



GUIDELINES
ON THE MEANING OF
RESEARCH &
DEVELOPMENT
FOR TAX
PURPOSES

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RESEARCH & DEVELOPMENT FOR TAX PURPOSES

"The following document is issued by The Department for Science, Innovation & Technology.

Its purpose is to provide a detailed description of what qualifies for R&D for the purpose of R&D tax relief claims. It identifies and defines the various terminology that's used in the description of qualifying R&D activities.

They define the types of R&D and the subsequent activity the Government wants to incentivise through the tax system, but not how the R&D tax relief claims work or what costs can be claimed.

The aim has always been to promote investment in innovation, giving companies the opportunity to invest in their own development, growth and people, and subsequently grow the UK economy itself.

The guidelines and terminology used has always been broad, capturing a vast array of industrial sectors. However, this does mean they can be open to interpretation and misunderstanding.

Our TC Group R&D and Innovation Tax Reliefs team aims to ensure our clients fully understand the guidelines and use them to their advantage to explore all areas of expertise and innovation. We'll help you understand how they relate to your business and guide you through the legislation to ensure you maximise the value of a correctly submitted R&D claim.

We ask all our clients to read these guidelines carefully, as they form an important part of the R&D identification process and in doing so, enable us to apply them to both your business and sector effectively."

On behalf of the TC Group team.



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DIRECTOR -
HEAD OF R&D

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MEDD

UNLOCKING THE POTENTIAL:

MEET OUR INDUSTRY-LEADING R&D AND INNOVATION TAX RELIEFS TEAM

In the fast-paced and ever-evolving world of research and development (R&D) tax reliefs, having a competent and skilled team is crucial to navigate the complexities and maximise benefits. R&D and Innovation Tax Reliefs team is a group of exceptional individuals with diverse expertise, experience, and knowledge across a wide range of industries, making them industry specialists in their own right.

DEALING WITH UNCERTAINTY

HMRC have introduced a number of changes to the R&D scheme, but don't let these put you off. We can provide excellent advice to guide you in determining if you have a valid claim. We can also provide robust support for your claim throughout the whole process once submitted.

EXPERIENCE ACROSS DIVERSE INDUSTRIES:

One of the key strengths of our R&D and Innovation Tax Reliefs team is their extensive experience across various industry sectors. From the built environment to engineering, IT to manufacturing, composite materials and even the highly specialised automotive and aerospace industries, our team members have a proven track record of assisting companies in these domains to identify and claim the R&D tax reliefs they deserve.

UNPARALLELED R&D TAX RELIEFS SPECIALISTS:

Each member of our team is a dedicated specialist in R&D tax reliefs, possessing in-depth knowledge of the legislation, guidelines, and criteria set by HMRC (His Majesty's Revenue and Customs). Their expertise ensures they can efficiently and effectively identify qualifying R&D activities within your organisation, helping you to meet HMRC's criteria and secure the maximum tax relief benefits available.

ROBUST PROCESS AND EFFICIENT SUPPORT:

Navigating the world of tax reliefs can be daunting, but our team's robust and streamlined process ensures that you receive the support you need at every step of the way. From initial assessments to compiling necessary documentation and preparing your claim, our team's efficiency guarantees a hassle-free experience for your company. We can even track your claim progress within HMRC's system to keep you updated on progress.

HOLISTIC TAX SPECIALISTS:

Whilst our primary focus is on R&D tax reliefs, our team is not limited to just that area. We're well-versed in various tax reliefs for the creative industries, including film, TV, theatre, and video games. This broad understanding allows us to provide a comprehensive approach, helping you identify and claim any applicable tax reliefs to optimise your financial benefits.

COLLABORATIVE AND CLIENT-FOCUSED:

At the heart of our TC Group Innovation Tax Reliefs team's success is our commitment to collaboration and client-focused service. We understand that each organisation is unique, and we take the time to comprehend your specific needs, challenges, and objectives. By tailoring our approach to suit your requirements, we ensure that you receive personalised solutions that yield the best results for your business.

In conclusion, our R&D and Innovation Tax Reliefs team brings together a wealth of industry specialists, expertise in diverse sectors, and a deep understanding of the intricacies of tax reliefs. With our robust process and holistic approach, we are well-equipped to guide your organisation through the complex landscape of R&D tax reliefs, helping you unlock its full potential and secure the financial benefits you rightfully deserve. Partner with us and embark on a journey of innovation and growth with confidence.

SO WHAT'S CHANGED?

RATES OF RELIEF FOR THE MERGED R&D SCHEME FROM APRIL 2024:

For accounting periods starting on or after 1 April 2024, the merged credit rate will be 20% on all qualifying expenditure, applicable to all qualifying businesses regardless of size, except for loss-making 'R&D intensive' SMEs.

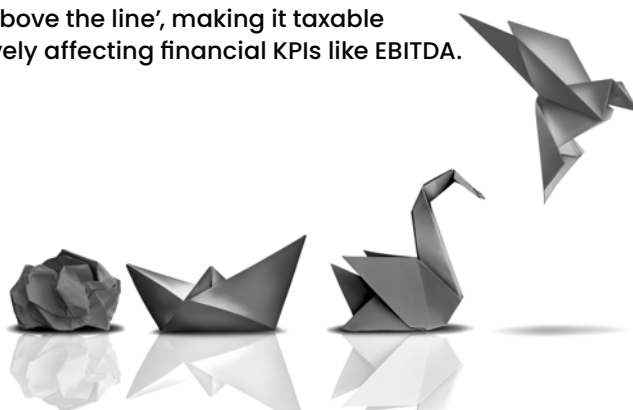
- New R&D legislation under the merged scheme creates uncertainty around who 'owns' subcontracted R&D.
- Companies claiming for subcontracted R&D should be planning in advance when engaged in subcontracted work, or writing subcontractor agreements.
- If two parties claim the same R&D, it may trigger an enquiry and require proof of rightful ownership.
- Now is the time to act: clarify R&D ownership, strengthen supporting evidence, and reduce risk – contact your local TC Partner or the R&D Team to discuss.

RELIEF RATES FOR THE R&D INTENSIVE SCHEME:

- From 1 April 2023, SMEs are considered 'R&D intensive' if their qualifying R&D spending makes up at least 40% of their total expenditure. From 1 April 2024, this threshold will lower to 30%.
- Companies not meeting this threshold due to unexpected circumstances will receive a one-year grace period, allowing them to claim the benefit if they met the threshold in the previous year. Loss-making SMEs meeting the R&D intensity threshold can claim R&D Tax Credits at a rate of 14.5% for qualifying expenses. This rate is expected to remain through 2024.

ADDITIONAL CHANGES FOR R&D TAX CREDITS FROM APRIL 2024:

1. Discontinuation of the qualifying bodies list.
2. R&D tax credits will be received by the company that conducts the research and development instead of the subcontracted company (although, the subcontracted company can potentially claim R&D costs for any resulting R&D that isn't connected to the client's initial project).
3. Removal of subsidised expenditure rules.
4. New restrictions on overseas R&D expenditure.
5. Credits will be paid directly to the claimant.
6. The credit will be 'above the line', making it taxable income and positively affecting financial KPIs like EBITDA.



R&D AND INNOVATION TAX RELIEFS TEAM



RESEARCH & DEVELOPMENT

Research and Development (R&D) tax reliefs supports companies that work on innovative projects in science and technology.



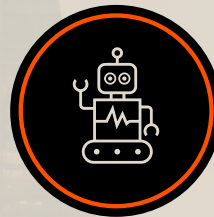
PATENT ALLOWANCES

Patent allowances are capital allowances given on capital expenditure incurred on the purchase of patent rights.



KNOW HOW ALLOWANCES

Tax relief in the form of capital allowances may be available for businesses who have capital expenditure in relation to the acquisition of Know-How.



ANIMATION TAX RELIEF

Beneficial for UK animation production entities, this relief offers a tax rebate for expenditures in pre-production, principal photography, and post-production of animation projects.



PATENT BOX

Designed for companies holding patents on their intellectual property, the Patent Box facilitates a reduced rate of Corporation Tax for profits stemming from patented inventions.



FILM TAX RELIEF

Created for companies with patents, this initiative allows for a reduced Corporation Tax rate on profits generated from patented inventions, even if the patents were purchased from others.



TV TAX RELIEF

Aimed at Television Production Companies, this incentive offers rebates for pre-production, principal photography, and post-production expenses related to TV content.



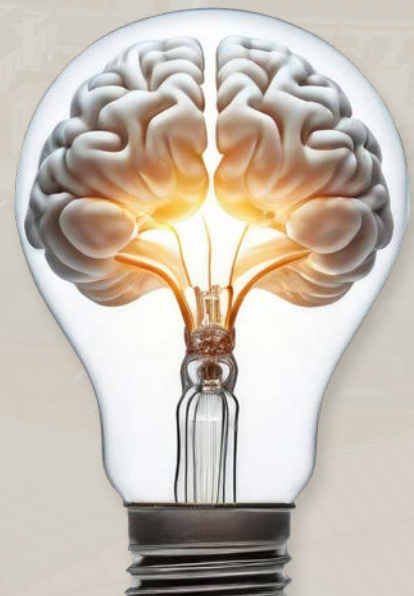
THEATRE TAX RELIEF

Theatre Tax Relief allows Theatre Production Companies (TPCs) to reclaim a portion of expenditures from producing theatrical productions.



VIDEO GAMES TAX RELIEF

For UK game developers, Video Games Tax Relief (VGTR) offers rebates for expenditures during development, promoting innovation and competitiveness within the gaming industry.



WHY DO YOU NEED TO USE DEDICATED EXPERTS?

Engaging the dedicated R&D tax experts at TC Group ensures that companies can navigate the complex landscape of tax regulations and compliance with precision. Tax laws are intricate and frequently updated, making it challenging for non-specialists to keep up. Our team at TC Group stay informed about the latest changes and can interpret how these apply to specific business circumstances, minimising the risk of costly errors and penalties.

Moreover, our experts can identify additional opportunities for tax savings that might be overlooked by those without specialised knowledge. We can advise on the best tax strategies tailored to the company's structure and operations, ensuring that businesses take full advantage of available reliefs and incentives. This proactive approach can result in significant financial benefits and improved cash flow.

Lastly, we at TC Group can provide peace of mind by handling all aspects of tax compliance, from compiling the claim, filing your return and managing communications with HRMC as well as tracking progress of your claim. This allows you, as business owners and management, to focus on your core activities without the distraction and stress of R&D tax-related issues. By ensuring that all R&D tax claims are dealt with and managed accurately and efficiently to help protect the company's reputation and financial health.



SO, WHAT DO YOU NEED TO CONSIDER?..

INDUSTRY SECTORS

Many industry sectors could be eligible for R&D tax relief - from engineering, software and pharmaceuticals, to food & drink or farming. If in doubt, [get in touch](#) with someone on our R&D and Innovation Tax Reliefs team to explore the possibilities.

ADVANCE IN SCIENCE & TECHNOLOGY

This phrase often dissuades companies from claiming as they don't believe they qualify. In our experience, we've seen commercial developments qualify, even when improving an already existing product.

TECHNOLOGICAL UNCERTAINTY

Your project has to be scientifically or technologically complex in developing your product, process, device or service. Additionally, there has to be uncertainty in how you're going to achieve the final solution. In reality, we often find the answer lies in the difficult areas you've tackled and overcome, or even in areas where you've failed to find a solution! This can all still be valuable and qualify as eligible R&D activity.

COMPETENT PROFESSIONAL

This is someone who may have a degree in their chosen field, a successful track record or has a significant number of years' experience in the sector to which your project relates.



Being a manufacturing company who's heavily involved in the product designs of customers, we wanted to explore the opportunities surrounding R&D tax credits. We spoke with the team at TC Group who were very supportive in this, offering superb advice that led to the recovery of significant R&D monies. We've now agreed to a three-year partnership with them and look forward to exploring further opportunities as we expand into new customers and products.



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