

Firms neglect tax breaks

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Tax specialists Capitus believes companies involved in any type of R&D across a range of industries could be missing out on substantial tax relief.

HM Revenue & Customs (HMRC) offers tax breaks for companies involved in R&D, as part of the government's drive to encourage innovation and development of new products, processes and designs.

Small and medium-sized enterprises (SMEs) can claim tax relief of 175 per cent of the money they spend on R&D.

Where companies involved in R&D are not making a profit, they can take a tax credit instead equal to 24.5 per cent of the R&D costs.

Even where the company is undertaking grant-aided research, or if the R&D activities are sub-contracted out, R&D tax relief can be available.

However, Andrew Reid of Capitus said many companies do not know the tax relief is available, nor realise that what they do constitutes R&D for tax purposes.

'Many companies perceive R&D as "men in white coats" involved in scientific or technological research,' added Reid. 'However, for tax purposes, R&D is any project that seeks to achieve an advance in overall knowledge or capability in the field of science or technology.'

'With such a broad definition, many companies have qualifying activities including software development, engineering design, development of new construction techniques, bio-energy, advances in agriculture and food production, as well as life and health sciences.'

<http://www.theengineer.co.uk/news/rd-firms-neglect-tax-breaks/1001312.article>