

Research and Development

Research and Development (R&D) can be a significant speculative cost impacting the profitability of a business. In the interest of fostering innovation, many countries around the world have introduced tax relief for businesses investing in R&D activity. In the UK, the government implemented a generous incentive programme in 2000 for companies incurring expenditures on qualifying R&D endeavours. Unfortunately, many fail to leverage this valuable relief due to lack of awareness of the programme or limited understanding of its scope. Ryan ensures its clients fully understand and benefit substantially from every provision afforded to qualifying businesses.

Ryan provides comprehensive R&D Tax Relief services in the UK specifically, as well as across Europe. Our seasoned specialists efficiently qualify, quantify, and prepare R&D claims with minimum disruption to client operations. And our proficiency with Her Majesty's Revenue and Customs (HMRC) ensures that these claims are expeditiously approved.

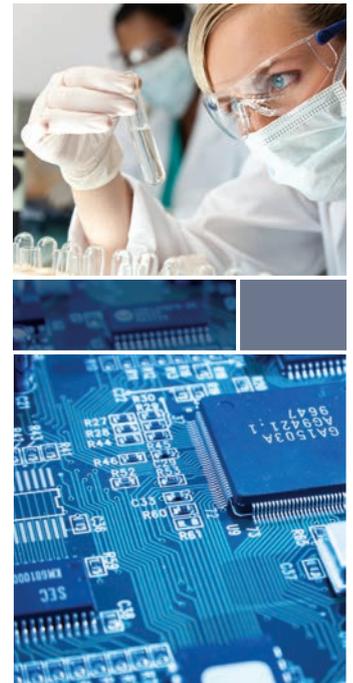
Defining R&D

Ryan understands the intricacies that define R&D for tax purposes to deliver superior client value and results. The wide definition of R&D for tax purposes may include incremental changes and improvements to materials, products, and manufacturing processes. These are often prompted by customer requirements, production problems, or regulatory compliance and can include any of the following activities:

- ▶ Extending the overall knowledge or capability in a field of science or technology
- ▶ Creating a process, material, device, product, or service that incorporates or represents an increase in overall knowledge or capability in a field of science or technology
- ▶ Making an appreciable improvement to an existing process, material, device, product, or service through scientific or technological changes
- ▶ Using science or technology to replicate the effect of an existing process, material, device, product, or service in a new or appreciably improved way

Super Deductions and the New Research and Development Expenditure Credit (RDEC)

The current form of revenue relief for many companies is the "Super Deduction" for qualifying R&D expenditures (Part 13 CTA 2009). Under this provision, small and medium enterprises (SMEs) enjoy a 225% deduction rate, while larger companies receive a rate of 130%. SMEs with insufficient Corporation Tax (CT) liability can obtain a payable credit.





In large companies, the new RDEC is applicable to qualified expenditures incurred on or after April 1, 2013. Until April 2016, these companies have the flexibility to either continue claiming under the Super Deduction provision or to move over to the RDEC. Once the company moves to the RDEC in that period, it cannot revert to the Super Deduction. The Super Deduction option will disappear for new expenditures incurred after March 31, 2016.

The RDEC is applicable to SMEs in circumstances in which expenditures are currently relieved under Chapters 3 or 4. That is where R&D is contracted out to the SME by either a large company or any person other than in the course of a chargeable trade, where the R&D is subsidised, or where the Aid Cap is exceeded. Like large enterprises, SMEs are also afforded a choice of provision until April 1, 2016. An expenditure that doesn't fall within any of those categories will continue to attract the SME Super Deduction relief.

The RDEC Process

To maximise client profitability, Ryan assists clients throughout the complex RDEC process with precision and accuracy. RDEC will be treated as a taxable credit in a company's tax computation, and the credit can then be utilised to discharge the liability to pay CT. If the credit exceeds the company's CT liability for that period, the excess can be used as follows.

STEP 1	Discharge current period CT liability.
STEP 2	Any balance after STEP 1 is restricted to the Net Value of Set-off Amount. Any excess is carried forward to next year or surrendered to group companies.
STEP 3	Any balance after STEP 2 is restricted to the PAYE/NIC element of R&D staff costs (including group EPW). Any excess is carried forward to next year.
STEP 4	Discharge CT liability of any other period.
STEP 5	Any balance from STEP 4 can be surrendered to group companies.
STEP 6	Any balance after STEP 5 can be used to discharge any other liability to HMRC.
STEP 7	Pay remaining balance to company. <i>(Remaining funds are paid out in cash, barring any applicable restrictions.)</i>

Because the RDEC does not directly affect the computation of the CT liability, it cannot be taken into account in computing quarterly instalment payments. However, an RDEC can be used to discharge an instalment payment, as appropriate.

Capital Expenditure Relief

R&D Allowances (RDA) are available to companies with a qualifying capital expenditure and are given at the rate of 100% in the year in which the expenditure is incurred. A significantly attractive rate when considering the general rates for plant and machinery, a qualifying capital expenditure includes relevant buildings but excludes land.

Claims

R&D relief claims need to be made within two years from the end date of the relevant accounting period.



Ryan's seasoned R&D professionals determine and categorise available qualifying expenditures, including:

- Staff costs for employees directly and actively engaged in R&D activity
- Consumables used in the R&D process such as light, heat, power costs, and software
- Certain payments for externally provided workers, agencies, and contractors

In Europe, Ryan Tax Services UK Limited, Ryan Tax Consulting Services Ireland Limited, Ryan Tax Services Hungary LLC, and Ryan Netherlands B.V. provide clients with tax consulting, recovery, compliance, advocacy, technology and other client-related professional services. Ryan Tax Services UK Limited, Ryan Tax Consulting Services Ireland Limited, Ryan Tax Services Hungary LLC, and Ryan Netherlands B.V. are constituent entities of Ryan International, a Swiss Verein. Ryan International is a Swiss Verein whose member firms and constituent entities form a leading network of tax advisory and consulting firms, each of which may be licensed to use the name "Ryan" in connection with providing tax advisory and consulting services to its clients. The member firms of Ryan International and their constituent entities operate throughout North America, Europe and Asia in accordance with local regulatory requirements but are not a part of a single international partnership. The responsibility for the provision of services to a client is defined in the terms of engagement between the client and the applicable member firm or constituent entity. Neither Ryan International nor any member firm or constituent entity of Ryan International is liable or responsible for the professional services performed by any other member firm or constituent entity. Ryan International is not itself engaged in the practice of providing professional services. Rather, it is an international umbrella entity organized as a Verein under Swiss law. Not all member firms and constituent entities provide the full range of services mentioned within this brochure. "Ryan" and "Firm" refer to the global organizational network and may refer to one or more of the member firms of Ryan International, each of which is a separate legal entity.

Award-Winning Tax Services

In the United Kingdom, please call
+44 (0) 20 7257 8510
ryan.com/unitedkingdom

© 2017. All rights reserved.