

R & D Tax Relief and Credits

Business Benefits include:

- Save money on R&D. SMEs typically save 12% to 26%¹.
- Maintain cash flow.
- Cash sum can be provided, e.g. to startups and pre-profit companies.
- Explore product development options and markets.
- £7 Billion is re-claimed per year in the UK. About 7,000 SMEs claim R&D Tax Relief.
- Demystify the financial options and processes, to make informed investment decisions.
- Work with a global research University that understands business interests.

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Relevant to...

Companies

- Companies considering investing in research and development (R&D), particularly to improve products and explore technology-driven and knowledge-based markets.
- Companies that need to make informed R&D investment cost-benefit decisions.
- Technology and Business Development heads, MDs, CEOs, and technology transfer and product developers.

University staff who engage with companies. Particularly intended for Business Development managers who liaise frequently with companies on R&D contracts and pricing, to ensure companies are aware of applicable tax credit and relief schemes.

Full details:

See the HMRC web pages on 'Research and Development (R&D) Relief for Corporation Tax': <http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm>

Eligibility:

Can you answer YES to all of these questions?

- Are you considering a project to advance knowledge or capability in an area of science or technology?
- Can you describe the gap in technical/scientific knowledge that you intend to address?
- Is the intended knowledge advancement beyond "business as usual"? I.e. is it more than would readily be available or deducible by a competent professional in the field?
- Does it relate to your company's current trade or intended new business?
- Is the company liable to corporation tax.

For full details see: <http://www.hmrc.gov.uk/manuals/cirdmanual/cird81900.htm>

¹ E.g. for R&D subcontracted to a University, relief is typically 17% of cost for SMEs.

Ineligible:

- Anything peripheral to the pure science and technology. E.g. research into economics, behavioural economics, business management, marketing or training, may enhance sales or profitability, but are not qualifying scientific or technological advancements.
- Arts, humanities, and social sciences R&D.

Objective:

HMRC describes the policy objective as: "To improve the overall competitiveness of the UK tax system for R&D companies by increasing the incentive for SMEs to carry out R&D, increasing R&D and innovation in the UK."²

Examples of the kind of R&D for which companies obtain tax relief:

- Any product development
- Computer software or hardware
- Medical devices or drug discovery
- Sensors / detectors or imaging
- Materials, aerodynamic improvements, motors, engines, turbine blades
- Geological techniques
- Energy generation and storage, fuels, carbon capture technologies.

Myths about R&D Tax Relief and Tax Credits:

- Too complicated, or not worth the effort
- It only applies to companies that already focus on research
- It doesn't apply to companies in start-up phase
- You cannot get grants and also get R&D tax relief
- Subcontractors do not benefit
- It only applies if you already pay corporation tax

Related opportunities:

R&D investment could increase a company's likelihood of generating profitable patents. Patent-derived profits receive similar governmental tax incentives and benefits.

Patent Box tax relief is worth 8% of a company's patent-derived profit this year, rising to 9% next tax year. See: <http://www.hmrc.gov.uk/ct/forms-rates/claims/patent-box.htm>

Patent Box enables companies to apply for a lower rate of Corporation Tax on profits earned from patented inventions and some other innovations.

This tax relief has been phased in: from 1Apr14, 70% of such profit was subject to the lower rate of Corporation Tax (10% tax, compared with the current standard rate of 20%). It applied to 80% of such profit from 1Apr15, 90% from 1Apr16, and to 100% of patent-derived profit from 1Apr17 if the scheme remains.

² <http://webarchive.nationalarchives.gov.uk/20131002124349/http://www.hmrc.gov.uk/budget2011/tiin6157.pdf>

E.g. if your company develops a patent and sells patented products or licenses which generate £100,000 profit per year, then Patent Box would provide £9,000 of tax relief in the 2016-17 tax year³, and £10,000 next year (from April 2017) as compared with the standard rate of corporation tax for profits which are not patent-related.

Funding opportunities exist to support research, analyses, and partnerships between companies and academic research through higher education institutions. For example, voucher schemes, grant schemes through Innovate UK (formerly the Technology Strategy Board), the European Commission, and UK Research Councils.

See http://www.admin.ox.ac.uk/researchsupport/findfunding/ke_public&industry/

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Contact:

To discuss R&D opportunities with the University of Oxford please contact your usual University of Oxford contact(s) for Business Development, R&D, or Technology Transfer and IP matters, or other known contacts.

You may identify a suitable contact through <http://partnership.ox.ac.uk/contact-us/>.

Alternatively, if a suitable specific contact cannot be found, email matthew.smart@admin.ox.ac.uk.

For guidance or advice on Tax relief or credits please contact your accountant, other suitably authorised/qualified business advisor, or HM Revenue & Customs.

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³ Calculation: 90% of the £100k patent-derived profit will be taxed at the reduced 10% rate, with the remaining 10% being taxed at the prevailing 20% corporation tax rate. I.e. 90% of the profit gets a 10% tax reduction.