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Grant Thornton

Yorkshire businesses fail to take advantage of R&D tax relief claim local experts



The latest figures from HM Revenue & Customs (HMRC) show that the Government's strategy of stimulating economic growth by incentivising innovative businesses through generous research and development (R&D) tax relief is having a growing impact with £1.2 billion passed back to companies in 2011/12, an increase of 16.5% on the previous year.

However, tax experts at Grant Thornton in Leeds are warning that many businesses in the region are missing out on this valuable relief. Only 840 of the 12,190 R&D relief claims made last year were from businesses headquartered in Yorkshire and the Humber. This equates to just £38 million of funding finding its way back to the region.

Sarah Goodman from Grant Thornton's tax innovation group, comments: "As a region that boasts more than its fair share of dynamic, innovative companies, it is even more surprising that just 6.9% of the claims made last year came from Yorkshire and the Humber.

"We are still fighting to dispel the myth that R&D tax relief is restricted to hi-tech industries, employing people in white lab coats who are developing 'ground-breaking' technologies. Rather, it is intended to



media relations and profile

have a far wider remit and to be relevant to innovative businesses in all sectors. Many small and medium-sized enterprises (SMEs) seem to take for granted the development work they do and are surprised to learn that a high proportion of their R&D spend could, in fact, be funded by generous tax relief.”

Sarah explains: “Guidelines from the department for Business Innovation & Skills refer to whether a company is advancing knowledge in a sector and is engaged in activity which involves genuine technological uncertainty. For example, has the company launched any new products recently, changed any processes; or has it overcome any technological challenges? If it has, there is scope to access the relief.”

Submitting a claim can lead to tax savings worth up to 29% of a company's R&D spend. The relief works by allowing an additional deduction against a company's taxable profits equal to a percentage of the company's R&D spend. In some cases, businesses large or small, can benefit from repayable tax credits from HMRC providing a further cash boost.

Sarah concludes: “Since R&D tax relief was first introduced in 2000/01, nearly 85,000 claims have been made and over £8 billion of relief has been claimed. The Government is continuing to actively encourage businesses to claim and we urge SMEs in the region to consider how they can benefit from this generous relief.”

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Photo shows: Sarah Goodman of Grant Thornton's tax innovation group

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