



R&D Tax Relief - The Essentials

4 Minute Read



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Research & Development (R&D) Tax Relief - The Essentials

Are you investing time and money in developing technology and new ways to use it?

If you are, you could be eligible for additional tax relief or a cash payment to help towards the cost.



The UK government offers tax relief for companies involved in scientific or technology research and development (R&D). One of its aims is to encourage UK companies developing tech businesses.

R&D 'need to know':

- 1 / Who can claim R&D tax relief?
- 2 / Which activities are eligible?
- 3 / How much is the R&D tax relief worth?
- 4 / How and when can I claim it?
- 5 / Can you give me some examples of successful R&D claims?



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Who can claim R&D tax relief?

If your company is spending money on qualifying R&D activities, you may be able to claim. This applies even if you are not making a profit and even if you won't be keeping the intellectual property you develop.

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Which activities are eligible?

All activities that help achieve an advance in science or technology by resolving scientific and technological uncertainty may be eligible. The definition is deliberately broad; the R&D doesn't have to produce a patentable technology, but this is usually a good indication that qualifying R&D is being carried out.

As a general rule, if your team cannot easily solve a problem without investing significant time and money, the costs associated with the work to solve the problem may qualify for R&D tax relief.



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How much is the R&D tax relief worth?

As an SME, you may be able to claim 130% (2014/15: 125%) additional tax deduction on qualifying expenditure. If your company is making a profit, this would result in a lower tax bill of up to £26,000 (2014/15: £25,000) for every £100,000 of qualifying R&D expenditure.

If your company is making a loss, you may also be able to claim a 14.5% cash payment on R&D losses. For example, for every £100,000 you spend that is eligible for an R&D claim, this would result in a potential cash payment of £33,350 (2014/15: £32,625) from HMRC in exchange for giving up the related trading losses. The cash payment is made once HMRC has processed your corporation tax return.

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How and when can I claim it?

You can make the claim yourself through your corporation tax return, but many companies seek help to make sure they are maximising their claim. You must make your claim within two years of the end of the accounting period in which you spent the money.



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Can you give me some examples of successful R&D claims?

Internal system development

An agency wanted to build an asset management system (AMS) that acted as a library for existing assets. The AMS was developed in-house in response to technical requirements. The tool allowed designers to access the latest assets from a database in real time without having to communicate with one another or other teams to determine whether assets were available and whether they were the most recent.

The agency claimed successfully for the cost of internal staff, contractors and software licences.



Distribution software

A company wanted to build a solution to reduce processing costs across supplier relationships. It carried out development work in the UK, France and Germany, tackling the key challenge of developing an integration layer to collate information from legacy systems.

The company claimed successfully for the cost of internal staff, contractors and software licences.



"Many companies seek help with R&D tax reliefs to make sure they are maximising their claim."



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