

*WILDER COE*

# R&D TAX CREDITS



SUMMER 2021

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*Where we are right now*

# RESEARCH AND DEVELOPMENT



In 2018/19, £5.3bn R&D tax relief support had been claimed, corresponding to £35.3bn R&D expenditure.

As of 30 June 2020, there have been 59,265 R&D tax credit claims for 2018/19, of which 52,160 are in the SMEs R&D scheme.

'Manufacturing', 'Professional, Scientific and Technical' and 'Information and Communication' sectors currently make up a total of 66% of claims and 71% of the total amount claimed for 2018/19.

At Wilder Coe, our Research & Development (R&D) specialist team has developed a tailored approach for supporting clients with their tax relief claims.

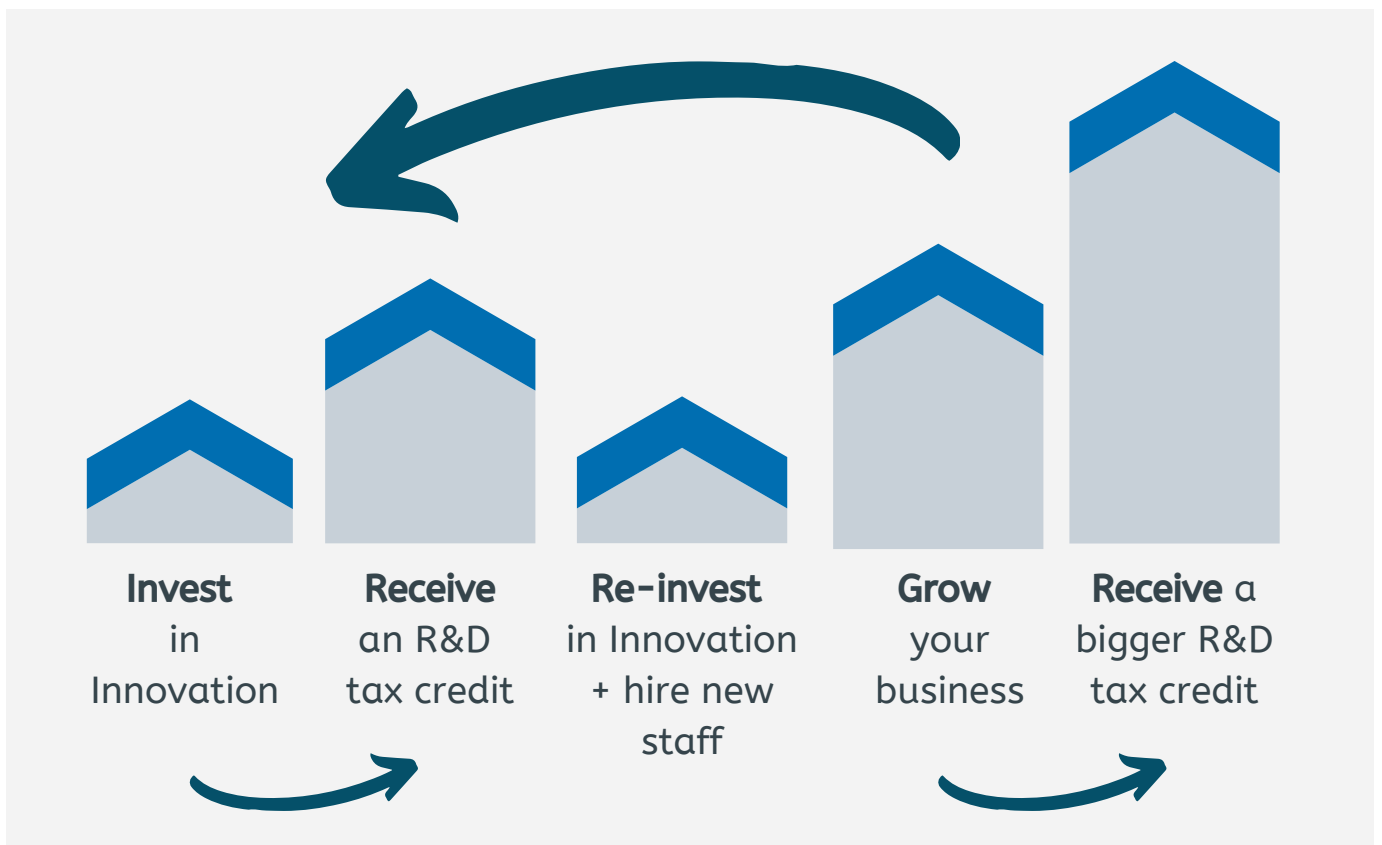
**So what could this mean for you if your company has commenced R&D work, or you've worked with a large company on their R&D project?**

## ***WHAT IS RESEARCH & DEVELOPMENT TAX RELIEF?***

Before we can go through the processes of claiming R&D tax relief, it is important to understand what the government classifies as Research and Development. The government has designed R&D tax credits to reward UK companies for investing in science and technology innovations across a wide range of industries.

The tax relief can either reduce a company's tax bill, or provide a cash payment where there is no liability to reduce. This can become a valuable source of funds for businesses to invest further into R&D, or into hiring new staff and continuing to grow, which in turn will also help the economy grow.

A company can get a cash credit of up to 33.35% of its qualifying R&D expenditure.



## ***COULD MY BUSINESS QUALIFY?***

The key requirements for a business to qualify for R&D relief:

- Be a limited company in the UK that is subject to Corporation Tax
- Be considered commercially innovative
- Be carrying out at least one project that seeks advancements in the field of science and technology
- Have spent money on these projects

Whatever size or sector, if your company is to create a new product or process, or attempts to “resolve scientific or technological uncertainties” and it is uncertain whether the project will be a success, then it is likely your company is engaged in a qualifying activity.

## ***ARE ALL INDUSTRIES ELIGIBLE TO RECEIVE R&D TAX CREDITS FOR PROJECTS?***

Although the majority of industries can qualify for tax relief, any projects solely in the arts, humanities and social sciences (including economics) are not eligible. However, your company may have an R&D Project which is outside the company's core industry.

Any advances in Mathematics alone would also not be eligible, however, any mathematical advancements derived for the purpose of a broader project may qualify.

To give you an idea of eligibility, here are a few examples we've encountered, where R&D tax credits were successfully claimed:





R&amp;D

# CASE STUDIES

## Market Research Platform

A project that involved the creation of a new online market research platform, designed to provide high volume research continuously and delivering at the scale necessary to meet modern market demands. The design of the product involved simple interfaces supported by complex technology. The project was successful by connecting businesses & organisations who require market insights and consumers who supplied these insights via the platform.

The business encountered some challenges trying to bring the platform to fruition:

- Enabling the platform database to work at large-scale and in real-time
- Ensuring delivery of complex underlying technology and maintaining quality insights but in a simple manner for the user
- Creating technology that's scalable to work with real-time data

The innovation process incurred significant expenditure therefore qualifying for R&D tax relief.

After spending well over **£1m** on R&D activities, the business benefitted from **£333K** in tax credits over the life of the project.

## Smartphone App Platform

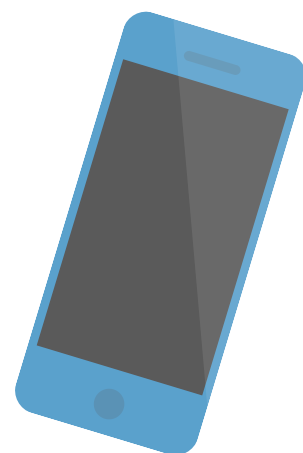
The design, development and testing of a software platform that connects millions of music streamers across the world, socially. The aim of the product was to create an engaging social user experience centred round the sharing of music; for the millions who stream music via platforms like Spotify or Apple Music.

The business intended to successfully deliver an addictive music sharing experience and build a social 'digital' habit amongst music listeners sharing "live" audio-visual content on the platform.

Some of the challenges faced during the development process:

- Understanding typical users behaviour patterns and extensive testing was required
- 3rd party integration posed major technical hurdles

This project qualified for tax relief after spending well over **£120K** towards its R&D activities, gaining more than **£40K** in tax credits.



## ***WHAT COSTS QUALIFY FOR R&D TAX RELIEF?***

When we put together a tax claim, we would need to consider the following for qualifying expenditure:

- All aspects of staff hire such as salary, Employers NIC and pension contributions
- Any freelancers or subcontractors
- Some software programmes
- Clinical trial payments
- Any consumables, such as materials, heat or light, that are used or transformed by the R&D process

However, you can't claim for any of the following:

- The production and distribution of goods and services
- Capital expenditure
- The cost of land
- The cost of patents and trademarks
- Rent or rates



## ARE THERE DIFFERENT TYPES OF RELIEF CLAIM?

WHO YOU ARE	SME R&D TAX CREDIT	RDEC
A loss making SME	Up to 33.35%	10.53%
A profit making SME	Up to 24.7%	10.53%
Large Company	n/a	10.53%

There are two schemes available to businesses. The **Small and Medium-sized Enterprise (SME)** scheme and the **Research and Development Expenditure Credit (RDEC)** scheme.

The SME scheme is aimed at, unsurprisingly, small and medium-sized enterprises. SMEs are defined, for R&D purposes, to have no more than 500 employees and an annual turnover under 100million euros or a balance sheet that doesn't exceed 86million euros. SMEs can claim up to 33p for every £1 spent on qualifying R&D activities. Since 1 April 2021, there is a cap to limit the level of claim a company can make for R&D tax credits under the SME scheme. The cap is £20,000 plus three times the company's total PAYE and NIC liability for the period.

The RDEC scheme applies to companies that are not SMEs, or to SMEs that have been sub-contracted to carry out R&D work by large companies. The RDEC scheme enables companies to claim up to 10.53p for every £1 spent.



# HOW CAN WILDER COE HELP?

Wilder Coe offers a robust, tailored end-to-end service that makes claiming R&D tax credit easy for you. After an initial consultation with you, our team will advise you of your eligibility and start the claim process. The process will typically be as follows:



## INFORMATION GATHERING

- a) Completion of our questionnaire
- b) Request of Information (We can liaise directly with your accountant)



## IDENTIFYING QUALIFYING COSTS AND ACTIVITIES

We will request any necessary further information that may be relevant to maximise your claim



## COMPILING A ROBUST CLAIM REPORT, WHICH DETAILS:

- a) The basis of the claim, and
- b) The technical aspects of the R&D carried out.



## CALCULATING THE R&D TAX RELIEF DUE



## MAKE THE CLAIM



## LIAISE AND FOLLOW UP WITH HMRC ON CLAIM PROGRESS



## CHECK THAT YOUR COMPANY HAS RECEIVED THE TAX CREDIT/RELIEF

**Please contact Wilder Coe on 020 7742 6060 to arrange a consultation to establish whether you will benefit from R&D tax relief.**



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