

SIGNAL



R & D TAX CREDIT SCHEMES

COULD YOU BE
MISSING OUT ON
CASH

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Making Sense of R&D Tax Credits and how they could help your business....

Presented by R&D Tax Specialists: **Oldland Consulting Ltd**

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What we will be talking through.....

- What are R&D Tax Credits and why do they exist?
- The different schemes available and the potential benefits they carry.
- How does a business qualify for R&D Tax Credits?
- What costs can qualify?
- Oldland Consulting Ltd – Service and Achievements.



What are R&D Tax Credits and why do they exist?

“Research and Development Tax Credits are a UK tax incentive designed to encourage companies to invest in R&D. Companies can reduce their tax bill or claim payable cash credits as a proportion of their R&D expenditure”.

The different schemes available and the potential benefits they carry

SME and RDEC Schemes

The SME scheme assists small to medium size organisations

The RDEC scheme assists large organisations

Common Objective: To reward innovative businesses

The SME scheme:

- SME is defined as an organisation with less than 500 full time employees.
- The SME Tax Credit scheme allows businesses to enhance their actual R&D spend by an additional 130% for tax purposes.
- This either reduces the profit or enhances the loss of the business.
- The SME scheme will then either provide a CT saving and / or generate a payable R&D tax credit based on the loss of 14.5p in £1.
- Often, a client will receive a full CT refund and a payable R&D Credit.

The RDEC scheme:

- The current RDEC scheme replaced the, often criticised, original large company tax credit scheme.
- An SME can also benefit under the RDEC scheme, when they have carried out R&D work on behalf of a large company or have received grants to carry out R&D activities.
- The RDEC scheme allows businesses to claim 12% of their overall R&D spend.
- The RDEC is an above the line benefit that is itself subject to Corporation Tax.

The SME Scheme – R&D Tax Credits – How it work



Lets assume a company spends £100,000 per annum on R&D

Profit / -Loss >>>		£ 200,000	£ 100,000	£ 50,000	£ -	£ - 50,000	£ - 100,000	£ - 200,000
Qualifying R&D Spend		100,000	100,000	100,000	100,000	100,000	100,000	100,000
R&D Enhancement @	130%	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Enhanced R&D Value		230,000	230,000	230,000	230,000	230,000	230,000	230,000
*Adjusted Profit / -Loss >>>		70,000	- 30,000	- 80,000	- 130,000	- 180,000	- 230,000	- 330,000
Original Corporation Tax @	19%	38,000	19,000	9,500	-	-	-	-
<u>R&D Cash Benefit Available</u>		£	£	£	£	£	£	£
R&D Corporation Tax Refund	19%	24,700	19,000	9,500	-	-	-	-
*Payable R&D Tax Credit @	14.5%	-	4,350	11,600	18,850	26,100	33,350	33,350
Total R&D Cash Benefit		24,700	23,350	21,100	18,850	26,100	33,350	33,350
<i>%age of Qualifying R&D</i>		24.70%	23.35%	21.10%	18.85%	26.10%	33.35%	33.35%
plus carry forward loss		-	-	-	-	-	-	100,000

How does a business qualify for R&D Tax Credits?

A business can qualify for R&D Tax Credits, when their R&D activities fall within the parameters of the Inland Revenues definitions:

- R&D that seeks to achieve an advance in science or technology.
- The advance must extend the overall knowledge or capability in the field of science or technology NOT just the company's own state of knowledge or capability.
- It must involve a scientific or technological uncertainty that competent professionals can't readily resolve and where solutions aren't common knowledge.
- Qualifying R&D activities begin when the work to resolve the uncertainty starts.
- The R&D ends when the uncertainty is resolved or the work to resolve it ceases (failures are claimable under the scheme).
- *Its part of OCL's remit to help our clients to identify these answers.*

R&D doesn't necessarily have to
involve men in white lab coats

*Software
Development*

Engineering

**Clean
Technologies**

**Food
Manufacturing**



Example Industries...

Agriculture

Construction

Bio-energy

**Life &
health
sciences**

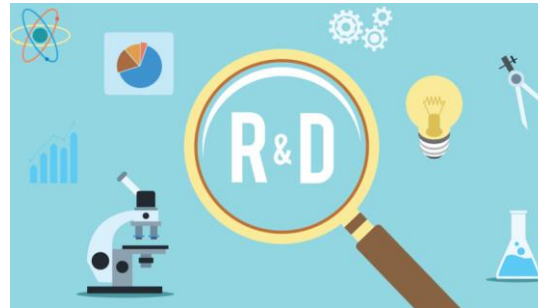
What costs can qualify?

Direct R&D Staff Costs –
Salaries, Co.NI, Co.Pension
Contributions

Costs of trials and
testing

Prototype costs relating
to R&D (where
prototype is not sold)

Proportion of Supervisory
& Managerial Time spent
directing qualifying staff



Some staff involved
in “qualifying indirect
activities”

Software directly employed
in the R&D activity or a
proportion thereof

Consumable items – directly
consumed in qualifying
activities. This includes materials
and a % of water / energy costs
consumed in the R&D process

Externally provided R&D
Staff or up to 65% of
Subcontractor costs linked
to the R&D activities

OCL Consultancy Service

The consultancy will produce R & D Tax Credit Claims on behalf of the client. This will entail:

1. Requesting relevant financial information from the company (including payroll, sub-contractors, materials, heat / light costs, financial statements).
2. Constructing the financial portion of the claim – Financial Report.
3. Meeting with client to discuss and document the Company and its R & D projects, (client will be required to participate).
4. Constructing the written evidence portion of the claim – Technical Report
5. Providing the clients company taxation expert with details of the amendments required to the tax computation & CT600.
6. Filing completed claim with the relevant HMRC R&D Unit for review.
7. In the event of HMRC questions, the consultancy will deal with all queries.

OCL Credentials – R&D Tax Credit Specialist

- We have been making R&D claims for the past **11 years**.
- In total we have made just over **730 claims**, that have delivered **£30.4m to 228 clients**.
- We have not had a single HMRC enquiry on one of our claims now for **over 7 years**.
- The average claim is **£41,446**.
- In 2017 & 2018 we produced just under **£5m of claims each year**.
- We have **four senior analysts**.
- We work on a **success fee only basis**.
- There are **no other add-on costs**.
- We **do not lock clients in**, we want them to want to work with us, not feel they have to work with us.
- We **do not advertise**, all of our clients are introduced to us by, clients, clients accountants, business consultants & venture capitalists.
- Our goal is to **get your business what it is entitled to** from the scheme.



Thank you for listening

Please feel free to ask any questions