



PKF FRANCISCLARK

Chartered accountants & business advisers

Software Cornwall: Tech Connect

Tech Finance and R&D Tax Credits (Andrew James)

Me



Us

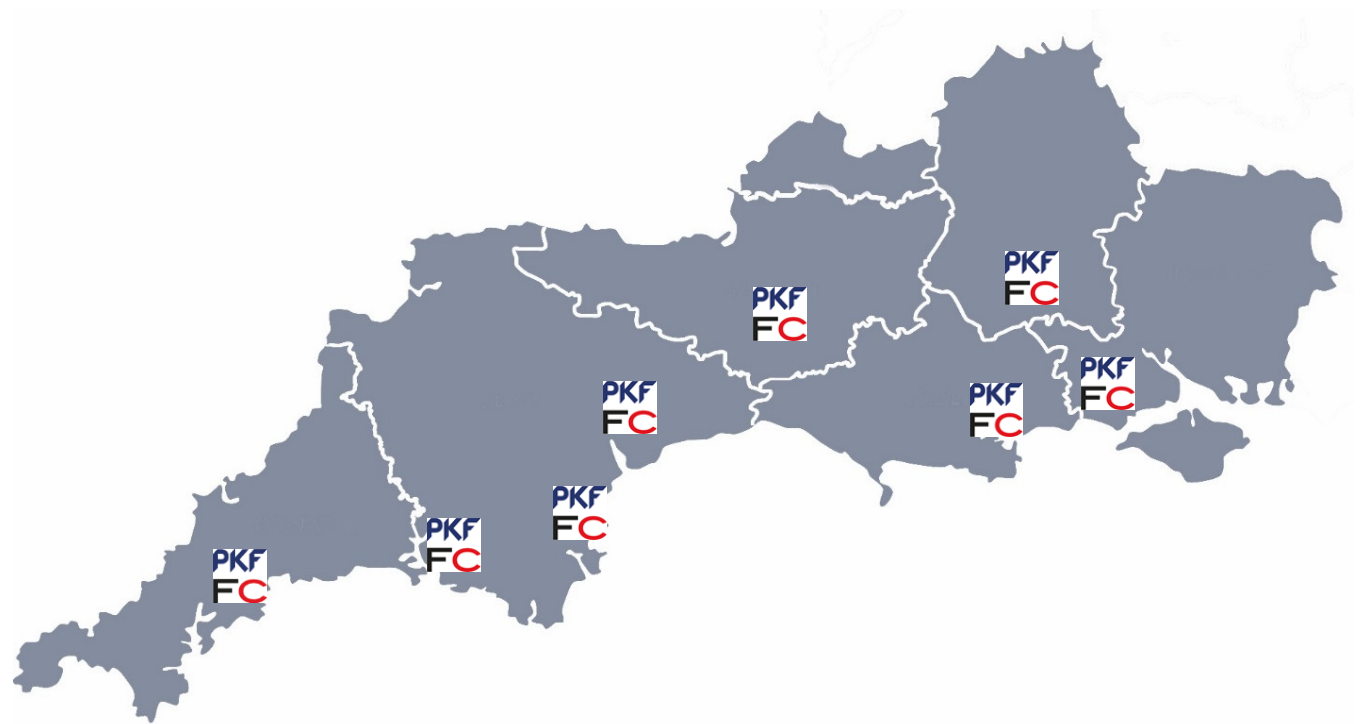
PKF
FC



Truro office



Other offices



Fields of expertise

- Corporate Finance
- Wealth Planning
- Cloud Accounting
- IR35
- VAT
- Insolvency
- ...
- Tax!



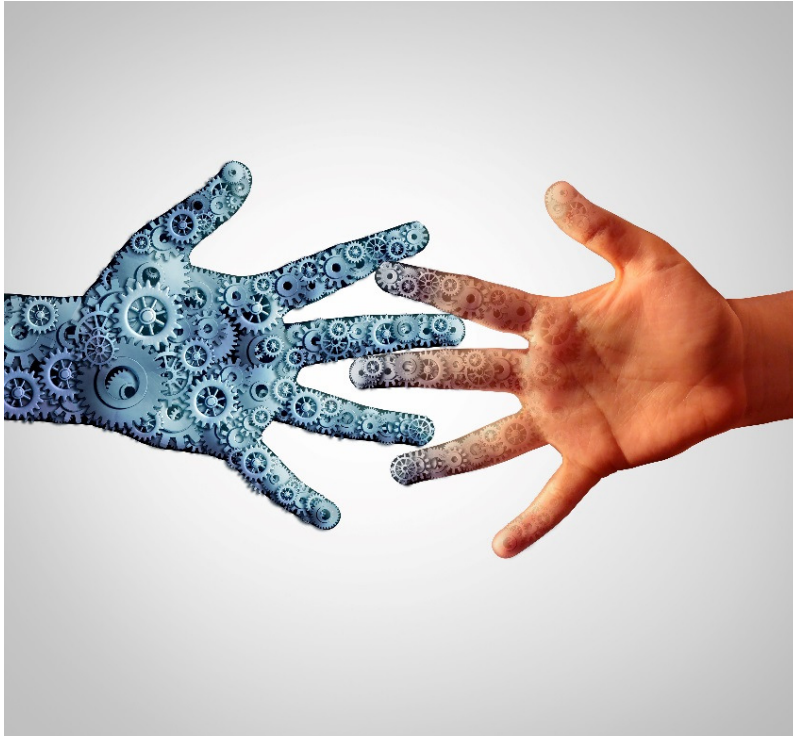
Love Tax?



No Love for Tax?



R&D Tax Credits





Who can claim it?

- Companies carrying out qualifying research and development (obviously)
- Not available to sole traders/partnerships – consider whether incorporation is worthwhile
- SMEs: R&D tax credit
- Large companies: R&D expenditure credit (RDEC)

What do you get if you qualify?

- An extra 130% deduction against corporation tax for project costs
- Value approximately 25p in £1 if used to reduce tax liability
- Or repayable tax credit worth 14.5p in £1
- RDEC: 11p in £1 (but taxable, so about 9p)

What isn't R&D

- It's not men and women in white lab coats!
- It's not based on income or profits
- It's not related to creating IP
- It's not driven by success (failures can be useful)





It does need to be...

- “A project...
- ...that seeks to achieve an advance in overall knowledge or capability...
- ...in a field of science or technology...
- ...through the resolutions of scientific or technological **uncertainty**”

Uncertain?

- “Scientific or technological uncertainty exists when knowledge of whether something is scientifically possible or technologically feasible, or how to achieve it in practice, **isn’t readily available or deductible by a competent professional working in the field**”
- What are the uncertainties?
- How did you try to overcome them?
- Why was the knowledge not “readily deductible”?





Qualifying costs

- Employment costs: costs of staff engaged in R&D activity including NI, pension contributions, recruitment costs
- “Directly involved” staff only – no allocation of admin, back office, support
- Consumables: heat, light and water, materials used (unless subsequently sold)

Subcontracting Out

- R&D is carried out by a subcontractor on your behalf
- Claim limited to 65% of cost to you
- Different treatment for connected parties
- Election to treat as connected



Subcontracting In

- For R&D carried out as subcontractor, may be able to claim under RDEC
- Still based on expenditure
- Consider nature of relationship: are you delivering R&D or carrying out R&D in order to deliver product?



Other matters to consider

- State aid and interaction with R&D claims, i.e. grants
- RDEC (Large business R&D) not state aid – so an option
- Timing: two years to claim (if no claim has ever been made, can effectively do three years at once)



Even more matters to consider

- Advance assurance
- Pay directors more... pension contributions...
- Think ahead if possible!
- Could patent box be useful too?

Top tech tip!

Andrew's top tech tip...



Perhaps not a 'top tech tip'



Thank you!

