



R&D Tax Relief - for accounting periods starting on or after 1 April 2024.

R&D tax relief provides incentives for companies who have invested resources developing new or improved products, processes and software. The definition of R&D for tax purposes is when a qualifying company “seeks to achieve an advance in science or technology through one or more qualifying projects”.



For accounting periods starting on or after 1 April 2024 the schemes are changing such that most companies will be eligible under the new Merged RDEC Scheme. Under this scheme, a company can claim a taxable credit of 20% of qualifying expenditure.

It is also possible for loss-making, R&D-intensive SMEs to claim under the more generous “ERIS” Scheme.

The following illustrations help explain what can be claimed and demonstrate the potential value of R&D tax relief to your company.

Categories of qualifying expenditure

Staff costs

Salaries	£241,000
Employers NI	£98,000
Pension contributions	£83,000
Total	422,000

Subcontractors (£60,000 @ 65%)	£39,000
Software	£12,000
Cloud computing / data licensing	£5,000
Consumables	£28,000
Utilities	£3,000

Total qualifying expenditure **£500,000**

Please note the following illustrations assume CT payable at the main rate of 25%



Illustration – Merged RDEC (profit-making)

Profit prior to R&D claim	1,000,000
RDEC (500,000 @ 20%)	100,000
Updated taxable profit	1,100,000
Tax liability @ 25%	275,000
Less: RDEC	(100,000)
Tax payable	175,000
Tax which would have been payable ignoring the impact of R&D claim	250,000
Reduction in tax liability	75,000
Effective rate of credit	15%

Illustration – Merged RDEC (loss-making)

Total qualifying expenditure	500,000
RDEC @ 20%	100,000
Tax on RDEC @ 19% <i>(Carried forward as a notional tax credit)</i>	(19,000)
Net tax credit	81,000
Notional tax credit c/f to utilise against future CT liabilities	19,000
Rate of tax credit	16.2%

In the first instance, the net tax credit will be offset against your company's corporation tax liability in the period.

Where the company is loss making or the credit is in excess of the tax liability arising, any excess tax credit may be surrendered to other group companies or be repaid backpaid out to your company.

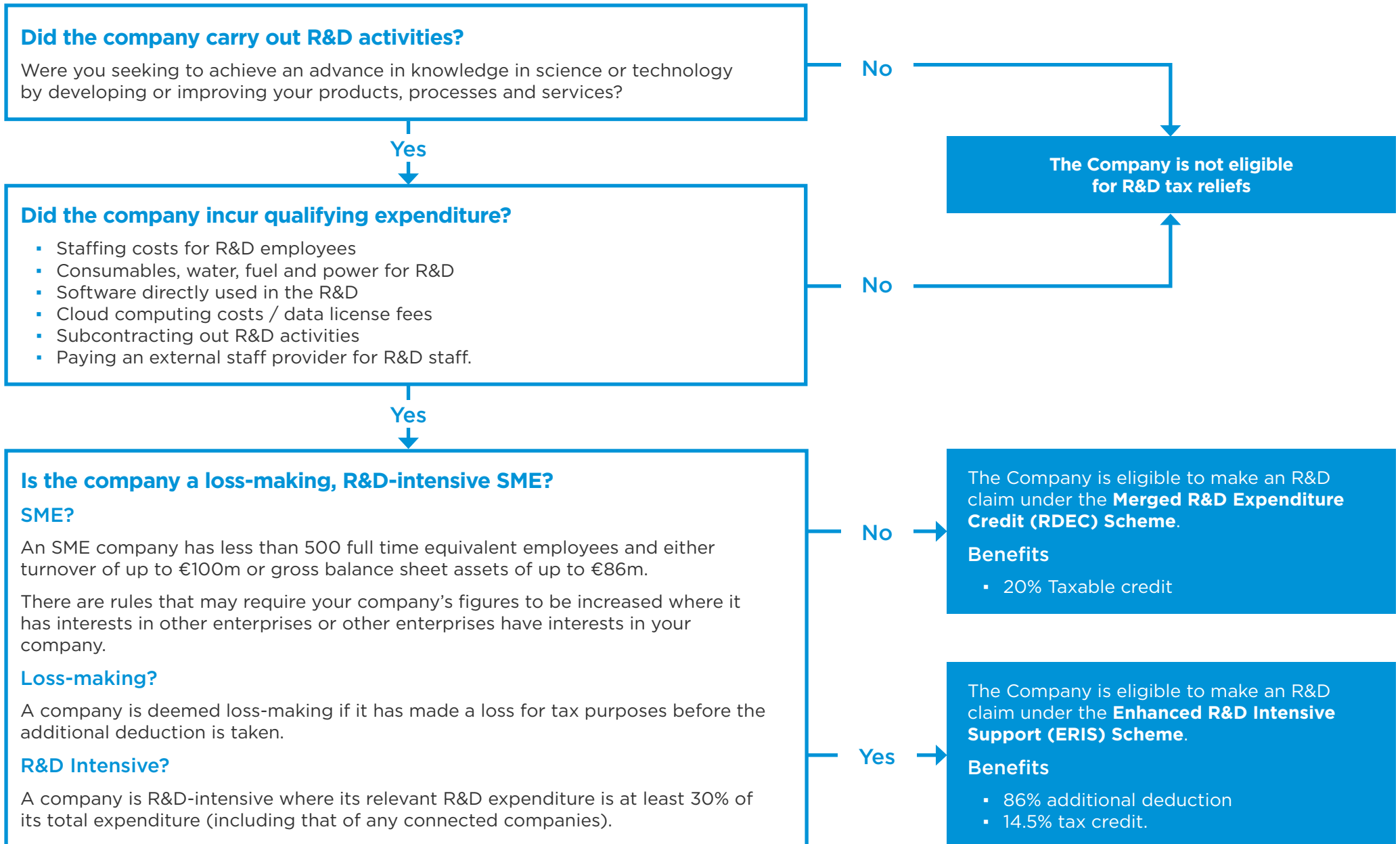
Illustration – ERIS : R&D intensive loss-making SME

Total qualifying expenditure	500,000
Additional deduction @ 86%	430,000
Total enhanced expenditure	930,000
Tax credit claimed @ 14.5% <i>(Subject to sufficient losses being available to surrender)</i>	134,850
Rate of tax credit	27%

Learn more and get advice

You can use the flowchart below to find out if your company is eligible for R&D tax relief. If you'd like to know more about the points raised in this article, please [get in touch with our Business Tax team](#).

Is your company eligible for R&D tax relief?



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Please note that this content is not intended to give specific technical advice. It is designed to highlight some of the key issues rather than provide an exhaustive explanation of the topics. Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein.

