

## Committed to you



## How much is the relief?

If your company is involved in research and development (R&D), it may be entitled to a relief which could reduce the company's tax bill or generate a cash sum payable by HMRC.

The tax relief is available on the amount of your relevant costs, most commonly:

- Staff costs
- Consumable materials
- Utilities light, heat, power, water
- Software used directly in the R&D
- Subcontracted R&D expenditure - 65% of this cost in appropriate circumstances
- Externally provided workers

Also, capital expenditure directly related to R&D activity may be eligible for 100% capital allowances.

Since April 2015, the relief available for small and medium sized companies is 230%, i.e. for every £100 spent on R&D, the tax deduction from the company's profits is £230.

Where there is no tax liability, it's possible to generate a cash refund. A company that has made a loss may be able to surrender this loss to HMRC in return for a cash payment of 14.5% of the lower of the current year loss and total R&D claim.

## Time limit

Claims must be made in the company tax return, so there are only two years from the end of the relevant accounting period in which to make a claim.

This could be a business's innovative activities to improve an existing process, product or service, or to develop a new process, product or service. It doesn't have to be a major advance. It will be enough that it tries to resolve a particular element of a process your company is involved in, provided no one else has already developed the same solution.

## For example:

- Bespoke computer software
- Component within a
- Client request not available on the market

You need to show there was 'uncertainty' and explain how you tried to overcome this.

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