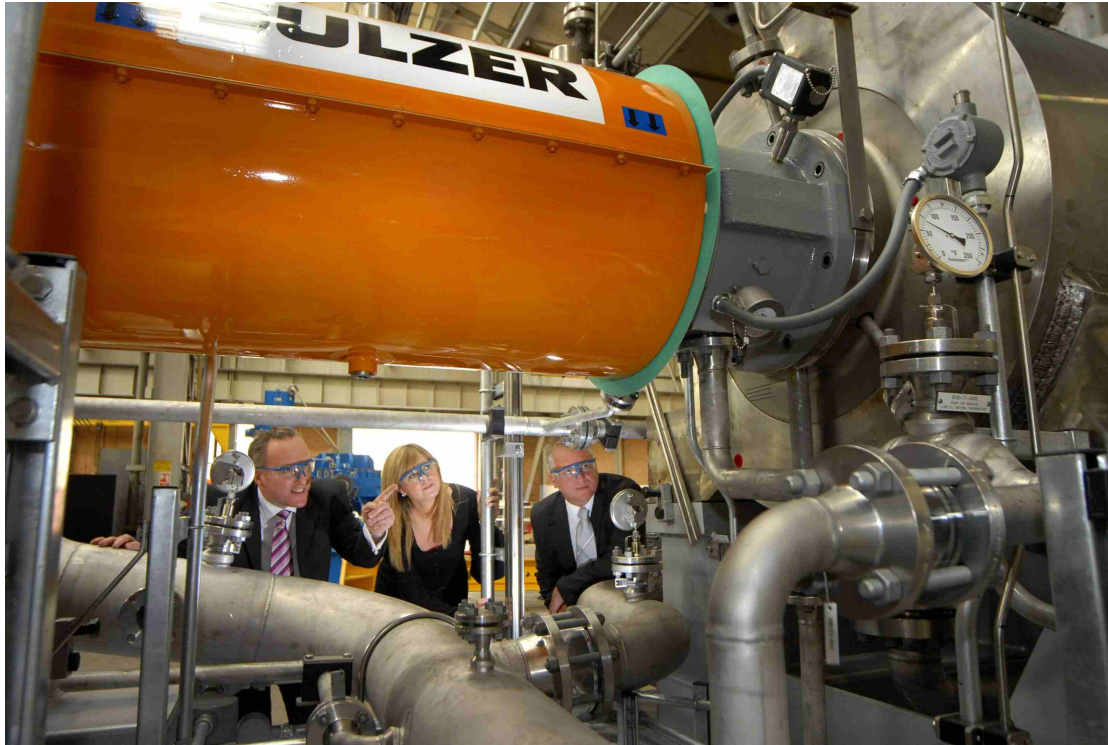


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Manufacturers Urged to Grab Millions in Unclaimed Tax Credits



Experts in the manufacturing sector are calling for Leeds and Yorkshire firms to make the most of beneficial tax schemes that could save millions.

In a recent survey conducted by business advisory firm Deloitte, 63 percent of potentially eligible businesses were not using the scheme that could save tens of millions of pounds in corporation tax payments made by manufacturing companies in Leeds alone.

R&D experts at Deloitte and representatives from the Leeds Manufacturing initiative met to discuss a campaign to raise the issue with key decision makers in manufacturing businesses.

On average, UK companies invest less than two percent of turnover in Research & Development and so the Government introduced a system for providing additional tax relief on R&D expenditure in April 2000 for Small & Medium sized Enterprises, April 2002 for larger companies. This incentive can offer significant additional tax relief for businesses that invest heavily in the development of new or improved products and production facilities.

One Leeds engineering success story Sulzer Pumps (UK) Ltd turns over more than £100m a year, employs 350 people in the city and is among the minority of manufacturers to take advantage of the system. Sulzer alone was able to

recover more than £613,000 in tax relief for its R&D activities in 2002 - 2005 thanks to the R&D Tax Relief scheme.

“Many companies are investing significant resources in R&D without realising the tax breaks that they can utilise” commented Sandra Gould, R&D partner at Deloitte.

“One of the main reasons companies miss out on this is because they do not appreciate the breadth of activities that fall within the regime. This is about shop floor process improvement just as much as pure lab-based research and it is crucial that manufacturers get every advantage they can in this highly competitive environment. The UK has a scheme that if applied correctly can make a big difference to the tax bill of many profitable businesses,” he added.

Currently, loss-making companies can only realise an immediate benefit if they meet the European definition of a Small or Medium sized Enterprise (SME). The Government is however likely to extend the availability of cash repayments that loss making SMEs can claim in respect of their R&D to larger companies with up to 500 employees. This should provide encouragement for more companies to invest in their own future but they will only do so if they fully appreciate the potential of this incentive.

The UK lags behind other industrialised nations such as the US and Japan in levels of investment in R&D which has been proven to positively affect productivity and industrial activity in future years.

Leeds is still one of the UK’s main centres for manufacturing, with nearly 1800 firms employing 44,000 people – 10% of the city’s workforce – and generating 14% of the city’s total output of over £13 billion per annum.

Ian Williams, representing the Leeds Manufacturing Initiative, is urging companies in Leeds and the wider city region to take every step possible to recover the credits. “Historically actually applying for tax credits has been complex,” he said, “but the system is maturing and becoming clearer and it is now easier to take advantage of the relief.

“Manufacturers face soaring energy and other operational costs, coupled with fierce competition from abroad. It’s therefore essential we help our manufacturers seek every percentage point of profit to reinvest and safeguard the future of the sector. We want to ensure every manufacturer investing in new products, production facilities and new systems is aware they could be eligible for massive savings,” he added.