



TAX INSIGHT UK

2020 RD Reliefs – A year of transition

January 2020

Tax for Innovative Companies

Maria Kitt, Tax Partner at Tax Insight UK, looks at the much awaited transition to 'Brexit' and what this may mean for the UK corporate tax environment.

Anyone remembering our first newsletter of 2019 will recall that we looked at the year as a 'transitional' period into the UK's full EU exit. Remarkably we are able to duplicate the same headline with full impunity this year!

Looking ahead, it is important that the UK remains a place for the scale-up and commercialisation of scientific research and technological development pathways are fully

incentivised. The UK remains committed to the benchmark 2.4% contribution of RD to GDP. The role of tax incentives is clearly critical and the year ahead will see changes and the below advantages continuing 'post Brexit'.

2020 RD Relief and Corporation tax rates

Relief rates edged upward last year with large companies enjoying a full 12% RD tax credit. For SME's the rate of reliefs remained the same but the sustained reduction in corporate tax rates [19%] is welcome.

For loss making companies, R & D tax credit rates remain unchanged at 14.5%.

Additionally, the patent box regime for companies with registered UK or EEA patents combines to make the UK an attractive corporate tax environment for UK innovators.

2020 Developments

Corporate tax rates

The framework set in 2016 envisaged a reduced UK corporate tax rate of 17% for FY 2020. However PM Johnson gave a pre election pledge to resist this.

Budget day has been set for 11 March.

SME RD Tax Credit Cap

Despite being abolished in 2011, this unhelpful restriction to RD

tax credits for smaller companies was revived in the Budget proposals of December 2018. HM Treasury, concerned by abuses of the relief schemes by shell and avoidance companies have proposed a 'one size fits all' redress to balance the books. It was proposed that these fraudulent claims will be balanced by a PAYE cap proposed at 3X the claimant company's PAYE liability. Consultations ended last May and this firm wrote to HM Treasury resisting this anti-competitive move. We expect the outcome will be known in the March Budget.

Brexit patent considerations (again)

As the Patent Box scheme is within the UK's domestic tax law, there is no reason to assume that Brexit will jeopardise European registrations. There is currently good progress in maintaining the status quo post Brexit within intellectual and research based UK / EU sponsored projects.

Again, this is likely to be detailed in the March Budget papers.

Working with UK R & D Reliefs

The PB does not limit access to conventional UK R & D tax reliefs and the programme is not counted towards any State Aid financial quotas. Indeed PB



registration provides a greatly enhanced 'cash' incentive for loss-making SME's.

State Aid

This has concerned many SME claimants as logically, reliefs are seen as a 'European' incentive. Guarantees were given in 2018 and 2019 Parliamentary Commission for UK science and innovation that the government would shadow fully the current relief incentives and we have seen nothing to the contrary.

UK Science and Technology – The year ahead

I am often asked, 'What are the key innovations to expect in 2020 around the UK's Science Parks?' Undoubtedly AI is one of our most interesting emerging technologies together with advances in satellite sciences and linked technologies.

But the IEEE published their top 10 anticipated sci - tech milestones, and it is good to see UK based technologies featuring here.

<https://spectrum.ieee.org/biomedical/bionics/10-tantalizing-tech-milestones-to-look-for-in-2020>

Government Office for Science

This office published an interesting review of the UK's

scientific capabilities towards the end of 2019.

This was a long report but commits the UK to putting science and technology at the heart of government policy. Reassurance!

We trust 2020 brings you a successful year!

If you would like to discuss any of the above points, please contact any of our tax partners today.

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