

Budget 2007 - Special Bulletin

UK companies performing R&D will welcome the chancellor's announcement of significant increases in the benefits available under the R&D tax credits scheme - a strong indication of a renewed commitment to the incentive aimed at increasing the UK's R&D intensity to 2.5% of GDP by 2014.

Rate increases

The rates of relief for both SME and large companies are to be increased. From 2008 the additional deduction available for SME companies, currently 50%, will be increased to 75%. This means that, even after taking into account the reduction in the top rate of corporation tax to 28% from 2008, tax savings will be higher, at 21% compared to 15% as at present. Companies paying tax at the lower corporate tax rate, increased to 20% from 19% from this year, will see tax savings of 15%. However, measures will be introduced to maintain the current rate of the repayable credit available to SME companies making losses, equivalent to up to 24% of the qualifying R&D expenditure.

Large companies will also benefit from increased R&D tax relief. The additional deduction available will increase from 125% to 130%, so a company paying corporation tax at 28% will obtain a tax benefit of 8.4% compared to the current 7.5%.

Extension of SME scheme

A large number of companies stand to benefit from the extension of the more generous SME R&D tax relief scheme, subject to approval from the European Commission. At present, companies (including certain related entities) must have fewer than 250 employees and either turnover of less than €50m or total assets of less than €43m. Once approved by the EC, these limits will be increased to 500 employees, turnover of €100m and total assets of €86m.

The proposed widening of the SME scheme will enable substantially more companies to access the significant benefits available, including in particular the facility to surrender losses in exchange for a repayable cash credit.

As a leading independent R&D tax relief service provider, we have the right combination of skills and experience to help companies identify their eligible R&D activities, prepare and submit the claim, and if necessary deal with HMRC enquiries. Whether you are already familiar with the process or have not yet considered your eligibility, don't hesitate to contact us to find out how you could benefit.



'... UK companies performing R&D will welcome the chancellor's announcement of significant increases in the benefits available under the R&D tax credits scheme...'

If you would like to discuss any aspect of R&D tax relief, please contact Pronovotech on 01223 235500 or by e-mail to richard.lewis@pronovotech.com