

Welcome to the

Sheffield City Region

Breakfast Club

Tuesday 20th May 2014

HART SHAW

Incorporating Atkin Macredie & Co

Chartered Accountants & Business Advisers

Research and Development Tax Credits

Hart Shaw LLP

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"If anyone rings, tell them I'm
on a course."

About Hart Shaw

- Management & Business Consultancy
- Taxation Planning
- Taxation Investigations
- Business & Share Valuations
- Financial Planning
- Business Recovery & Insolvency
- Business Support & Advice
- Assurance & Advisory
- Corporate Finance

...and of course

Accounts preparation and Tax Returns

AGENDA

- 1. R&D Tax Credits - History**
- 2. General R&D rules**
- 3. Small or Large scheme?**
- 4. Small scheme explained**
- 5. Large scheme explained**
- 6. What constitutes R&D expenditure**
- 7. Which costs qualify?**
- 8. Compliance and filings**
- 9. The claims process for HS clients**

1. History

- 1. Attempt to boost R&D spend**
- 2. Since April 2000 – SME's**
- 3. Since 2002 large**
- 4. Only incorporated companies**

2. General R&D rules

- 1. PLC, Limited**
- 2. UK tax**
- 3. Trade or business**
- 4. Not capital expenditure**
- 5. No minimum spend annually**

3. Small or Large?

SME:

- **<=500 staff** **AND**
- **EITHER**
- **Turnover <€100m;** **OR**
- **Gross assets <€ 86m**

3. Small or Large?

NOTE	SME	Large
Relief	200% to 225%	130%
Payable tax credit	11%, 14.5%	NO
Subcontracted R&D	65%	NO
Independent Research	NO	YES
Grants and subsidies	Reduced claim	NO reduction

3. Small or Large?

Co SIZE	SME	SME	Large
Funding	Notified State Aid	Other	N/A
Subsidised Exp	£100,000	£40,000	£Nil
Non-subsidised	£Nil	£60,000	£100,000
Total R&D spend	£100,000	£100,000	£100,000
SME relief (125%)	£Nil	£75,000	£Nil
Large relief (30%)	£30,000	£12,000	£30,000
Total Additional R&D relief	£30,000	£87,000	£30,000

4. Small Scheme

Tax relief or tax credit?

Reduce taxable profit or increase allowable loss

Repayable tax credit – surrender losses for payment

5. Large Scheme

- 1. No repayable tax credit**
- 2. Open to SMEs not qualifying under the SME scheme**

6. What is R&D?

- 1. Technological uncertainty**
- 2. Seek a technological advance**

7. Which costs qualify?

- 1. Staff costs**
- 2. Consumables**
- 3. Subcontract costs**
- 4. Externally provided workers**
- 5. Software**

8. Compliance—the paperwork

- 1. Presentation is paramount**
- 2. 2yrs of end of AP**
- 3. CT600 full**
- 4. €7.5m cap for any single project**
- 5. Going concern**

9. A typical claim

- 1. Initial “pre-qualifying” meeting/phone call**
- 2. Second “technical” meeting**
- 3. Quantify claim**
- 4. Report prepared and submitted**
- 5. Disclosures for tax return provided**
- 6. Enquiries included in fee**

Next Time...

Patent Box

10% rate of CT on sales of qualifying IP:

- Income from patented products, and certain plant breeders' rights
- Royalty income from licensing out patents
- On notional royalty income from use of patents internally

Disclaimer

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Thank You

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