Press release

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**INNOVATIVE BUSINESSES CAN STILL BENEFIT FROM R&D TAX CREDIT SCHEME**

While there is much talk about the changes that have been implemented to the research and development (R&D) tax relief schemes, not least to reduce the amounts that can be claimed by SME’s, there is still an opportunity for innovative UK businesses to benefit.

Walker & Sutcliffe, the chartered accountancy practice based in Huddersfield, explains how companies working on innovative science and technology developments can still make claims that will support their efforts.

Anne McCoubrey, Tax Manager at the firm, comments: “Innovation is the lifeblood of any business, but research and development (R&D) can be both costly and risky. That's why the UK government offers schemes to support SMEs with R&D Tax Relief encouraging companies to invest in innovative ideas, while helping them to offset the costs.

“The changes that have come into force from 1st April 2023 result from HMRC wanting to reduce the chance of erroneous or purposefully incorrect submissions being made.

“The SME R&D Tax Relief is designed specifically for small and medium-sized enterprises (SMEs) with less than 500 employees and either an annual turnover of less than €100 million or a balance sheet total of less than €86 million.

“This scheme allows companies to claim 186% of qualifying R&D expenditure from 1st April 2023. Companies can use this enhanced deduction to reduce their corporation tax bill or, if they are not profitable, they can surrender it to receive a cash payment from HMRC of up to 10%.

“This scheme can be particularly valuable for companies that are not yet making a profit, as it allows them to receive a cash payment even if they do not have a tax liability. Ultimately, a company can surrender losses that have been enhanced through the scheme.

“In further changes, HMRC has extended the eligible categories for the scheme. These will now include pure mathematics, data sets and cloud computing, and despite suggestions that claims made for overseas consultants would become ineligible, this has not yet been enforced.

“Ultimately, changes withstanding, there are many benefits to these R&D tax relief scheme that UK businesses should take advantage of. Firstly, they provide a significant financial incentive for companies to invest in R&D projects.

“By offering tax credits or cash payments, the scheme helps to offset some of the costs and risks associated with being more innovative. This can be especially valuable for SMEs, which may have limited resources and find it challenging to raise funds for these projects in other ways.

“Secondly, the scheme can help to promote innovation and creativity within businesses. By providing a financial incentive for R&D, the scheme encourages companies to explore new ideas and technologies, which can lead to new products, services, and processes.

“This can help organisations to stay competitive in the marketplace and to differentiate themselves from their competition.

“Thirdly, accessing SME R&D Tax Relief scheme can help companies to develop new skills and capabilities. R&D projects often require specialist knowledge and expertise, which can be developed through training and collaboration with other businesses, universities, and research organisations.

“By investing in R&D, companies can develop their own knowledge and expertise, which can be hugely valuable in the longer term.

“Finally, accessing the scheme can help companies to build their reputation and profile. The scheme demonstrates that a company is committed to innovation and is willing to invest in new and often more radical ideas.

“What businesses must remember however, is that they need to comply with the updated requirements from HMRC.

“As with all legislation, particularly within the finance sector, there will be further changes announced and it is up to every company to be vigilant and to remain aware of these. Those that choose not to react and respond accordingly are also those most at risk of incurring penalties.

“With the requirement for all submissions to be made digitally, companies need to be mindful that they may need to submit proposals of intent to access the scheme and from 1st August, complete additional information forms, which break down the costs across qualifying categories.

“What’s more, a senior member of the team needs to be named in all submissions to provide accountability for any errors or false claims that are made.

“While the changes may appear cumbersome to some, the benefits are still very valid for growing businesses and those that are committed to developing innovative and unique ideas.

“In order to remain compliant, businesses should access the professional support they require~~.~~ Using the knowledge of an accountant will ensure they access the tax efficiencies and funds that are available to them.

“The stricter disclosure requirements will mean that businesses need to be more vigilant, particularly as there is an increased chance that HMRC will look at and potentially challenge the claims that are made moving forward.”

Walker & Sutcliffe is a chartered accountancy practice based in Huddersfield. Working with a national portfolio of clients, it provides businesses and individuals with the support and advice they need to meet with their professional and personal objectives.

For further information about the practice, please visit: <https://www.walker-sutcliffe.co.uk/>

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