

Are you missing out on cash for innovation?

The Research and Development (R&D) tax credit scheme has been running for over 15 years to reward innovative companies and to stimulate growth in the economy. *Food Processing* finds out more.

The scheme works by reducing a company's corporation tax bills, sometimes to zero and loss making companies can claim a cash payment. The scheme is applicable to any UK company seeking to improve or develop new products or processes, whether they be manufacturers, machinery makers, packing suppliers or anything in between – there are no industry or sector specific qualification criteria.

The downside of the scheme is that it is poorly understood and many companies don't recognise that what they are doing qualifies as R&D. A good deal of professional advisors are also unsure, so many potential

beneficiaries of the scheme are missing out.

Eligibility criteria

If you are a UK registered limited company (not LLPs, partnerships or sole traders) you have the potential to benefit. To qualify you need to be involved in attempting to do something that is more than just routine work. The Government guidance says: 'Work that advances overall knowledge or capability in a field of science or technology, and projects and activities that help resolve scientific or technological uncertainties, may qualify for R&D relief'.

It is easier to think of the scheme in terms of projects to develop new or improved processes or products. Project examples include reducing salt or sugar content, removing allergens, becoming gluten free, having all natural flavours; creating new manufacturing process, machinery, equipment and process automation/robotics; improving food products or packaging and packaging materials for better shelf life or to reduce food waste; or developing new or improved hardware and software control systems.

So, what sort of R&D work can be claimed for? According to Linda Eziquiel, a principal consultant at R&D Tax, you first have to identify what qualifying activities you have undertaken and how much they have cost you. "The lion's share is usually internal labour costs – 'white coat' and 'brown coat' employees and project managers working on development projects," she said. You can also include the relevant portion of your energy, consumables and wasted material or ingredient, used up as part of the development process. A portion (65%) of relevant costs associated with hiring contractors or test facilities and agency staff to help you with your development projects also counts.

"All the costs must be revenue expenses incurred during the relevant accounting period (including qualifying capitalised/amortised intangible assets). You cannot include the cost of purchasing large pieces of equipment or machinery (there is a separate scheme that relates to capital expenditure)."

There are two schemes – one for large companies with over 500 employees and one for SMEs with under 500 employees. SME's get back between 18% and 33%

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Many companies in the food industry are missing out on cash for innovation from the R&D tax credit scheme as they do not recognise that what they are doing qualifies.



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