



TAX INSIGHT UK

The Growth Budget March 2020

Tax for Innovative Companies

Maria Kitt, Tax Partner at Tax Insight UK, looks at the 2020 Budget and its relevance for innovative companies.

A budget in difficult times, but the Chancellor wasted no time in making positive enhancements to the RD framework and the wider UK Sci / Tech community.

- Increasing the RDEC for larger companies and subcontracting SME companies engaged in RD from 12% to 13% from 01 April 2020.
- Announcing a consultation on widening the definition of 'R & D' to include cloud computing and data.
- Delaying the proposed reintroduction of the

PAYE cap to April 2021 for SME companies.

A 'Prosperity Budget'

Sunak brought forward many of the long standing requests from our sci / tech community, announcing further:

- £1.4bn for the Weybridge genome science campus
- An £800m injection into a 'blue sky thinking' research agency, modelled on the US Research Parks.
- £200m for life sciences
- Sector specific assistance for future technologies
- A 15% increase in government RD expenditure for 2021 with further planned increases.

Well received ?

The chief scientific adviser, Patrick Vallance, welcomed the announcement.

"This significant increase in funding for research and development represents an overwhelming endorsement of our world-leading science base," he said.

"It puts the UK in an excellent position to lead the field in science and successfully meet the challenges of the future."

'If industry boosts its investment by the same amount, Dr Sarah

Main of the Campaign for Science and Engineering (Case) says that its projections indicate that the government will exceed its 2.4% goal by the target date'.

Our thoughts

The UK has already organised itself into pioneering centres of scientific excellence and technology led growth hubs with little government assistance. The UK Science Parks Association counts almost 150 core centres of pioneering technical advances across the board.

A 'DARPA' style research agency, which actually is set up to advance **US Defence technologies**, seems slightly obtuse in our current community. We have seen many government RD agencies come and go in the sci/tech sector of course, and although expensive are effective in spawning cluster based SME R & D.

2020/ 2021 RD Relief and Corporation tax rates

Relief rates will edge up for large companies providing a full 13% 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%.



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Additionally, the 10% patent box regime for companies with registered UK or EEA patents combines to make the UK an attractive corporate tax environment for UK innovators.

Future corporate tax framework

The framework set in 2016 envisaged a reduced UK corporate tax rate of 17% for FY 2020. However PM Johnson's pledge to resist this is clear.

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

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