



let's help



Research & Development

What are R&D tax credits

Research and development (R&D) tax credits are a government incentive designed to reward UK companies for investing in innovation.

Successful claims can result either in lower corporation tax bills or repayment of tax already paid.

As such they can be a valuable source of cash for businesses to invest in accelerating their R&D, hiring new staff and financing growth generally.

Many companies that are entitled to the relief do not claim either through lack of awareness or because the relief seems complex or inappropriate to their business. In fact the relief is not just for traditional scientific research but also extends to development work in design and engineering.

The broad aim is to promote companies' investment in scientific and technological research and development projects.

How do R&D tax credits work

HMRC defines R&D as work that achieves a scientific or technological advance when scientific or technological uncertainty exists. This can include:

- Costs incurred in developing new products, processes or services, or enhancing existing ones.
- Monies spent on innovation developing new technologies to substantially improve products, processes, devices, materials and/or services.
- Monies spent on using science or technology to duplicate the effect of an existing product or process in a new or appreciably improved way.

The scope for identifying R&D is extensive. It exists in every single sector and if you're making a claim for the first time, you can typically claim R&D tax relief for your last two completed accounting periods.

It's also not just a one off! You can claim this relief on an annual basis as long as your R&D projects fall within the parameters of eligibility.

What is it worth

All companies, large and small, can claim if they undertake qualifying work and if your company makes a loss, then your tax savings can be claimed as a cash refund in the form of R&D tax credits. You can make an R&D tax credit claim to receive either a cash payment and/or Corporation Tax reduction.

Some companies will be eligible for up to 230% on their qualifying R&D costs. So, if your company is paying Corporation Tax at the current rate of 19% and spends £150,000 on qualifying R&D it could save tax of £65,550.

What costs qualify

The types of costs that can qualify for R&D tax relief is extensive and apart from any capital expenditure the costs can include:

- direct and externally provided staff
- subcontracted R&D
- consumables
- software
- trials and prototyping
- independent research costs

How do I make an R&D claim

Talk to us and we will put you in touch with our specialist experts in this field to see if you could make an R&D claim.

DNG Dove Nash

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