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## TAX INSIGHT UK

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### UK R & D Tax Reliefs

### Improved R & D Funding: UK Government: '£2bn for R & D'

November 2016

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### Tax for Innovative Companies

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**MARIA KITT, Corporate Tax Partner at Tax Insight, takes a look at the recent pledge by the UK government post 'Brexit' to boost research and development by £2bn.**

**UK: 'A Go-to place for innovators and investors'.**

Theresa May's pledge of £2bn for research and innovation was as surprising as it appears to be generous and eclipsed Hammond's first (and last) Autumn Statement. The announcement was short on detail, but we have been able to ascertain from this week's press releases, the following impacts:

No immediate change to the level of R & D tax credits or tax reliefs.

A pledge to continue the cuts in corporation tax rates which were introduced by Osborne's budget statements of 2015. These will reduce the UK's corporate tax rate to 17% from 01 April 2020.

Enhanced Patent Box regulations for collaborative R & D partnerships.

The setting up of an 'Industrial Strategy Fund' which will target strategic R & D sectors.

### Target Technologies 'Creating a competitive environment for UK Research'

The Autumn Statement announced the creation of an Industrial Strategy Fund overseen by UK Research & Innovation. This will target the development of emerging and vital technologies capable of international competition such as:

- ✓ Robotics
- ✓ Industrial bio technologies
- ✓ Medical technologies
- ✓ Artificial Intelligence
- ✓ Satellite sciences &
- ✓ **Other** areas of scientific strength

The funding objective is to 'support commercialisation'. We expect support partnerships and knowledge transfer collaborations to benefit directly from the new funds.

### Tax reliefs & tax credits

This week's announcements recognise the importance of a competitive corporate tax regime. The growth in RD tax credits has grown sharply from £1 billion (pre 2009) to almost £2.5 billion a year.



There is a promise that HM Treasury will review how to make the reliefs 'even more effective'.

Of necessity, we expect the rise in R & D tax credit rates to continue. Restoring their 2007 level would be a welcome first step.

### **HM Treasury Consultative Committee on R & D**

Many readers will be aware that our Partner, Maria Kitt, is a Member of the above Committee. We expect the Treasury group to target the administration of tax credits and reliefs by HM Revenue and Customs and to continue to improve and increase their effectiveness.

As we close the year, it is good to see the support pledged by the 'pre-Brexit' government to the April Parliamentary Commission on R & D come to life. Clearly UK innovators have much to offer on a global basis and it is very encouraging that support is reaching new levels with the continuity and stability that is vital to innovative companies of all sizes.

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**UK R & D Tax Reliefs – Bloomsbury Professional Press**

**Tax Insight - Providing informative tax advice to innovative companies.**

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