**4 WAYS R&D COULD SAVE YOUR BUSINESS**

Right now, it probably feels like everything you have ever worked for has the potential to slip away between your fingers and you just need a lifeline. Something to give your business a boost. Don't lose hope. There might be a lifeline for you.

R&D is a massively underutilised tax relief that many businesses could be benefitting from right now. We’re talking 33% of the costs incurred on activities that are considered eligible and this money can be used for any purpose. Money that is needed by businesses right now.

But, not only that, there are potential options for those businesses already making claims, to identify more funds.

1. **R&D Tax Relief for a business with no previous claims**

A SME company that qualifies for R&D Tax Credits can receive an extra deduction of 130% of qualifying costs against their taxable profits. This is in addition to deducting the cost fully against revenue. Claims can be back dated for costs incurred up to 3 years ago.

***Example:***

*A company with an April year end incurs R&D costs of £100k per year and have been loss making as they are currently in the development phase with their product.*

*They can make an immediate R&D claim for their April 2018 and April 2019 periods.  They have already deducted £100k of costs from their annual revenue but can also deduct another £130k per year due to R&D tax credits (130% of £100k). In total, the £100k spent allows them to deduct £230k from revenue.*

*If losses are large enough, they will receive a tax credit of nearly £67k (£100k x 2 years x 2.3 x 14.5%). This will be received by the company as tax free cash.*

1. **R&D tax relief where a business has built up losses**

Some companies have made R&D claims in the last 2 years and decided to carry forward losses made into the future – as it will save them corporation tax in the future. They should consider amending their tax returns now to change the carried forward loss to a tax credit.

***Example:***

*A company has made R&D claims for the last 2 years which has built up an “R&D loss” of £500k. Due to their projected product launch and projected profits from commercialising, they had decided to carry this forward to get future corporation tax relief of £95,000.*

*Instead, they can file amended tax returns and claim immediate cashflow of £72,500.*

1. **Maximising previously claimed R&D tax relief**

It is worth reviewing all previous R&D tax relief claims to ensure the claims were maximised. If they have not been maximised, amended returns can be submitted to claim additional tax relief.

***Example:***

*The company have not claimed for all materials, heat and light costs, smaller subcontractors, support staff e.g. HR, admin, finance.*

*The total of all these costs come to £15k a year.*

*If they resubmit the R&D claim with these costs included, it could give a further £10k tax refund immediately (£15k x 2 years x 33%)*

1. **Obtaining advance funding for R&D tax relief**

Advance funding may also be available for a claim in the current year.

***Example:***

*A company has been making R&D claims for the last 3 years and gets £25k a year back from HMRC.*

*They have a June year end, but their accounts and tax usually take 10 months to finalise. Advance funding is available in April 2020 for the June 2020 year end, which would otherwise only have been received in June 2020. This effectively brings the cashflow forward by 15 months, with only the financing cost to the client.*