

## Capital Allowances R&D Tax Relief

Small and Medium Sized Enterprises (SMEs) can claim 150% tax relief on the cost of relevant qualifying expenditure, incurred on, or after 1<sup>st</sup> April 2000 (only companies may claim).

Relief is only due, once a company spends more than £10,000 on qualifying R&D in a 12 months accounting period (if the period is not 12 months long it is pro rata – FA 2001 sch 22).

In addition, SMEs who make a loss can surrender the qualifying R&D losses in return for cash payments, worth £24 for every £100 spent.

The R&D Tax Credit Scheme also exists through the CT600 for companies spending at least £10,000 per year on qualifying R&D

For larger companies R&D Relief is given at 125% of the actual cost.

For tax purposes qualifying R&D takes place when a project seeks to achieve advancements in science and technology. The qualifying activities are direct R&D and some qualifying indirect activities.

The aim is to create innovation and extend knowledge rather than the application of technology for direct commercial gain.

For example a new manufacturing process such as a new low temperature milk pasteurisation plant qualifies, but not modifications to an existing plant.

Qualifying expenditure is

- Staff costs (including agencies)
- Materials consumed or transformed

The expenditure must be REVENUE in nature. If the expenditure is capitalised it may qualify for R&D Capital Allowances instead.

If state aid is used for part of, or for the entire research project then the total project is disqualified for R&D Tax Relief.

More details can be found at

[http://www.hmrc.gov.uk/bulletins/tbse\\_2002.htm](http://www.hmrc.gov.uk/bulletins/tbse_2002.htm)

Capital Allowances provide a very valuable form of relief for capital expenditure, but can be very complex in both their application and interpretation. For strategic and specialist advice on capital allowances as they relate to the sale, purchase, construction, refurbishment or fit-out of property please refer to Roche Associates.

Knowing when Capital Allowances have gone beyond the basics is important.

HelpAccountants would recommend that when capital allowances go beyond the standard reliefs that advice is sort.

Roche Associates advises on Capital Allowances and Land Remediation Tax Relief.

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