

## Research & Development Claims – New Legislation

Draft legislation published last week revealed more details regarding the merger of the current SME scheme and RDEC scheme **into a new single scheme** for R&D tax relief for accounting periods beginning on, or after 1 April 2024.

It is important to note that, at this point, the government is keeping its options open regarding any changes. **No final decision has been made on this**, and the mechanics of this proposal can change at any time.

### The 7 main features of the proposal at present are as follows:

1. A single R&D relief for most companies, delivered as an expenditure credit. This is proposed to be paid at a flat 20% gross credit. This is subject to corporation tax, and so it would **deliver a net credit of 15%** to companies. The legislation allows this rate to change at any time.
2. **For loss-making, R&D-intensive SME** companies (those spending more than 40% expenditure on R&D), it is proposed that the enhanced rates will still be claimable after 1 April 2024 (although this would seem to contradict the wish to simplify to only one scheme).
3. The proposal contains the already published **restrictions on overseas expenditure on subcontractors and EPWs**. This means that qualifying overseas expenditure is only that which is undertaken overseas due to geographical, environmental, or social conditions not present or replicable in the UK.
4. It is proposed that all companies will be able to claim **UK-based subcontractors**, whether they are SMEs or Large Companies. However, no claim for an R&D expenditure credit can be made if the claimant company is subcontracted by another UK-based company.
5. It is proposed that no claim for an R&D expenditure credit can be made for **costs which are subsidised**, for example, by a grant.
6. There are proposed changes to claiming EPW costs to restrict this to 65% of the staff providers' relevant staff costs, rather than just 65% of the payment a company makes to the staff provider (**our opinion is that this won't be workable** as staff providers will not disclose their payroll information to companies, so this proposal will likely be changed).
7. It is proposed that **the PAYE/NIC cap** by which a credit can be restricted will adopt the more generous SME cap rules.

Further announcements are expected at a future fiscal event, and we will, of course, be following these closely.

### How can Valhalla help you?

The ever-changing R&D landscape is **confusing for companies**, and now is the time to seek professional help in relation to claims.

- ✓ Valhalla's partner, Visiativ, has been managing R&D tax credit claims **for over 15 years**. Working with Valhalla and its partner you can be confident that we have **experience, resources and expertise** to support you through these changes with the end goal being robust, accurate and comprehensive claim.
- ✓ If you have any questions or would like to share your views and comments on the above-proposed changes to the scheme, please get in touch. Valhalla will be happy to discuss your situation and help **provide advice tailored to your needs**.

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For and on behalf of Valhalla PCS LLP