



## Budget 2011 - Changes to R&D Tax Relief

The 2011 budget highlights once again the constant changing nature of the Research and Development (R&D) Tax Relief. However it also highlights that R&D tax relief sits perfectly with the objectives of the current government to create the most competitive tax system in the G20. The changes will help towards the aims of making the UK the best place in Europe to start, finance and grow a business and to encourage investment and exports as a route to a more balanced economy. As well as introducing the Patent Box, the Government has reaffirmed its commitment to R&D tax credits in the budget, widening the relief and relaxing some of the rules.

Following consultation, the changes are to take place in two stages and these can be summarised as follows;

These changes significantly benefit small companies and start-ups in particular and the changes reaffirm the importance of the R&D Tax Credit scheme.

### From 1<sup>st</sup> April 2011

#### (a) SME companies

- An increase in the uplift on R&D expenditure from **175% to 200%** (subject to EU State Aid approval).
- An increase in the percentage of qualifying R&D expenditure available for a tax credit from **24½% to 28%**.

#### (b) Large companies

- No changes have been announced

### From 1<sup>st</sup> April 2012

#### (a) SME companies

- A further increase in the uplift on R&D expenditure from **200% to 225%** (again, subject to EU State Aid approval).
- A further increase in the percentage of qualifying R&D expenditure available for a tax credit from **28% to 31½%**.
- R&D tax credits for loss making companies will not be restricted by the amount of PAYE/ NIC paid in the year.

#### (b) SME & Large Companies

- The £10,000 minimum expenditure is to be abolished.
- Allowing relief through the Large Company scheme for subcontracted activity which forms part of a larger R&D project.

For more information on the scheme and the changes please contact us by phone or email.