

Research and Development Tax Relief Scheme

The Research and Development Tax Relief Scheme was set out by the UK Government in 2000. This scheme supports businesses within many industries, including the Construction Industry.

The scheme rewards businesses for overcoming challenges or making an advancement on technology and/or knowledge.

The Construction Industry is the UK's second-largest sector. Statistics show that the industry on the whole is missing out on a large chunk of money by taking less than 3% of the overall R&D Tax Credits awarded each year from HMRC. This highlights that they are massively underclaiming. We believe that this is because a lot of construction firms are not aware of the scheme or that their 'everyday projects' are considered as 'Research and Development' by HMRC. Your 'everyday projects' qualify for this relief.

The scheme entitles you to money back which you have spent over the past two financial years on PAYE salaries, sub-contracting costs, wasted materials along with consumable spend. An average claim for a construction firm is approx. £63,000 and you are able to claim year on year.

To help put it into perspective, some of the types of projects which qualify for the scheme are:

- Working on historic or listed properties
- Commercial buildings
- Designing
- Overcoming challenges from working from other's designs/drawings
- Building to breem standards
- Energy efficient projects
- Tendering for projects/ proposal writing
- Working on one-off or unique commercial projects
- Making improvements to techniques
- Enhancing safety
- Testing and prototyping
- Project overburn

In order to qualify for the Research and Development Tax Relief, there are four main criteria you must meet. Which are:

- You must have made or be making an advancement of technology and or knowledge.
- You need to have taken a systematic approach to overcome uncertainty.
- During the planning stages, you needed to be unsure of how you may achieve the desired outcome.
- Finally, you must bear financial risk for the project, even something as simple as hiring new staff to carry out certain parts.

To help explain the scheme in more depth and how your projects may qualify, we have put together two examples of construction projects which would typically qualify for Research and Development Tax Relief.

Example 1: Case Studies – Scaffolding

Scaffolding LTD designed a rolling scaffolding system which was the first of its kind, engineered in the UK. A large portion of the work they carry out as a business, is on historical properties. When working on these projects this can cause a number of challenges, for example having to spend time re-designing and re-engineering scaffolding systems when working on complex projects. They have recently won a job working on an old church. From the start of the project, they are already faced with challenges just based on the type of building they are working on. Because it is a historical property, they are not able to tie the scaffolding to the wall how they usually would for a new build property for example.

They establish that the project requires a different approach and means they need to re-design their plans to ensure the scaffolding is structurally sound. By re-designing their plans and potentially sub-contracting more workers to assist with the job, they are overcoming the challenge, making an advancement on their skill/knowledge and bearing the financial risk of the project. This would be seen as Research and Development by HMRC, which means they would be able to claim back money spent on this project, including the staff salaries and sub-con.

Example 2: Case Studies – BMS

BMS LTD has taken on a job at St.Mary's School. They need to fit control panels in the school which controls the ventilation system. They took over this job from another BMS business. The company who originally won the job were asked to end the project halfway through as the site manager was not happy with the way the work was being delivered. BMS LTD needed to pick up the pieces from a poorly planned project.

They had to work around the obstacles of the and overcome the inaccuracy of the original drawings, it meant they had to re-design their own plans. They needed to find a way to overcome the issues the previous company caused on site, whilst trying to stick to the original budget for the project and not altering the original plans too much.

Because of all this the project took a bit longer than expected, nonetheless they successfully overcome all of the issues and completed the job. This project is considered as R&D by HRMC and as well as being able to claim back money spent on salaries and sub-con.

There can be a lot of misinformation around the scheme with businesses being told they do not qualify. This is due to a lack of knowledge or experience around the scheme. The technical report, which is required to sit alongside your claim, acts as a justification as to why you are entitled to the relief. This requires technical and financial expertise. Which is why we assign Chartered Accountants and Engineers to work on your claim.

If you are a limited business and would like to find out some more information, please get in touch. www.harmonyconsulting.co.uk / enquiry@harmonyconsulting.co.uk