



R &D Tax Relief

Food and Drinks Industry

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Companies in the food and drinks industry are emerging as key R & D claimants. £1,050m was reclaimed by UK Food and Drinks manufacturers in R & D tax relief last year. Your company may be missing a significant opportunity.

What is R & D Tax Relief?

RDTR is a government scheme aimed at promoting UK investment in R & D activity through corporation tax relief. This helps the UK meet its OECD targets. The relief reduces a company's corporation tax liability by around £24,000 per £100,000 of eligible spend upon R & D work. Loss making companies can claim a repayable tax credit recovering 24.75% of the R & D spend. RDTR is not tax avoidance, and is positively received by HMRC.

Are you receiving all of the relief due?

The HMRC statistic is that fewer than 25% of eligible SME companies claim the relief due to them. This reflects both a lack of awareness of the opportunity and the complexity of the way the relief has to be claimed. Many companies who do claim miss significant cost headings

from their claim, leaving cash on the table.

The services of a knowledgeable consultant are essential to maximising the claim and identifying all eligible activity.

What is R & D?

R & D takes place when a company seeks to make an advance in a field of science or technology. The activity that contributes to resolving technical uncertainties in the project will be R & D.

In the food and drinks industry, R & D can take place in many ways:

- New product development
- Ingredient substitution, such as reducing sugar, prolonging shelf-life, improving quality.
- Experimental brewing methods and bottling production
- Reducing alcohol, sugar enhancing quality
- Developing 'pseudo' cheaper lines
- Reducing waste, going 'green'
- Designing new equipment and production methods to fit in with new lines
- IT systems controlling stock and logistics or financial data

Short Case Study:

A food and drinks company found that it was spending significant costs upon **developing new product lines**, employing food



Technologists and testing the new lines.

The company also invested in a gluten free production line, Because of its size, it needed to start over with first of class technology. The Directors were involved at all stages.

A claim was made for both the new product development and the new production line work of £600,000. The company's tax bill was reduced by £ 148,000. It now intends claiming R & D annually.

What costs can I claim?

R & D relief is available for the project's:

- Staffing costs
- Subcontractor costs
- Heat, light and power
- Software costs
- Project equipment

What about waste, packaging and testing costs?

Testing a new product can be costly, and may involve going back to the drawing board for further refinement.

The tests may show the improvement is not commercially viable and the idea is abandoned.

All such costs are R & D and eligible for relief, whether successful or not.

'Back office' costs directly relevant to the project, are also eligible.

Proper identification of all costs is critical to a competent claim. Many costs will not qualify, such as routine and production work, marketing or financial planning around the development.

Tax Insight R & D Services

The Tax Insight team is headed by Maria Kitt, Author of 'R & D Tax Relief, the Innovative Economy', (Bloomsbury Professional Press March 2014) and is well known in corporation tax circles.

She has filed competent claims for relief across a wide sector of corporates since the legislation arrived in 2000, recovering relief worth millions of pounds.

The Tax Insight approach is thorough, and will assist in identifying a competent tax strategy, helping the company pay the right amount of tax.

We have worked closely with HMRC since the reliefs were introduced, and understand the approach made by HMRC to the R & D claim.

This allows us to reach agreement with HMRC on current claims for relief and agree a path for the future, a vital part of the company's corporation tax strategy.

Having over 22 years of corporate tax experience, we can ensure the claim is made quickly with minimal disruption to the business.