case Study Sector - Food & Drink

Company size £4m - £5m turnover | Qualifying costs £125k | Tax saved £35k

Background

This client is a family run company, producing bakery and butchery products for selling in their own shops, as well as supplying to retailers. This company was an existing EQ client, with the R&D opportunity being identified through the engagement team's knowledge of the company's activities.

Type of Work

The client's R&D claim incorporated two different projects:

- 1 The company sought to improve their food manufacturing process in order to supply their products in greater volumes without compromising on quality.
- 2 At the same time, the company wanted to develop a unique range of bakery products which could compete with global competitors in both quality and cost.

What R&D work was done?

- 1 Having purchased a piece of machinery which could produce their products in greater volumes in order to meet demand, the client adapted their traditional handmade recipes to ensure their mass produced products did not lose their taste and quality.
- 2 Through extensive research and testing, our client developed a range of bakery products which offered unique flavours at a much lower cost than their global competitors.

Case Study Sector - Manufacturing

Company size £4m - £5m turnover | Qualifying costs £201k | Tax saved £51k

Background

Our client is a part of a family owned group of companies with expertise in a wide range of engineering and processing technologies. EQ act as R&D tax advisers only to this client, liaising with their existing agent in order to get the R&D claim submitted to HM Revenue & Customs.

Type of Work

This client provides food packaging solutions to its customers. The company is engaged by various food manufacturers who are looking for a bespoke packaging for their product. It is often the case that current offerings are not suitable for a number of reasons, be it durability, cost, aesthetics, etc. The company are then required to develop a packaging solution to fit the client's particular needs.

What R&D work was done?

The company experiment with a wide variety of different materials and vary the characteristics of those materials in order to produce something that will suit the needs of their clients along with complying with the food safety regulations. This involves rigorous testing and trials before the company can develop the required packaging.



Your Vision. Energised.



"We use EQ Taxation for our specialist taxation advisory support and we have found them to be both practical and imaginative in delivering excellent service and highly impressive results."

Liz Waugh
Financial Director of Kettle Produce Limited

"As a company, we have been working with EQ for over 20 years. Although we have internal accountancy personnel, over the years we have found EQ's support and advice invaluable, whether this has been for our yearly audits, or providing R&D tax credits support, their attention to detail can only be described as excellent. As EQ has expanded, we have not seen any reduction in the personal type service they have provided since day one, and we look forward to continuing this professional relationship into the future."

Roy Henderson
Managing Director of SP Technology Limited



Working with you.

To find out if you are entitled to save thousands of pounds annually, contact our taxation experts for a free initial discussion and we will give you an honest assessment of your potential to claim R&D tax credits.

You can contact our R&D tax specialists at taxation@eqaccountants.co.uk

All rates accurate as of 31/3/17.

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