

# R&D Tax Relief For your IT projects

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R&D Tax Relief  
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# Contents

Examples of IT sectors and claims

Operation & Benefits of R&D Tax Relief

What qualifies for relief?

Practical examples

Pitfalls

Working with First Solution and Randall & Payne

# Examples of claims

R&D exists wherever new techniques or processes are being developed, in a way that has not previously been tried or publicised.

- Software & web development
- Digital Marketing
- Online Learning (Portals, webinars etc.)
- IT infrastructure & security
- IT projects for other sectors

Bespoke changes to solutions already on the open market can also qualify.

Aborted projects can also qualify.

# Overview

Key features of R&D Tax Relief:

- A Corporation Tax Relief
- Super-deduction from profits – 230% relief on qualifying costs
- CT saving equivalent to 24.7% of costs claimed (rising to 32.5% from April 2023)
- Losses converted to cash tax credit of up to 33% of costs claimed (may change before April 2023)

# What defines R&D?

For the tax definition, qualifying R&D involves:

- Work to achieve an **advance in science or technology**, involving the resolution of...
- **Scientific or technological uncertainties** where the...
- **Outcome could not be predicted** by a competent professional in the field

In a software sense this includes:

- **System uncertainty**

For example, creation of new/improved algorithms, search or analysis methods, integration of multiple systems, bespoke modifications...

# What costs qualify?

Personnel costs:

- Salaries, NIC, pension contributions, reimbursed expenses
- Subcontractors
- Agency staff

Consumables (utilities, materials) – usually minimal in an IT claim.

Costs of software and IT support, hosting costs for storing developed code, and data / cloud computing costs (new)

Administrative support and certain other indirect costs.

# Example 1

Company in construction industry, turnover £16 million, commissioned the design of a new software solution to provide a bespoke ERP system for the company's site safety projects.

- Seven full time employees 50%+ time on development
- 14 others, more modest time commitment, around 40-50 not included
- Software and subcontract costs including external developer c £420,000 over two years

First claims recovered over £240,000 in tax refunds.

Funds used to invest in finalising project development in order to provide better client service, helping the business to grow.

## Example 2

Financial services startup, commissioned the build of a software solution and bespoke algorithms to automatically trade across different asset classes.

- Subcontract developer engaged - £35,000
- No salaries paid yet – only limited overheads.

Year one claim resulted in over £8,500 in tax credits.

Funds enabled company to complete development and take the solution to the market.

# Other examples

A number of other claims have data security as a major element of the R&D, including:

- Online counselling
- App development
- Web portals
- Online ordering platforms
- Interactive online tools
- Domestic network infrastructure

# Potential pitfalls

Grant funding – can restrict claim value (EU changes - ?)

Outsourced / subcontracted projects – whose claim is it?

Main cost director time, but minimal salary. Worth reviewing dividend strategy in light of new higher tax rates on dividends?

Time limit – two years from accounting year end date.

# Working with First Solution and Randall & Payne

First Solution have done claims on their own R&D so are familiar with the required project characteristics

They will work alongside Randall & Payne to assist in providing the information (project narrative) for your claim

This will help to ensure that the information is in place very soon after year end to facilitate an early claim

Randall & Payne can act as R&D only agent – you don't need to change accountants

Fees on a success basis for your first claims – you only pay when HMRC have given the relief

# Summary

- Advance in science and technology
- Tax credit or Corporation Tax reducer
- Free consultation with us to see if your project qualifies
- **Time limit** – two years from accounting year end date



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# Thank you for listening

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