

## Case study: R&D tax credits

### Getting the right advice

The government's ongoing drive to encourage businesses to invest in research & development has resulted in increased rates of tax relief available to UK companies.

Effective from 1st August 2008, rates of deduction for qualifying expenditure have changed.

### Deduction rates on qualifying expenditure

SME scheme*	
Pre 1/8/08 150%	Post 1/8/08 175%
Large company scheme	
Pre 1/4/08 125%	Post 1/4/08 130%

\*The tax credit repayment available to loss making Small & Medium Enterprises (SMEs) has been reduced from 16% to 14% for post 1st August 2008 claims. This credit remains unavailable to large companies.

For example a small company investing £100,000 in qualifying R&D activities now obtains a £175,000 tax deduction.

### The issue

We were approached to advise a large multinational aerospace company, with a global turnover of £400 million on the possibility of one of its subsidiaries claiming R&D enhanced expenditure relief in the periods prior to its acquisition.

The multinational actively manages its worldwide tax exposure and was keen to make use of reliefs where possible. The subsidiary had not previously been aware that it could claim an enhanced deduction for its R&D work and consequently had incurred tax liabilities as it made profits.

### The solution

Our specialist R&D team visited the subsidiary's premises and undertook a review of the R&D and record keeping with the management team. We assisted the client with preparation of a technical report on the R&D they had undertaken and identified allowable expenditure. Amended corporation tax returns were submitted to HM Revenue & Customs claiming a deduction of 150% of the cost of the subsidiary's qualifying R&D costs and within one month their tax liability for the period had been reduced to nil.

### How we work with you

We want to help our clients succeed. That is why we provide each client, irrespective of size, a dedicated client service team headed by a partner and a manager who are genuinely accessible and who have manufacturing sector experience. They will be committed to fully understanding your business needs and will be available to help and guide you as required. The partner will be the conduit to the full range of services we provide and ensure that the advice is always straightforward and clear no matter how technical or detailed the issue.

### About Kingston Smith's manufacturing team

Kingston Smith is a top 20 firm of Chartered Accountants. The six partners in our dedicated manufacturing team have over 150 years experience between them of supporting many owner-managed manufacturing businesses. We have developed a deep understanding of the processes and issues manufacturing businesses face, which enables us to offer practical, realistic advice and share areas of best practice to help our manufacturing clients succeed. Because we know the manufacturing sector so well, our specialist manufacturing partners can help you with coordinated support to help you run your business whether it be as a sounding board on general management issues or dealing with a specific technical VAT query.

### Contact Us

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