

How to spot R&D in your business

Research and development (R&D) tax credits offer an amazing boost to manufacturing businesses across the South West. We know that first-hand as we have supported a number of them through the process, alongside the independent R&D tax credit specialist that we work with.

Qualifying companies can recoup up to 33p of every £1 they spend on their research and development. That's a sizeable sum for any business, and one which could help you innovate further, invest in new technology, or even take on more staff.

So why aren't more companies getting involved? From our experience, many are missing out simply because they are not familiar with the government's R&D tax credit incentive or cannot identify from the government's definition of R&D that they might potentially qualify.

What does R&D look like?

Perhaps it is not surprising that so many companies are unsure if they are involved in R&D. The government definition of R&D is deliberately broad so it can be applied across all sectors.

A common misconception is that R&D is only carried out in a laboratory by a large corporate enterprise. However these days, it is just as likely to be happening in a manufacturing environment by a start-up or SME.

R&D can include anything from overcoming a design challenge using technology, developing a manufacturing process, or even experimenting with a new flavour or recipe. It is sometimes hard to identify R&D when you are ingrained in the day-to-day, but if you are in any doubt, you can check with us.

Identifying R&D

If you are not sure if your work qualifies as R&D, don't worry as you are not alone. It seems that across all sectors, there are plenty of misconceptions about who is eligible to make a claim. In a recent report, 60% of respondents said they did not know that work relating to changes or modifications of an existing product would qualify as R&D, whilst 77% of respondents were not aware they could claim for an unsuccessful project. Many were also surprised that internal projects, as well as those carried out on behalf of a client were eligible.

Does your business qualify?

So with all this confusion, how can you be sure your manufacturing business could benefit from an R&D tax credit claim? We have put together this simple checklist to help you understand if you might be eligible:

- **A limited company**
To be eligible for the government's R&D tax incentive, you need to be a limited company that pays UK corporation tax. It does not matter which sector you work in, or whether you are a large company or an SME. There is even potential to make a claim if your business is making a loss or is yet to be profitable.

- **Involved in R&D**

No matter how big or small your business, if you can show that you are taking a risk by innovating, improving or developing a process, product or service, and that you are 'resolving scientific or technical uncertainties' then you could qualify.

- **Spending money on innovation**

This may seem obvious, but if you haven't spent anything on innovation, then you will have nothing to claim back. So you will need to show what costs you have incurred in the pursuit of innovation. You can claim back expenditure relating to staff costs (both direct and indirect) as well as subcontractor costs. You can also include the cost of consumables - that is the amount you spend on materials and heat, light and power.

Seize the opportunity

According to our independent R&D tax credit specialists, 80% of businesses that do claim R&D tax credits say they are important to the overall financial position of their company. So just think what difference a claim could make to your manufacturing company.

If you think you could be eligible for an R&D tax credit claim, or would like some help to find out for sure, speak to us and we can arrange for an expert to look at your business, investigate if you are eligible to make a claim and then help you reap the rewards of R&D tax credits.

For more information, call Nick Golding on 07816 180 681 or email nick.golding@swmas.co.uk.