

- this relief is available to companies subject to Corporation Tax (CT), so in the main, limited companies only.
- group structures need to be taken into account.
- small and medium sized enterprises (SMEs) can apply if:
 - staff headcount is less than 500
 - either turnover is less than €100m. or balance sheet total is less than €86m.

- does your company have a project?
- is the aim of the project to seek an advance in a field of science or technology?
- does the advance extend overall knowledge or just your company's own state of knowledge or capability?
- were the projects started in the last 2 or 3 years?
- does your project involve uncertainty that a competent professional can't readily resolve and where solutions are not common knowledge?



- direct and externally provided staff – your company can claim for salaries, wages, Class 1 NIC and pension funding for staff directly involved.
- externally provided staff – these are costs paid to an agency for staff engaged in a project. Relief is usually given at 65% of the payments made to the staff provider.
- subcontracted R&D – again, claims are generally restricted to 65% of costs.
- consumables, software, trials, prototyping – costs applied directly to the R&D activity can usually be claimed.
- independent research costs – only large companies can claim for R&D relief on contributions they make towards funding independent research.

- capital expenditure, including the cost of land; although other reliefs may be available.
- expenditure on the production and distribution of goods.
- payments for the use and creation of patents and trademarks.

Finally, if you have received a grant towards a project that is notifiable under State Aid you can't get relief under the R&D scheme.

Your grant provider should be able to provide this information.



How much tax relief will a qualifying project attract?

The relief an SME can claim is 186% (2022-23: 230%) of their qualifying R&D costs. If the company is loss making, this tax credit is fully payable subject to certain restrictions. SMEs qualify for a tax credit of up to 10% (2022-23: 14.5%) of any surrendered loss.

A new R&D intensive SME payable credit was introduced from April 2023 at a rate of 14.5%. The relief is available to loss-making companies where qualifying R&D expenditure makes up at least 40% total expenditure.

How do you claim the R&D relief?

Entering the total qualifying expenditure on your company's CT return – arriving at this figure is a more complex matter. HMRC have posted a brief outline of the issues you will need to consider when making a claim:

- **show that you looked for an advance in the field** - Your project must aim to create an advance in the overall field, not just for your business. This means an advance can't just be an existing technology that has been used for the first time in your sector. The process, product or service can still be an advance if it's been developed by another company but isn't publicly known or available.
- **show there was uncertainty** - You should be researching or developing something that isn't known to be scientifically or technologically feasible when you make or discover it. This means that your company or experts in the field can't already know about the advance or the way you achieved it.
- **explain how you tried to overcome the uncertainty** - You should show that the R&D needed research, testing and analysis to develop it. You need to be able to explain the work you did to overcome the uncertainty. This can be a simple description of the successes and failures you had during the project.
- **show that a professional in the field couldn't work this out** - Explain why a professional couldn't easily work out your advance. Do this by showing that other attempts to find a solution had failed. You can also show that the people working on your project are professionals in that field and get them to explain the uncertainties involved.

In conclusion

The ability to more than double the tax relief for the tax-allowable costs associated with your project is a compelling reason to take this relief seriously. For companies who have yet to generate profits from their research, the further feature of R&D relief, to surrender your claim for a refundable tax credit, will provide a much-needed cash flow fillip for your project.

Making a claim for this relief is not a task for the faint hearted. We can help. Before you start a project it is well worth having a preliminary discussion to see if a project is likely to qualify and then organising the paper-trail to facilitate a successful claim. If you feel that you have an existing project, or a future project that may benefit from a claim, please call.



Summary action list

- Since 2015, it has been possible to apply to HMRC for advance assurance. This means that for the first three accounts claim periods, HMRC will allow the claim without further enquiries.
- A reminder that even if your company is loss making you can surrender an R&D claim for a cash refund, a tax credit.
- The process of making a successful claim is not for the faint hearted. Take advice at the planning stage of your project.

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