

Hello and thank you for downloading this free info booklet. We hope you find it to be useful, informative.



It might even save you some money!

At O&K we believe that one of the cornerstones of providing superb service to our clients, is being able to offer the best possible advice at all times. We do this in a number of ways.

Firstly our team have a wealth of experience and expertise, dealing with a wide range of clients both in the UK and overseas.

Secondly we are proud to say that we have special relationships with our **Partner Organisations**, enabling us, through them to provide first class financial advice in a wide range of areas. With regards to Research and Development tax relief, we work with **Alison Lynch of Abbey Tax** who is an R&D Tax credits specialist.

Over the past 10 years she has claimed back in excess £30 million cash for thousands of clients.

Abbey Tax are an award winning independent specialist tax and funding firm, who assist us with a wide range of specialist tax issues for our clients.

Alison is an important part of our expert team and her help is just a phone call or e-mail away.

Finally we keep our clients update to date, via our **FREE** Info Guides and e-newsletters, just like this one.

SMEs still losing millions in unclaimed R&D tax credits

UK SMEs are missing out on millions of pounds of tax credits by not claiming for new product research and development costs. SMEs are failing to maximise their tax efficiency which, in turn, impacts on their ability to finance new product development programmes.



There has been a steady increase in R&D tax relief claims since its introduction, but there is still a chronic lack of awareness amongst the UK's SME base. The result is that hundreds of millions of pounds of R&D tax credits are going unclaimed which could make a significant impact to the ability of an SME to fund new product development.

Any company or organisation can claim R&D relief whether it is making profits or losses, with no upper limit on the amount of the claim. SMEs are capable of deducting up to 230% of R&D costs, which could include specific costs such as staff costs, consumable materials, subcontracted costs, power, water, fuel and computer software that is used directly in carrying out R&D.

Many SMEs are involved in R&D and the HMRC definition by no means restricts the ability to claim to just high tech or pharmaceutical industries. Many SMEs do not realise that they have eligible projects or worry that the process is too onerous and costly. R&D tax credit advice forms part of our specialist business support service, which covers all aspects of this taxation advice including securing funding.

The primary barrier to claims is that many SMEs and advisers wrongly believe that R&D relief can only be claimed on new products. R&D tax credits are not only confined to light bulb eureka moments; product improvements, new ranges and new production processes can also be eligible.

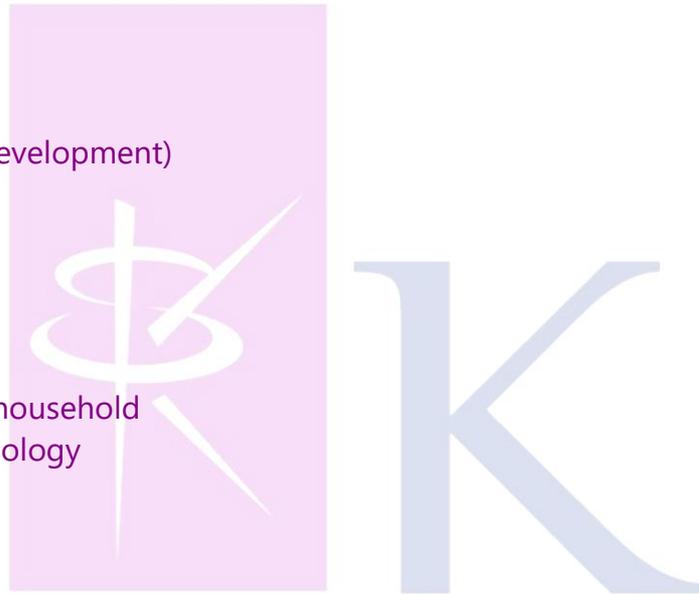
Furthermore, identifying costs associated with R&D activity is often seen as a laborious and minimally beneficial process compared to the possible tax benefit.

This is not the case.

Plus retrospective claims can be made for the past two years accounting periods. This can often result in a significant repayment of corporation tax, or if a company is loss making, a claim for R&D tax credits.

Is your business in one of these market sectors?:

Aerospace
Alarms and CCTV
Automotive Industry
Banking and Finance
Chemicals, paints and adhesives
Clothing, textiles and fabrics
Construction and building materials
Electronic and electricals
Engineering and machinery
Food and drink producers
Foundries
Games software industry
Health
Household goods and textiles
IT hardware
Insurance brokers (software development)
Land remediation
Lighting
Marine
Manufacturing
Media and entertainment
Personal care, cosmetics and household
Pharmaceuticals and biotechnology
Printing and packaging
Property and construction
Software and development
Telecommunications
Travel Industry
Transport
Waste Recycling
Water treatment



It is important that SMEs examine their suitability for reclaiming tax and work with an adviser who understands how HMRC works. It should take HMRC around four weeks to process a well-structured claim and this could radically alter a company's year-end financial position and help finance further research and development work or other investment.

Contact us today on 0208 686 7756 or info@oandk.co.uk to take advantage of a free health check to identify potential opportunities.

R&D Case Study - Property and Construction

Company Intro: Producers of high quality sustainable developments using innovative technology and construction methods, delivered to exceed the customers' expectations.



Company turnover: £31,910,000

Project: Composite Housing Project

Technological advance: The development of a modular, snap-fit assembly building system that uses ten new pultruded profiles in combination with standard profiles to construct a building without using concrete or structural steel.

Technological uncertainties included;

- The major uncertainty that the company had to overcome was that of the development of pultruded glass composite profiles. At the outset of the project very little knowledge was available in respect of the properties and structural performance of pultruded profiles and how this component could be used within the building industry.
- The interaction of pultruded profile building and the benefits to the environment was also a major concern for the company (which has previously received a reward for being the most innovative environmental building contractor).
- The entire development had to be undertaken in such a manner that enabled it to comply with the relevant control regulations imposed by the construction industry. This was likely to restrict the development path within which they could undertake in order to make the desired advance in technology.

Value of the claim: £25,489

Research and Development Tax Credit - Tax relief out of fresh air

Since 1 April 2000, companies have been able to reduce their Corporation Tax bill through spending on Research & Development (R&D). The aim of the R&D tax credit is to encourage greater R&D spending by companies to promote innovation. We recommend that companies consider what areas of their business may qualify as R&D and seek advice on how to maximise their claim for R&D tax credits.



There are two schemes depending on whether the R&D is carried on by a small or medium (SME) company or a large company. There is a 230% rate of enhanced deduction under the SME scheme and 130% rate under the large company scheme. If the company is making a loss, it is possible to receive money back from HMRC.

Companies can claim R&D tax credits for their revenue expenditure on:

- *Staffing costs for R&D employees*
- *Paying an external staff provider for R&D*
- *Materials for R&D*
- *Water, fuel and power*
- *Software directly used in the R&D process*
- *Subcontracting out R&D activities (beware for large companies)*

The biggest question is what is meant by R&D? The rules are complicated and the definitions are not clear cut and this is where we can help you. Broadly speaking, R&D takes place when a 'project' seeks to achieve an advance in science or technology.

For there to be an 'advance in science or technology' there must be an advance in overall knowledge or capability' in a field of 'science' or 'technology'. An advance in science or technology may have tangible consequences. It might create a new or more efficient product. It might create a process which generates less waste. Or it might create a more tangible outcome, such as new knowledge or cost improvements.

In Summary

Despite being introduced in 2000, there still remains a misconception regarding what actually consists 'research and development' for the purposes of HMRC legislation.



Most MDs and Company Finance Directors mistakenly believe that unless a scientist operating in a secret laboratory and dressed in a white coat is employed by a company, then R&D is not taking place.

R&D does not have to be 'blue sky' innovation, nor does it have to consist of creating new technologies.

Plus...

R&D tax relief and tax credits are still amongst the most under-claimed tax incentives currently available. The definition is far more wide ranging than most companies realise.

Our Partner Organisation - Abbey Tax, have assisted many businesses in maximising their R&D claim to minimise their tax bill. R&D specialists know how to present and maximise your claim and can make a significant difference to the outcome.

We are happy to arrange a **FREE** no obligation telephone call, or meeting, to see if you are either eligible to make a claim or help you enhance your claim further.

So call us on **0208 686 7756** or e-mail info@oandk.co.uk for your free, 'no obligation' consultation.