



R&D within software and IT.

With technology evolving at such tremendous pace and the UK cementing itself as a technology hub, many companies are investing heavily into developing new systems, enhancing the existing ones to gain a competitive edge.

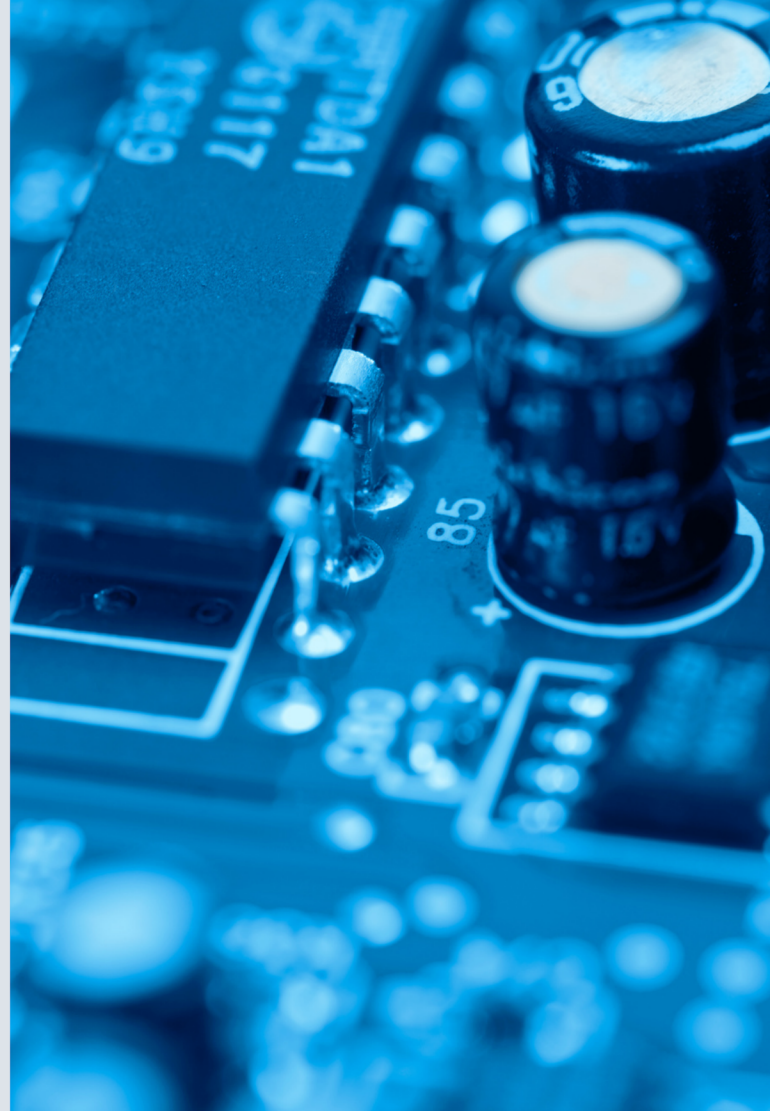
Generous government incentives are available through the R&D Tax incentive schemes for these companies. However, many companies miss out on claiming, what could be an important source of working capital for reinvestment into the business.

To check if you are eligible to claim
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R&D benefits available

- For Small and Medium sized entities (SMEs) a super-deduction of 130% (86% from 1 April 2023) on eligible costs is available. This translates to a benefit of 24.7% for a company paying tax at 19% (16.34% from 1 April 2023 or 21.5% for a company paying tax at 25%). For loss-making companies, there is an option to surrender up to 14.5% (10% from 1 April 2023) of the R&D expenditure and related super-deduction to HMRC, in return for cash (subject to a cap).
- For large companies, a taxable credit of 13% (20% from 1 April 2023) on qualifying development costs can be claimed.
- There is a separate scheme for capital expenditure, whereby R&D Allowances (RDAs) at the rate of 100% can be claimed for assets used in R&D or for providing facilities for undertaking R&D.



What qualifies as R&D eligible activities?

IT teams are constantly faced with challenges of developing systems that are faster, scalable and highly resilient to security threats.

Where your teams are faced with challenges they are unable to readily resolve, after leveraging on information available in the public domain, there are high chances that these activities will qualify for R&D tax incentives.

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Some high-level examples of R&D-eligible activities include:

- development of systems to make them faster and more scalable;
- work done to accelerate the identification and resolution of cybersecurity threats;
- the integration of various 3rd party systems into the company's existing hardware and software infrastructure where available technologies are insufficient for this purpose;
- developing new or improved data architectures;
- extending software frameworks (e.g. software development kits, or software libraries) beyond their original design;
- the integration of various forms of machine learning and artificial intelligence within system operations often drives significant development activities.

The Tax definition of R&D is very broad and requires careful judgments to be made to identify eligible activities within a project.

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