



YUZU
G R O U P



***The Ultimate Guide to
Research & Development
(R&D) Tax Credits***

Fruitful Business Growth

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We are Yuzu Group

Welcome to a fresh new age of **tax consultancy**. We reward businesses with a zest for growth and innovation by simplifying business growth with superior tax rebate solutions.

Having completed hundreds of R&D tax relief claims and with a 98% first-time payment rate from HMRC, we're amongst the best in the business. Our specialist tax consultants have experience in the world's largest consultancy firms, leaving them perfectly placed to maximise your claim and boost your business growth.

Complete **R&D solutions with zero capital expenditure**, empowering you to get on with being cutting-edge thought leaders in your sector.

On with the show...

R&D Tax Credits

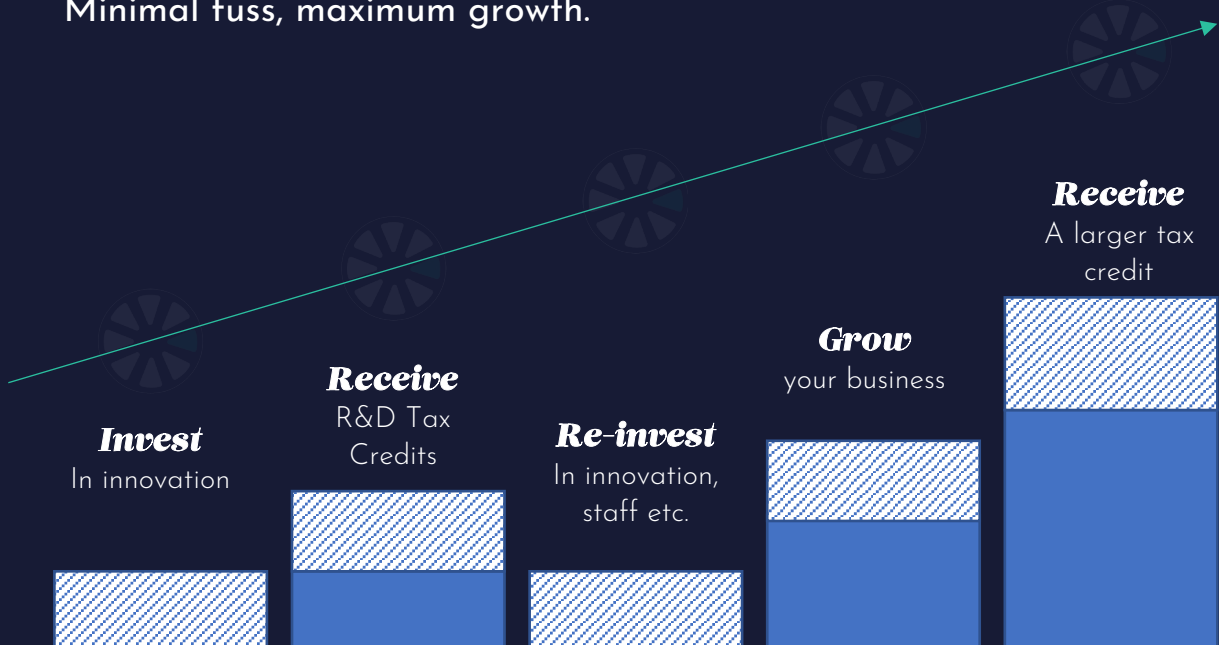
– what are they?

Introduced in 2000 for SMEs and from 2002 for large organisations, Research and Development tax credits are an underused government incentive that rewards businesses for innovation and proactive development. The UK Government has attributed a total R&D budget of £39.8 billion between 2022 and 2025, encompassing tax credit claims.

Whether you're pioneering new technologies that will revolutionise your industry or improving your operations and business knowledge, you could claim in the form of a cash rebate or money off your corporation tax.

Money that can be put back into your business to hire more staff, materials, projects, anything to promote your growth.

Minimal fuss, maximum growth.



How do they work?

If your business innovates by creating or improving existing processes, operations, products or technical solutions, you may be able to claim R&D tax credits.

By spending money in certain areas of your business, up to 33% can be reclaimed from HMRC depending upon your state of profitability, what the expenditure is and when it was incurred.

Once your claim is submitted and verified, it can be paid in one of two ways:

A cash rebate directly into your bank account

+ £££

- £££%

A deduction from your pending Corporation Tax bill

R&D definition:

“Activities that seek to achieve an advance in overall knowledge or capability in the field of science and technology. They should resolve scientific or technical uncertainty, and not be easily solved by a professional in the field...”

Eligible sectors

Businesses from any sector can claim if they meet basic eligibility.

- ▶ Agriculture, forestry, fishing
- ▶ Mining and quarrying
- ▶ Manufacturing
- ▶ Electricity, Gas, Steam and Air Conditioning
- ▶ Water, Sewerage and Waste
- ▶ Construction
- ▶ Wholesale and Retail Trade Repairs
- ▶ Transport and Storage
- ▶ Accommodation and Food
- ▶ Information and Communication
- ▶ Financial and Insurance
- ▶ Real Estate
- ▶ Professional Scientific & Technical
- ▶ Admin and Support Services
- ▶ Public Administration
- ▶ Defence and Social Services
- ▶ Education
- ▶ Health and Social Work
- ▶ Arts Entertainment and Recreation
- ▶ Other services activities

Who is eligible?

Basic eligibility is broad to enable as many businesses as possible to benefit from the scheme.

To move on to determine which scheme you can claim under, your business must first satisfy the following four criteria.

You are:

a registered Limited
company

subject to
Corporation Tax

carrying out eligible
R&D activity

spending money
on these activities

What are the schemes?

Eligible businesses can claim under one of several schemes:

1) SME Scheme

The SME scheme applies if your business has less than 500 staff and either annual turnover under €100m or a balance sheet under €86m (figures are in Euros because the European Commission wrote the SME definition for tax purposes).

To boost SME growth, this scheme offers greater % returns than the RDEC scheme, enabling up to 33% of qualifying R&D expenditure to be reclaimed.

2) RDEC (large company) Scheme

The Research and Development Expenditure Credit (RDEC) is the benefit that applies to businesses with over 500 staff, or whose turnover is greater than €100m or whose balance sheet is over €86m.

3) R&D 'Intensive' SMEs

In the Spring Budget 2023, the chancellor announced a new scheme that would benefit R&D 'intensive' SMEs with greater rates of relief against their qualifying R&D expenditure. This enabled SMEs that dedicated over 40% of their annual expenditure towards R&D to claim rates of relief that can be almost double those seen under the regular SME scheme.

The scheme was retained in the Autumn Budget 2023, with the 40% as mentioned above eligibility threshold reduced to 30% from April 2024. It is estimated this threshold reduction will enable a further 5,000+ businesses to claim the enhanced rate of relief.

What are the schemes?

Autumn Budget 2023

Large-scale changes were announced in the chancellor's Autumn Budget 2023, chief among which being a merger of the two schemes to apply to any R&D expenditure being claimed from 1st April 2024.

How much can be claimed?

Company type	Relief Pre 1 st April '23	Relief From 1 st April '23 to 31 st March '24	Relief From 1 st April '24	+/-
SME - profit making	24.7%	16.34%	15%	-8%
SME - break even (non-R&D intensive)	18.85%	8.6%	16.2%	+88%
SME - loss-making (non-R&D intensive)	33.35%	18.6%	16.2%	-13%
SME - break even (R&D intensive)	18.85%	12.47%	12.47%	0%
SME - loss-making (R&D intensive)	33.35%	26.97%	26.97%	0%
Large business - profit-making	10.53%	15-16.2%	15-16.2%	0%
Large business - loss-making	10.53%	15%	16.2%	+8%

Whilst it may seem simple to calculate, exercise caution. Many external factors can affect the scheme you can claim under or the rate you can receive.

For example, if your SME benefits from external investors who own a certain percentage of your business, you may not be able to claim under the SME scheme.

Types of R&D

There are three main types of research and development activity:

1. Basic research

Experimental or theoretical work undertaken to acquire new knowledge without any particular application or use in view

2. Applied research

This is basic research, but with a practical use or application in mind.

3. Experimental development

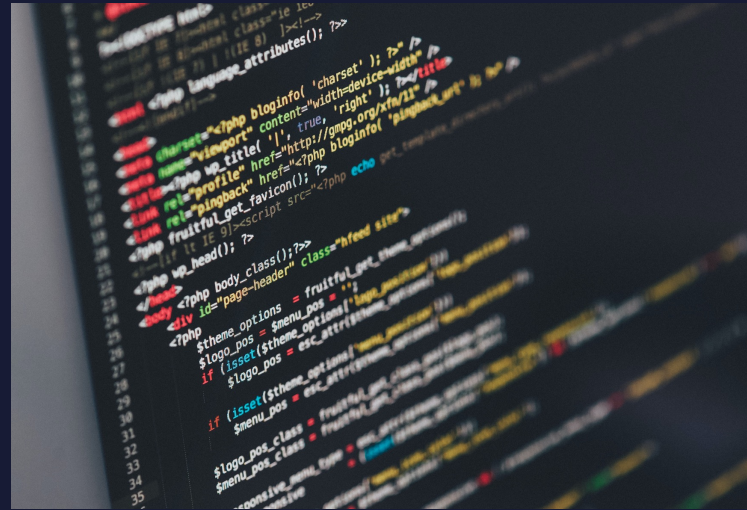
This involves using knowledge gained from research combined with practical experience, used to produce or improve new or existing products or processes

What counts as R&D?

Research and development is defined as innovative activity that is undertaken by corporations to develop new or improve existing products, services, processes or knowledge.

A critical criteria is that the solution must not be one that can be easily found or solved by a professional in the field.

Many businesses don't realise that activity they have carried out, possibly for years, is classed as R&D.



If you create something new or make something better, and the answer wasn't obvious or immediately evident, you could claim back a proportion of the cost.

SME examples:

- ▶ A fish and chip shop creating a new batter
- ▶ A web development company inventing new software
- ▶ A construction company inventing a new scaffolding system



What costs can be claimed?

The range of costs that can be claimed is broad as long as it relates to eligible R&D activity under the criteria we have looked at.



Staff costs

For staff working directly on the R&D project



Software

Software and licensing fees used in the R&D project



Subcontractors

A max. of 65% of sub-contract support on the project can be reclaimed



Materials

Physical materials used in the process of the project



Utilities

Consumables used in the R&D project, including water, electricity and fuel



Freelancers

External support that has been used outside your employed staff base



Clinical trials volunteers

Payments made to clinical trial volunteers in pharmaceutical projects

Claim values

Average claim values across both schemes are higher than one might think. The average SME claim is over £50,000, with the average large company (RDEC) claim coming in at just over £600,000.

Average claim values

SME

£53,714

RDEC

£600,977

Benefits of claiming



Costs for a wide range of activities can be reclaimed against



A wide range of costs can be claimed



You can use the money to hire staff, buy bigger premises and expand



Reduce your corporation tax bill



Improved bottom line



Use the proceeds to promote your new products or services

Success stories

£134K

claimed for an engineering company claim for the development of fire doors with improved safety ratings for tower blocks

£108K

claimed for a facilities management company that had developed advanced heating technologies using hydrogen

£39K

claimed for a restaurant that had developed software to integrate audio-visual systems with third-party applications

£31K

claimed for a car dealership that had created bespoke software to integrate all fundamental business functions

£310K

claimed for a pharmaceutical company that had undertaken the design and development of a skin burns R&D facility in Kenya.

£109K

claimed for a bus and taxi company that had developed a new Hackney carriage with uprated safety collision features

Common myths

Like anything worth claiming, R&D claims are surrounded by myths:

- ▶ You can only claim in the science and technology sector
- ▶ You can't claim if your project failed
- ▶ You can only claim if you make profit
- ▶ You have to spend a certain amount to be eligible
- ▶ If a subcontractor completed the work, you cannot claim
- ▶ Making a claim is a manual, lengthy process
- ▶ You cannot claim if you are a small business, not in a common R&D sector
- ▶ You can only claim if you have invented something new
- ▶ Claiming won't help your bottom line
- ▶ It takes too long to collect all the information needed to claim
- ▶ Making a claim will lead HMRC to investigate your business
- ▶ You can only claim for the current financial year
- ▶ Receiving grant funding precludes you from claiming
- ▶ It's too good to be true
- ▶ Claims have to be large to be worth it

None of these statements are true.

Glossary

Applied research

This is basic research with a practical aim or objective in mind

Basic research

This is experimental or theoretical work undertaken to acquire new knowledge without any particular application or use in view.

Corporation tax

Tax levied on companies' profits

Experimental development

This is using knowledge gained from research, combined with practical experience which used to produce or improve new or existing products or processes.

HMRC

His majesty's revenue and customs

Innovation

The process of creating and improving

R&D

Research and development

RDEC

Research and development expenditure credits

SME

Small-medium enterprises

Tax credits

A sum that can be offset against a tax liability

Get in touch

Get in touch with our specialist team and start your R&D claim today.



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