



TAX INSIGHT
March 2015

Tax for Innovative Companies

HM Treasury Consultation:

Encouraging access to SME Research and Development Tax Credits

Tax Insight Feedback

UK R & D Tax Reliefs – Give me more! II

Consultation with HM Treasury - Update

HMRC are tasked with improving access to the R & D relief and launched February's Consultation.

We were invited to feed our thoughts into HMRC's R & D Consultation at a meeting with HM Treasury and HMRC's Policy Unit, here in the Surrey Research Park. Here are some of the ideas we put forward for consideration.

Accelerated Scientific, Research and Technology Allowances

As HMRC hasten toward 'simplifying' R & D legislation (do they now make the legislation?), there is a real danger that the relief becomes an Innovation Allowance rather than an incentive aimed at Companies performing R & D.

As we know, the rules currently offer as much incentive to the developer of a new ice cream as they do to Companies performing deep and complex development projects, or high level research activity. This is good news for some, but not all as the HMRC red tape then ensnares bona fide Companies in the same net.

We recommended:

- An accelerated allowance - to remove the layer of administration and recognise bona fide R & D performers perhaps by:
- Identifying work upon Horizon 2020 projects
- Recognising bona fide Companies such as those based on science and research parks or those in collaborative R & D projects.

HM Treasury are considering this input with interest!



Contact:

Tax Insight LLP
Surrey Technology Centre
Surrey Research Park
Occam Road,
Guildford GU2 7YG
T: 01483 685185

Maria Kitt
Corporation Tax Partner:
maria@tax-insight.co.uk

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Richmond office:
Tax Insight LLP
2 Sheen Road
Richmond TW9 1AE

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Grant Funding Breaks

This is an area of big concern in start-up tech. Many companies use grant funding not realising this compromises R & D tax reliefs down the line. The current law applies a 'whole project' blanket restriction. Refining this would recognise the reality of incubator Companies and larger R & D EC funded projects work where EC funding is key to the project budget.

HMRC Assurance

First time claimants will be able to confirm with HMRC their R & D project qualifies for relief. A useful first base but unlikely to 'maximise' the Company's claim. Hopefully this lasts longer than the 2012 assurance which was withdrawn within 6 months as HMRC took on the role of tax advisor and became overwhelmed.

Improved Publicity about R & D

Further to the '*Britain is Great*' **HMRC Campaign** (*see our website*), publicity will be focussed on social

media campaigns and help lines.

This is to be welcomed, although statistics show that more than 15,000 small claims were made in 2014, uptake is still 'poor' compared with our EEA neighbours.

Economic trends show the UK R & D spend is historically inelastic to tax incentives. On the upside, 'good' R & D will continue unabated in the UK even where tax residence elsewhere appears advantageous!

Tax Insight UK

Based on The Surrey Research Park we are part of the UKSPA community offering expert advice on all aspects of R & D and alternative funding.

Our Corporate Tax

Partner, Maria Kitt is a leading tax authority, lecturing to Accountants and In-house R & D Companies.

Her book '**R & D Tax Reliefs, Bloomsbury Press**' is the UK's first reference point for this important tax relief.

To discuss any of the issues affecting your business contact one of our Partners today.