



Research & Development

CASE STUDY

Seymour Taylor support clients in a variety of sectors in claiming their Research and Development (R&D) tax credits.

Back in April 2000, HMRC launched the R&D tax relief scheme specifically to reward UK businesses making scientific and technological developments. Many companies who could be eligible are still failing to claim this relief.

R&D tax relief (or credit) is a company tax relief; that can either reduce the company's tax bill, or for some companies provide a cash sum. Research and Development credits are available to large (under the RDEC regime) and small and medium sized companies (SME regime). Depending on whether the company has taxable profits these can result in a cash repayment for the company which helps with cash flow particularly when turnover may be minimal.

To qualify for R&D tax credit a company must be carrying on a project that seeks an advance in science or technology. It is necessary to state what the intended advance is, and to

show how, through the resolution of scientific or technological uncertainty the project seeks to achieve this.

The advance being sought must constitute an advance in the overall knowledge or capability in a field of science or technology, not that of the company alone.

Under the SME regime, the R&D tax credit works by allowing companies an increased (enhanced) deduction in respect of qualifying expenditure on R&D activities. The enhanced deduction either reduces a company's profit or increases its losses for tax purposes. It is also possible to "cash in" or surrender losses for a repayment.

Any business in any sector is eligible for R&D tax credits as long as they are undertaking development activities that lead to progression in science or technology.

Key benefits of R&D tax credits:

- A reliable way to raise business funding
- Claims can be made each year, this can help businesses by improving cash flow
- Help businesses to support their growth
- Attractive to investors
- We make them easier to claim

How we work:

- Liaise with the client to establish whether there is an innovative project that would qualify
- Establish whether they are already obtaining any government grants or other state aid
- Help clients to access the eligible tax credit

What Counts as R&D:

- Creating new products, processes or services
- Changing or making amends to an existing product or service

There are two schemes for R&D, and a company can claim under both schemes in any one year, the two schemes are the SME scheme and the large company RDEC scheme. A simple comparison of the two schemes is laid out below.

SME Scheme	Research and Development Expenditure Credit (RDEC)
Have fewer than 500 employees (across the entire group of companies) plus their turnover is less than €100 million or their balance sheet is less than €86 million.	Applicable to large companies.
Higher rates of enhanced deductions.	Lower rates of enhanced deductions.
Payable credit.	Potentially a payable credit (depends on company's situation and should be assessed on a case by case basis).
	Notional tax credit that can potentially be offset against other liabilities.
Can claim for expenditure subcontracted to others.	Generally companies can only claim for R&D carried out itself, there are very limited circumstances where it can claim for work subcontracted out.
Company cannot claim for contributions to independent research.	Company can claim for contributions to independent research.
Claims can be reduced if project is subsidised or receive a grant in respect of it.	No reduction for grant or subsidy.

How we help identify the project is R&D within the tax definition

There are guidelines that define all the following terms, and it's important to understand these concepts before attempting to reach a view on whether your company or organisation has a qualifying R&D project for tax purposes.

Claiming R&D tax credits

R&D claims can be made retrospectively as it is possible to re-file the company's Corporation Tax Return. The return is accompanied by a justification report that is used by HMRC to determine whether an advance has been made.

How we work with clients:

We go through the key areas, with you when filing your Company Tax Return, so HMRC can clearly see how the definition of R&D applies to your project or projects:

- We involve you every step of the way to ensure that you are fully onboard with the claim
- We will make the process as seamless as possible for you
- The first year typically involves a significant amount of additional work whilst we liaise with a client in understanding their business and the types of projects that may qualify
- After this initial period we can then tailor our work and computations to suit the clients requirements

Qualifying R&D

Improvements, optimisations and fine-tuning which do not materially affect the underlying science or technology do not constitute work to resolve scientific or technological uncertainty. A qualifying project is one that seeks to:

- a) Extend overall knowledge or capability in a field of science or technology; or
- b) Create a process, material, device, product or service which incorporates or represents an increase in overall knowledge or capability in a field of science or technology; or
- c) Make an appreciable improvement to an existing process, material, device, product or service through scientific or technological changes; or
- d) Use science or technology to duplicate the effect of an existing process, material, device, product or service in a new or appreciably improved way (e.g. a product which has exactly the same performance characteristics as existing models, but is built in a fundamentally different manner).



Examples of our work with clients in the area of Research and Development (R&D).

Client A: WOUNDCHEK™ Laboratories develop novel wound diagnostic products to help improve outcomes in wound care. They launched the world's first and only point of care test to detect EPA (elevated protease activity) in chronic wounds in 2012, and over the past several years has become a recognised leader in wound diagnostics.

Seymour Taylor have been completing R&D tax credits for WOUNDCHEK™ for a number of years. The team liaise with the CFO at each year end to discuss whether projects from the prior year are ongoing. The team obtain a detailed nominal ledger from the client and begin analysis work on expenditure ensuring they are clear as to what it relates to. For WOUNDCHEK™ the draft workings for R&D are based on both the SME and large scheme as there are multiple projects covering both schemes.

Our team liaise with the CFO over the claim and run through the eligibility. We work with the company to prepare the justification report and pass to the CFO at WOUNDCHEK™ for review. After this is agreed they will prepare the tax computation and liaise with HMRC regarding the refund.

"I approached Seymour Taylor back in 2016 about Research and Development tax credits to see whether they could help us. The team at Seymour Taylor weren't put off by the technical nature of the work that WOUNDCHEK™ did and they were able to manage the work at a reasonable cost. It was Seymour Taylor's open approach plus their reasonable billing rates that gave me the confidence to work with them on the R&D tax credits.

"As this was a new area to us, I wasn't sure at the beginning how much money we would get so this was an important factor I needed

to take into account when discussing the service with Seymour Taylor.

"The only funds we get are purely through shareholders and grants so the R&D tax credits make a huge difference to our business. We have to raise significant funds in order to be able to run the required clinical trials enabling us to prove our claims to the FDA (Food & Drug Administration) in the US and the legal requirements of the CE European Marking system. These trials enable us to get regulatory clearance and hence market the products in those countries. The extra funds have assisted us to do these trials. Seymour Taylor help us to prepare our RDEC claim on the basis that we receive two grants from Innovate UK and Invest Northern Ireland.

"The R&D tax support I get from Seymour Taylor has been great. I have known and worked with Rachel Pugh and Liza Rowles for a number of years now and they are always timely in their responses to my questions."

“ I like working with Seymour Taylor because I can always pick up the phone and contact them and get immediate advice or speak to someone who I can direct my question to.”

"I would recommend working with Seymour Taylor on the R&D tax credits as they are able to manage complex technical products such as our own. They have a very honest and open approach and are responsive, which I feel is important for this area.

"They also have a local feel and approach and charge me a reasonable rate for the work that they do"

Malcolm Williams, Chief Financial Officer

Case study 2: ETLogic Ltd provide expertise in electronic trading systems used by investment banks and price makers in government bonds, credit bonds, swaps and other derivatives. These systems connect to electronic RFQ negotiation venues such as Bloomberg, Tradeweb, MarketAxess and Bondvision, and to the order matching venues such as MTS, and apply rules such as client tiering, price contributions and auto-negotiation logic.

The team at Seymour Taylor prepare the year end accounts for the client and discuss with them any current projects and whether any historic projects have changed in scope or ceased for R&D. Once the team have finalised the accounts they then review the client's expenditure during the year for items that may be qualifying expenditure. Our team liaise with ETLogic as to which projects the expenditure relates to. Our R&D experts then draft the workings under the SME scheme and review the associated justification report. Directors within our business will review the report before sending onto the client with any questions we may have. Once the team at ETLogic are happy with the report we will make any necessary changes before finalising the tax computations and then we will submit it to HMRC.

“Being able to hand over the R&D tax relief claims to Seymour Taylor to run with, frees up our time to focus on our business.”

“As a business we were looking for a new accountant who could do both our accounts work plus R&D.

“Seymour Taylor were able to offer the whole package of services we wanted and were more cost effective. They offered a fixed price for the R&D work whereas previously we had paid 20 - 22 per cent of the tax relief that we received to the accountant doing the R&D tax work for us.

“Seymour Taylor had a history of R&D tax relief work which was reassuring as we wanted to make sure the R&D claim went through smoothly as we didn't want to do it all ourselves. We felt they offered a more personal service compared to other firms which also appealed to us.

“Whilst initially the information we provided for the R&D claims was quite time consuming now we have a structure in place with Seymour Taylor where we just have to make tweaks to the information and update it yearly, so that it continues to be relevant and applicable to the work we are doing.

“The advantages the R&D tax relief brings is that it allows you to invest more in R&D as you get some of the money back. Without the tax refund we wouldn't be able to do as much Research and Development. Therefore it allows ETLogic to be more innovative and to invest further in our business.

“We find it easy to work with Seymour Taylor. They are always available, respond to calls and emails. Communication has always been good between us. There is a collaborative approach between our two companies which is important as R&D is not something you can just hand over without any input so it is important that you work together in conjunction to achieve the end goal.”

Stephen McDermott, Director

Get in touch If you would like a **FREE** no obligation consultation, a quote or have any further questions on our R&D Tax Service, please contact us on **01494 552 100** or email us at **enquiries@stca.co.uk**

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