



R&D Tax Relief:
Rewarding Innovation &
Development

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If the Government changed the name 'R&D Tax Credits' to 'Improvement Credits' or 'Progression Credits', we may not have a position where a significant number of eligible companies have not made a claim. The common misconception about the type of activity that qualifies for R&D tax relief exists largely because the term 'R&D' suggests noteworthy scientific or technological advancement.

The truth is, to qualify for R&D tax relief, activity must simply seek to attain appreciable improvement to products, services or processes and can apply to any sector.

Much of this is fundamental to what businesses do but many owners overlook the potential for a claim as they see the activity as just a necessary part of growing a business or the sales and tendering process.

Take a look at the summary of qualifying activity that follows.

If you find yourself saying **"We do that"** then call us.

Work in Progress

The most common business activities which generate qualifying expenditure for R&D tax credits are summarised below.

Most claims will comprise a range of activity. Take a look at the case studies on our website to see how businesses in diverse sectors have applied R&D tax relief.

Efficiency & Cost Reduction



These pursuits are typical of growing businesses. If the activity relating to achieving these goals is scientific enough e.g. involving testing, measuring or KPIs, then a claim for R&D tax relief is possible.

Quality Management Standards



The pursuit of quality management standards, be they formal or informal, almost inevitably leads to appreciable improvements in processes which can give rise to an R&D claim.

Failed Attempts



Failed attempts to improve products or processes can still count as qualifying expenditure. The activity does not have to be successful to make a claim.

Personnel



The salary costs of those involved in qualifying development activity can also count as qualifying expenditure. Most progressive firms have at least one key person with responsibility for driving efficiencies who will be central to the claim.

Pure & Applied Research



Pure research to further understanding, even as part of an external initiative, can count as qualifying activity as long as it relates to the nature of the business.

IT



Bespoking software and overhauling IT systems to improve business processes is fairly standard practice but often overlooked as qualifying activity for R&D claims. Developing new websites and CRM systems can also qualify.

Tendering



Work undertaken to develop bespoke solutions for clients as part of the tendering process should be considered. As long as the costs are not passed on to the client, this may qualify as R&D activity.

Product and Service Development



R&D tax relief can apply to the development of a new product or service but also where appreciable improvements are made to existing products or services. Adaptations to meet new standards or requirements count as qualifying activity.

Premises



The design and planning invested in the adaptation of existing or new premises to increase capacity or achieve efficiencies can be qualifying expenditure.

Support to Success

Clients value our approach to managing their R&D claims. By taking time to understand the business and the ambitions of its owners, we can ensure the full value of claims are realised and that systems are in place to maximise the potential of future claims.

The procedures we follow ensure that claims are handled effectively with the client kept informed throughout the process – here's how:

1

Fact Finding



We appreciate how busy business owners are so, when we are approached about a potential claim or a client is referred to us by another professional, we try to find out as much as we can about the company before picking up the phone to the business owner. This will include some research on the company's activity and might also include a look at the business' accounts and tax computations.

2

Telephone Meeting



The initial telephone meeting is an opportunity for the Haines Watts R&D specialist to brief the business owner, or a delegated representative, about the types of activity that can qualify for R&D tax relief, the costs that can be included and the process for making a claim. A discussion around the activity that the company undertakes establishes whether there is potential for a claim which can be explored in more detail in a face-to-face meeting at the client's premises.

3


Meeting at Client's Premises



This part of the process is key to a successful claim. Visiting clients on site allows us to get a good feel for the company resulting in an R&D report which reflects the ethos of the business. In addition, a tour of the operation often reveals qualifying activity that may not have previously been considered. This meeting can provide us with enough information to give an initial assessment of the potential value of a claim.

4

Information Gathering



If the client is happy to go ahead, we request all the information we will need to support the claim. As well as financial information relating to qualifying expenditure, (e.g. payroll, invoices) we request some technical information on the projects. This information helps us build a strong narrative in the R&D report reflecting the innovative and exploratory nature of the activity which validates the claim.

5


Report Writing



The Haines Watts R&D team put together a detailed report in support of the claim. It is essential that the report is a fair and accurate reflection of the qualifying activity undertaken by the company that will bear the scrutiny of HMRC. This is where our experience is so valuable.

6

Submission and Ongoing Support



Once the report is approved by the client, we work with the accountants to submit the report alongside the amended CT600 submission. It can take HMRC's Incentives Unit 4-6 weeks to process the claim and electronically transfer any payment due.



Why you should call Haines Watts

If you're still unsure about whether your work qualifies for R&D tax relief then a brief call to us will clarify matters. There is no fee for this initial advice and there is no obligation to pursue a claim with us but here are some reasons why you should:

- We offer a success-based fee so you pay us according to the level of return we achieve for you. If a claim is unsuccessful then you pay nothing... but that is unlikely.
- Claims can go back two tax years so the quicker you act, the more benefit you can achieve.
- The business structure and remuneration of key directors can have a significant bearing on the level of qualifying expenditure so you need an advisor who can look at the wider picture. As accountants and business advisors, award-winning Haines Watts is expertly positioned to provide holistic advice.

“My advice would be to contact Haines Watts, even if you do not think you're carrying out R&D. We have benefited in a big way and I am sure other companies could have the same experience.”

James Broady
Central Roofing & Building Services

“I wasn't sure at first as my company is an HR Consultancy and I had a preconceived idea that R&D tax relief could only apply to businesses that invent things. None-the-less, Haines Watts were optimistic that we would be eligible. The next thing I knew I received £20,000 worth of tax credits. It's a complete 'no brainer' for any business to, at the very least, explore!”

Kirsten Cluer – Cluer HR

1750+

number of claims submitted
by Haines Watts

“As well as demonstrating clear understanding and significant technical expertise on the issues we discussed, Haines Watts were responsive and efficient throughout the projects, and delivered excellent results. We have no hesitation in recommending them.”

John Greene
Border Oak Design & Construction

“It was a revelation that the activity which we saw as a necessary part of growing our business could be considered 'R&D' and therefore generate tax relief. Our claim was handled very efficiently and the outcome was most welcome.”

Sally Gibson
Dawleys

£94m+

claimed by Haines Watts clients

£53K

average value of claims submitted
by Haines Watts

“At all times the process was painless and managed efficiently. As promised, the repayment was at the value advised and within the timescales explained.”

Nick Davis
Hobsons Brewery & Company

“Your expertise in identifying qualifying expenditure has resulted in a level of claim we never thought possible and it has also helped us think more strategically about funding future innovation.”

Les Salt
Goldvale Steel Fabrications

55%

of eligible companies are not
making a claim for R&D tax relief

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