



TAX INSIGHT UK

Autumn Statement

Increased incentives for UK R & D

November 2017

Tax for Innovative Companies

An Innovative Budget?

The Autumn Statement although seemingly a non-entity, provided three core RD 'positives' to our sector. The announcements included a large increase in the RDEC relief for large companies; enhancing the return on investment in EIS / SEIS innovators, and continued promotion of RD grant funding through Innovate UK well beyond the future Brexit phases in which we now find ourselves.

The Autumn Budget 2017 is the first in the new annual tax policy making cycle. The government's aim is to provide greater certainty and stability by changing taxes less frequently. The proposals will be consolidated in the 2017 Finance Bill which it intends to publish on 01 December 2017.

It may have slipped through almost unnoticed in last week's commentaries, but the 2017 Statement contained very significant proposals for UK RD incentives, encouraging further direct and indirect investment in innovation through:

Increased RD Reliefs - RDEC rate:

- Increased incentives for investment in innovative companies
- Increased RD Relief rates

As announced at Autumn Budget 2017, 'Finance Bill 2017-18' will increase the rate of the R&D expenditure credit from 11% to 12%, in order to support business investment in R&D. The increase takes effect from 01 January 2018 and is a substantive (10%) rise in the benefit of the relief to large companies and SME companies claiming relief on subsidised or subcontracted RD expenditure.

Investment in RD – Enhanced investment reliefs

Increased incentives for investment in innovative RD 'knowledge intensive' companies. This builds on the proposal to encourage more investment in knowledge-intensive companies under the EIS and VCT schemes.

The government proposed to: double the limit on the amount an individual may invest under the EIS in a tax year to £2 million from the current limit of £1 million, provided any amount over £1 million is invested in one or more knowledge-intensive companies

raise the annual investment limit for knowledge-intensive companies receiving investments under the EIS and from VCTs to £10 million from the current limit of £5 million. The lifetime limit will remain the same at £20 million



allow knowledge-intensive companies to use the date when their annual turnover first exceeds £200,000 in determining the start of the initial investing period under the permitted maximum age rules, instead of the date of first commercial sale

Encouraging inward RD investment

The changes will have effect on and after 6 April 2018. This measure is subject to normal state aid rules.

'Knowledge intensive companies are those engaging in RD and innovation with key employees. Further information: Income Tax: the EIS and Venture Capital Trusts: encouraging investments in knowledge-intensive companies

Finally, softer measures include continued work by HM Treasury on promoting the awareness of RD tax credits (following the January 2015 consultations). The government also intends to extend the Advanced Clearance service for R&D expenditure credit claims, to provide pre-filing agreement for 3 years.

Grant funding: Innovate UK: Current Grant funding competitions can be found on the main website page.

We advise innovative companies upon their special situation and relevant tax incentives and reliefs.

If you would like to discuss any of the above, please contact any of our tax partners today.

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