

Tax reliefs recognise innovation

How often do you have an idea but don't follow up on it? If you are putting off doing something new in your business because of a technical uncertainty, you could be passing up on some very valuable tax reliefs, says Chris Floyd, Tax Manager at Landers Accountants Ltd.



● **Chris Floyd**

MENTION research and development and many people will think that this is only relevant to large scientific-based companies. However, there is a lot of innovation going on in small companies that is not getting the full recognition it deserves in terms of tax reliefs.

Small and medium-sized companies can get up to 175 per cent relief on relevant research and development expenditure. With a corporation tax rate of 20pc from April 1 2011, every £100 that qualifies for R&D relief will knock £15 off your corporation tax bill. At a time when cashflow may be tight that could be an

important saving.

So what qualifies for R&D tax relief? The fundamental point is that you have to be trying to overcome a technical issue through development of a new product or process.

This is not limited to companies that make things. A window cleaning company that develops a new way to clean windows using half as much water may qualify for R&D relief on the costs incurred so long as it have

achieved this through a technological advancement.

Development of new software can also qualify for enhanced relief. This is also a good field for showing the difference between something that is merely new, and something that is a technological advancement. Using existing programming methods to produce a new piece of software will not qualify. Developing a new algorithm to make an existing program run faster would.

The advancement does not need to change 'the world as we know it' but it has to achieve something that has not been possible before.

There must be a minimum spend on R&D of £10,000 in a 12-month period before a claim can be made and general over-

heads cannot be taken into account in this figure. There is effectively no upper limit.

Larger companies can also have enhanced R&D reliefs, but at a lower 130pc. This rate may also apply to some research and development costs incurred by smaller companies where they do not meet all of the requirements for the higher rate of relief.

The rules are numerous and complex so it is important to work with someone who understands them well when preparing your claim. It is also worth mentioning that R&D reliefs can be claimed whether or not the research is successful. So perhaps now is the time to release the inventor in you!

You can tap into Chris's 20-plus years of tax experience by contacting him on 01525 873922 or by emailing chris@landerstheaccountants.com.

LANDERS | THE ACCOUNTANTS

Tel: 01525 873922 www.landerstheaccountants.com
Church View Chambers, 38 Market Square, Toddington LU5 6BS