# Upcoming Changes to the UK research and development tax scheme in 2023



# By Alex Thomson December 1st 2022

The R&D tax relief scheme is changing and for an association like BIVDA, where most members are eligible to take advantage of the support available, it's important to be aware of what these changes mean for your business.

#### What is R&D Tax Relief?

R&D Tax relief allows companies that carry out qualifying R&D related to their trade to claim an extra CT deduction for certain qualifying expenditure, and in some cases receive a cash refund.

#### What is changing?

From April 1<sup>st</sup> 2023 we will see significant changes to UK R&D scheme in an effort to mitigate fraudulent & incorrect claims and ensure all businesses follow a uniform process.

#### **More comprehensive claims**

A key change is the requirement for an in-depth narrative that highlights how your qualifying activities fit the legislation.

This should be a short dissertation on the project or process you have undertaken and include:

- What technological or scientific advancement has been made
- What obstacles or uncertainties were encountered in this process
- The level of complexity in overcoming these uncertainties and why it was difficult (would an industry professional find it easy to figure out?)
- How these activities relate to your costs.
- Signature from a named senior officer in the company and the agent advising the company

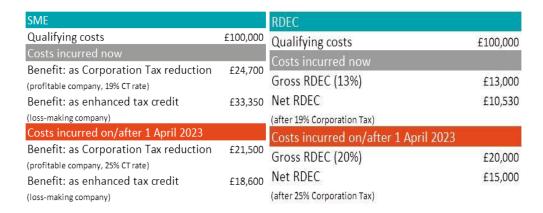
### **Expenditure**

Changes to both the SME and RDEC scheme have been implemented which affect the overall client benefit.

The SME scheme has seen a real terms **decrease** in benefit whilst the large company scheme (RDEC) has seen an **increase**. This is part of a longer-term plan to have single, simplified scheme for all UK businesses.

The SME enhancement will decrease from 130% to 86% and the company credit rate (for loss making companies) will decrease from 14.5% to 10%

The RDEC (Large and enterprise businesses) company credit rate will increase from 13% to 20%



There are also new qualifying expenditures included:

- Cloud computing, data and hosting costs
- Pure Mathematics

## Notification in Advance and submission

From 1 April 2023, companies submitting their 1st R&D tax relief claim must inform HMRC that they are considering a submission within six months from the end of the accounting period for which the claim relates.

A business that has made a claim in the last three accounting periods does not need to notify in advance.

Postal and email claims will no longer be accepted, with all claims being required to be submitted online.

# **Overseas Activity:**

Subcontracts based outside of the UK will no longer be eligible as a qualifying R&D cost and Externally Provided Workers (EPWs) will have to be subject to UK PAYE.

The two exemptions are:

- The business is unable to undertake the R&D activity in the UK (for geographical or environmental factors)
- Legal requirements require the activity to take place in a specific area or country

Given the increased compliance measures and the fines HMRC may enforce on errors made on R&D claims, deliberately or accidentally, it more important than ever to ensure peace of mind and consider working closely with a reputable R&D agent to assist with a claim.

#### Are you accessing all the funding available to you?

The Tax Credit Company are innovation funding specialists who help businesses access all government funding available to them for their innovative activities.

We can assist by helping you secure funding for a future project but what about reclaiming relief on activities you've already done?

We have a straightforward and collaborative process that ensures your claim is maximised and follows HMRC's guidance to the letter.



If any BIVDA member is looking for advice or guidance on the R&D scheme, or any innovation funding service, please to reach out and we will be happy to assist.

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The Tax Credit
Company