

What are R&D Tax Credits?



Introduced in 2000 and pledged to run until 2032, the Research & Development (“R&D”) Tax Credit scheme is part of an EU-supported initiative to promote innovation across the UK and Europe. R&D tax credits enable companies that incur costs in developing new products, processes or services to receive a cash payment or tax deduction.

What do I need to do?

The two key criteria in determining what is eligible for R&D tax credits are ‘innovation’ and ‘uncertainty’.

A basic definition of R&D is to “work to resolve scientific or technological uncertainty aimed at achieving an advance in science or technology”. This can include new or developed products, services or processes.

What can I expect?

The tax relief on allowable R&D costs incurred on or after 1 April 2015 is 230% therefore, for each 100 of qualifying costs, your company could have its Corporation Tax profits reduced by an additional 130 on top of the 100 spent.

If instead there’s an allowable trading loss for the period, this can be boosted by 130% of the qualifying R&D expenses. This loss can be utilised in the normal way or ‘sold’ to HMRC for a cash sum

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For expert advice please don't hesitate to contact us.