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Major Changes to R&D Corporate Tax relief, from 1st April 2024

For most companies, claims under the new Merged R&D scheme (MRDEC) will be significantly less generous than those prior to 31st March 2024.

Major changes include:

Increased focus on contractual requirements between contractor and subcontractor – who bears the risk and rewards of R&D expenditure?

- ***Expenditure now restricted to R&D undertaken in the UK.*** *Subcontractors will need to be within the UK tax regime. Qualifying Externally Provided Worker (EPW) payments will be subject to UK PAYE and Class 1 NIC, tightening up restrictions on remote/overseas workers.*

- ***Pre-notification and Additional Information Form (AIF) requirements remain in place. HMRC are rejecting all R&D claims where the statutory procedure is not correctly followed. Late claims are similarly automatically rejected.***

- *Additional Information Form to include sufficient information to make HMRC comfortable that claim meets the eligibility requirements, particularly in relation to:*
  - *Competent Professionals (qualifications, etc.)*
  - *Baseline Technology (how this will be advanced)*

- *Enhanced R&D Intensive Support (ERIS) scheme available for loss-making SMEs whose R&D expenditure constitutes at least 30% of total expenditure (R&D intensive SME's). More advantageous than the main MRDEC scheme (26.97p per pound), but tight qualifying conditions.*

- *Patent Box election (reduced rate of Corporation Tax) may also be applicable in some cases, as there can be some overlap with R&D expenditure.*

Due to the tightening requirements, we strongly recommend seeking advice at an early stage to maximise the potential claim, and comply with the record keeping requirements (including contemporaneous notes).

Should you have any queries, please do not hesitate to contact us

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