

# Research and development tax relief

## The missing millions



Millions of pounds are being lost because UK businesses are consistently failing to claim the full amount of R&D tax relief to which they are entitled or incurring very high costs to secure the relief. Has your company:

1. Made a claim – but the process was too time consuming and costly?
2. Made a claim – but did not maximise the benefit?
3. Not claimed – but have been improving products and processes and therefore may be eligible and missing out?

Our experience shows that many companies fall into the above categories and are either missing out on significant tax savings or could be reducing their costs to secure the tax saving. If a company is investing resources to keep ahead of the game or has changed its products or processes in the last five years then it is likely that the company is carrying out some R&D for tax purposes. We can assist companies to compile claims quickly and efficiently with minimal HM Revenue & Customs (HMRC) scrutiny by ensuring that resources are focused in the right areas.

### Why should you be acting now?

#### Low risk cash saving opportunity

The current economic climate means that cash is critical to businesses. R&D tax relief is a low or no risk tax saving and can result in higher tax savings than other more complex planning ideas.

#### New HMRC expectations

Many companies rushed the submission of prior year claims in order to meet the 31 March 2008 deadline. Going forward HMRC expects companies to identify and extract R&D information real time with minimal impact on the business. We are currently helping companies to develop processes and embed systems that crystallise benefits in a quicker and cost efficient way whilst also meeting HMRC's expectations.

#### Increased HMRC scrutiny

HMRC has become more sophisticated in its assessment of R&D tax relief claims. We can help companies get claims agreed quickly and put in place effective and longterm reporting systems which comply with all relevant HMRC requirements. Such an approach reduces HMRC scrutiny over future claims and translates into long term time and cost savings for our clients.

#### R&D rates of relief have increased

The rates for the enhanced R&D deductions increased from 125% to 130% for large companies (increasing the cash tax saving from 7.5% to 8.4%) from 1 April 2008 while an increase from 150% to 175% was effected for small and medium sized enterprises (SMEs) from 1 August 2008 (increasing the cash tax saving from 15% to 21%). Therefore all companies making claims will see the value of the incentives increase.

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### Relevant industry experience

We have extensive experience of claims in a number of sectors including software and IT services, financial services, pharmaceutical, engineering, electronics, automotive, manufacturing and food and beverage sectors.

We provide specialists that understand your company's needs and maximise the claims while minimising the time demands on the technologists, and leave behind a system the company can use going forward.

### Contacts

PwC's advisers have extensive experience supporting client's R&D claims. For more information, please contact those listed or your PwC adviser:

Midlands – Paul Harris +44 (0) 1212 656 669  
paul.m.harris@uk.pwc.com

North West – Carole Brown +44 (0) 1612 474 366  
carole.brown@uk.pwc.com

North East – Gillian Abramson +44 (0) 1132 894 613  
gillian.m.abramson@uk.pwc.com

Scotland – Hilary Bell +44 (0) 1412 452 431  
hilary.m.bell@uk.pwc.com

Wales and West – Paul Arnold +44 (0) 1792 634 135  
paul.arnold@uk.pwc.com

Northern Ireland – Caroline Keenan +44 (0) 2890 415 248  
caroline.keenan@uk.pwc.com

London and South – Lesley Hill +44 (0) 1895 522 119  
lesley.hill@uk.pwc.com

London and South – Diarmuid MacDougall +44 (0) 1895 522 112  
diarmuid.j.macdougall@uk.pwc.com

London and South – Alan Hartley +44 (0) 1223 552 282  
alan.hartley@uk.pwc.com

[pwc.com/uk](http://pwc.com/uk)

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