

PRESS RELEASE
March 2009



SMEs urged to reap more favourable innovation rewards

The UK arm of Europe's largest R&D tax specialist, Alma Consulting Group, is urging businesses with up to 500 employees to check new legislation that could make them eligible to claim millions more using a higher rate of R&D tax relief.

Under the new rules, SME definitions have been expanded in order to allow more businesses to take advantage of better rates.

"There's never been a better time for businesses to take advantage of the R&D Tax Credit Scheme," explains David Marshall, Alma Consulting Group's UK Director. "Not only has the EC-approved change in company size definitions opened the door for more businesses to claim the more generous SME rate for tax relief, but the Government has also earmarked an extra £80million for innovating SMEs. It's a double whammy of incentives for smaller UK firms."

David warns SMEs to beware, however, as an additional clause may provide a blow to those businesses who would look to R&D tax credits as a potential funding lifeline during uncertain economic times. "Businesses reliant on R&D tax relief to survive will be unable to claim," says David. "It's a cruel twist for the businesses that could use this type of funding to keep afloat, but other SMEs should take this as a call to action; take advantage of the funding options available to you now, the looming recession will take no prisoners."

Launched in 2000 by the Government, the R&D Tax Credit Scheme was created to encourage UK innovation and stem the flow of British companies outsourcing their R&D facilities abroad. Initially devised for SMEs - then classified as 'businesses employing up to 250 staff' - provision was also made for large companies in 2002, but at a significantly lower rate to reflect their higher revenues. Any company exceeding the SME definition criteria was deemed a large company, which meant that medium-sized companies employing more than 250 staff were immediately excluded from the maximum rate.

David continues: “Until now, a huge proportion of medium-sized companies haven’t been claiming R&D tax relief, either because of lack of awareness of the scheme or because they were wrongly advised that the lower tax enhancement wasn’t worth the complexity of the claims process.

Whatever the reasons, the SME size definition has now doubled to include firms with a turnover of up to €100million employing up to 500 employees, and we’d urge businesses of all sizes to take another look at the R&D incentive scheme and take full advantage of the rewards available.”

R&D tax credit enhancement has increased from 150% to 175% for SMEs, which means profit-making SMEs may be eligible for up to £22,500 for every £100,000 they spend on qualifying research and development. Prior to the changes, this would have been £15,000. Similarly, large companies also benefit from increased tax enhancement from 125% to 130%, with firms eligible to claw back £9,000 for every £100,000 they spend on R&D. The new legislation also puts a cap of €7.5million per single R&D project on SME claims.

International tax specialist Alma Consulting Group is the largest of its kind in Europe. Filing more than 630 claims in the last year alone, Alma works with companies to identify eligible projects and take full advantage of the incentive scheme.

-End-