



## Research & Development (R&D) Tax Relief / Tax Credits

This is not a new scheme but, if one has elected into the Patent Box or is even considering it prior to close of the present regime to new applicants at the end of June this year, this is a good time to check that you are also claiming for R&D Tax Relief.

To qualify, a company's R&D project must seek to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of a scientific or technical uncertainty – and not simply an advance in the company's knowledge or capability. The project must also be related to your company's trade – either an existing one or one you intend to start through conducting the R&D (as the law stands since 2009). If claiming through the SME scheme (further details below), the company must own any resulting IP.

The types of costs that can qualify for R&D Relief are, for example: employee costs; staff providers; materials; utilities; software; some subcontracted R&D expenditure; and some capital expenditure. There are two relief schemes, one for SMEs and one for large companies – the amount of relief available depends upon the size of your company. Presently, SMEs are considered to have less than 500 employees and an annual turnover not exceeding €100m or a balance sheet not exceeding €86m, and the SME Scheme, at present, provides relief of 230% (as of the 1<sup>st</sup> April 2015, but previously 225%) of the R&D expenditure. Alternatively, an SME can swap its future tax relief for R&D Credits payable to you by HMRC; however, the amount of Tax Credits are not a direct financial equivalent of the relief which could have been claimed. If an SME and a sub-contractor, you will likely not be able to claim under the SME Scheme, but you may still be able to claim under the Large Company Scheme which, conversely, only provides relief of 130% of the R&D expenditure.

Whether or not your company qualifies for R&D Relief, or whether Tax Credits will be of assistance to your company instead, is a matter which must be considered with your Accountants. Are you maximising the relief your company should be receiving?

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## **Burrows Chambers Associates**

**Chartered & European Patent Attorneys & Registered Trade Mark Attorneys**

**[nec@burrowschambers.com](mailto:nec@burrowschambers.com) [www.burrowschambers.com](http://www.burrowschambers.com)**

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**Ashden**  
**Accountants**

**Chartered Accountants, Registered Auditors & Tax Advisors**

Letchworth Office: Office F, Business Centre West, Avenue One, Letchworth, Hertfordshire SG6 2HB Tel: 01462 337202

Braintree Office: 3 William House, Old Saint Michaels, Rayne Road, Braintree, Essex CM7 2AA Tel: 01376 618088