

Ultimate Guide to R&D tax relief

for digital and tech companies

We've learnt a thing or ten while successfully completing over 5,000 R&D tax credit claims, which we're happy to share with you here.

In this booklet you'll find invaluable insights on:

- Claiming R&D tax relief on e-commerce websites;
- The eligible challenges of e-commerce companies;
- Claiming R&D tax relief for web developers;
- Claiming R&D tax relief on SEO and PPC projects.



There is no substitute for experience when it comes to a successful R&D tax relief claim.

Today's e-commerce systems mean that almost anyone can sell online - yet setting up and maintaining a large e-commerce operation is still a costly and complex job. Big online stores can face huge technical challenges, yet web developers are often unaware that they may be able to claim tax relief on such projects.

See 'claiming R&D tax relief on e-commerce websites' 01 - 02

Changing consumer trends, the increasing sophistication of the online marketplace and new risks or regulations continue to provide technical challenges for e-commerce companies which may qualify for R&D tax credits.

See 'the eligible challenges of e-commerce companies' 03 - 04

Website developers may appear to have little in common with scientists - yet some of the more complex sites require significant research and development, which means that developers can claim tax relief for the work.

See 'claiming R&D tax relief for web developers' 05 - 06

Search engine optimisation is a core element in the marketing mix. However SEO and digital agencies may be unaware that they can claim tax relief for their work in some cases.

See 'claiming R&D tax relief on SEO and PPC campaigns' 07 - 08

CLAIMING R&D TAX RELIEF on e-commerce websites

Today's e-commerce systems mean that almost anyone can sell online - yet setting up and maintaining a large e-commerce operation is still a costly and complex job. Big online stores can face huge technical challenges, yet web developers are often unaware that they may be able to claim tax relief on such projects.

To ensure you don't miss out, the key is to understand the type of activities that will qualify for R&D tax credits. Generally sites built using well established technologies will not be eligible, nor will any work related to the user experience such as content and design.

THE PROJECTS MOST LIKELY TO QUALIFY ARE THE COMPLEX ONES WHICH INVOLVE BESPOKE CODING AND REQUIRE DEVELOPERS TO COME UP WITH INNOVATIVE SOLUTIONS OR TECHNOLOGY.

TO ILLUSTRATE THE POINT, HERE ARE FIVE COMMON AREAS FOR CLAIMS:

1

AVAILABILITY

Nowadays sites with simple product offerings can be created with an off-the-shelf template. However problems arise where the product offering is more complex, for example with different design options, colourways or combinations, or where the system needs to check availability and thus link to a back-end database before accepting an order. This type of integration development work may well qualify for tax relief.





We were delighted by the results Jumpstart achieved for us. We did have a good understanding of the R&D tax relief scheme, however we recognise that thanks to Jumpstart we maximised what we would have been able to achieve, had we done a claim ourselves.

| Mark Pollard,
| Financial Director
| Mattressman



2 PRICING AND PROMOTIONS

Again, developers may have to be more inventive where there are complicated pricing structures or promotional offers such as ‘buy one get the second half price’ or ‘free bag with every dress’. Promotions like these can be problematic in store as staff attempt to work out which apply, which don’t apply and which can be used in combination. It’s no surprise that replicating them automatically online creates even more headaches!

3 SEQUENCING PAYMENTS

With some types of purchase, such as travel bookings, equipment hire or a bathroom refit, it is common to take deposits or make staged payments. Again, this may require companies to develop new integration technology solutions.

4 ELIGIBILITY

In some cases, orders can only be accepted where buyers provide proof of identity or eligibility, such as checking their credit score or qualifications. Developers will need to find ways to link to other back-end databases for verification while trying to ensure a swift and seamless process.

5 FULFILMENT

Where goods are being despatched directly from a third party, the system will need to integrate with a third party site to check stock and arrange delivery – typically retailers which ship directly from overseas manufacturers or work in partnership with logistics companies.



Expert Advice

Have a thorough understanding of HMRC guidelines. Never claim for work that is uneligible. Tie the claim back to guideline specifics. Use ‘user-friendly’ language in application: It is vital that the technical report is clear and intelligible

4 CHALLENGES for e-commerce companies

Changing consumer trends, the increasing sophistication of the online marketplace and new risks or regulations continue to provide technical challenges for e-commerce companies.

In some cases there is no tried or tested way to resolve them and developers may be required to come up with innovative solutions.

WORK OF THIS TYPE MAY QUALIFY FOR R&D TAX CREDITS, WHICH MEANS THAT THE BUSINESS CAN CLAIM TAX RELIEF OR - IF YOU ARE A PRE-PROFIT OR A LOSS-MAKING COMPANY - YOU CAN EVEN CLAIM BACK CASH FROM HMRC.

HERE ARE FOUR KEY CHALLENGES WHICH MAY REQUIRE THESE TYPE OF SOLUTIONS:

1 CUSTOMER INSIGHTS

High-volume, high-value online retailers are increasingly turning to big data and machine learning to better understand their customers and their markets. Developing high-quality AI for customer insight presents significant technological uncertainties and many such projects undertake research and development which is eligible for relief.

2 MANAGING STOCK ACROSS MULTIPLE OUTLETS

Having a great website is no longer enough - successful retailers now need to have a presence across multiple channels such as eBay, Amazon and Google's shopping facility. Retailers using these channels *(continued overleaf)*



Without Jumpstart's expertise, it is unlikely we would have been able to make a successful claim, as we didn't have the time nor the experience to complete everything to the standard expected by HMRC. Jumpstart generated a positive outcome with modest effort from us!

| Simon Klinkhamer
| Director
| KB Group



2 MANAGING STOCK ACROSS MULTIPLE OUTLETS *(cont.)*

are expected to maintain certain stock levels, yet with sales being made simultaneously via different sites, managing inventory can be a real headache - particularly for small retailers. While there are commercial inventory management solutions available, they can be expensive and may not be ideal for your needs. Online booksellers have become masters of the game in this respect, but it is a skill that firms in other sectors are still struggling to learn.

3 SECURITY AND DATA PRIVACY

Against the background of increased regulation of the storage and use of personal data, and of increased public concern, online retailers are required to pay more attention to securing their systems. The threats from criminals continue to increase too. Safeguarding data and preventing fraud are critical to maintaining online businesses.

4 MANAGING TRAFFIC SPIKES

Dealing with fluctuating demand remains a key consideration for the big retailers, as viral marketing campaigns and celebrity endorsements - dubbed the 'Kate Middleton effect' in the fashion trade - can generate sudden spikes in traffic. While more retailers are moving to cloud-based hosting, which allows them to access greater capacity as and when required, it can create technical issues which developers will need to resolve.

R&D tax credits exist to encourage companies to meet challenges like these. However the rules are complex and it is best to get expert advice in each case.



Expert Advice

Be prepared: Ensure that everyone involved understands the scheme. Stand by your claim: Have faith in your claims - see them through. Don't go it alone: Don't hesitate to seek help when faced with complex technical problems.

CLAIMING R&D TAX RELIEF for web developers

Website developers may appear to have little in common with scientists – yet some of the more complex sites can officially be classed as research and development projects, which means that developers can claim tax relief for the work.

To ensure you don't miss out, the key is to understand the type of activities that might be eligible. As a general rule, simple websites using tried and tested technologies will not qualify, nor will design, storyboarding or anything related to user experience.

THE PROJECTS MOST LIKELY TO BE ELIGIBLE ARE THE COMPLEX AND BESPOKE JOBS, WHERE THE WORK CROSSES OVER TO THE BACK END OF THE SITE AND WHERE INNOVATIVE SOLUTIONS AND TECHNOLOGIES ARE REQUIRED.

TO ILLUSTRATE THE POINT, HERE ARE SOME EXAMPLES OF SOME OF THE AREAS THAT MIGHT QUALIFY FOR CLAIMS:

- Integration of software components (software tools, application programming interfaces)
- Algorithmic development to model physical systems.
- Development of cross platform capability for existing software technology.
- Development of improved algorithms for predictive analytics.



Jumpstart's technical knowledge of both R&D Tax Credits and specifically web development benefitted us enormously. Since working with them for the past 3 years, Spider has been awarded significant tax credits thanks to their straightforward management of the tax credit process.

| John Campbell
| Managing Director
| Spider Online



- Development of improved machine learning capability and its application.
- Creation of new overall knowledge to improve search engine rankings.
- Development of improved cybersecurity protocol.
- Software development of improved website crawler to facilitate search engine optimisation.
- Enhancement of cloud-based management and publishing systems
- Development of improved digital marketing technologies. Determining the function, behaviour, interaction and integration capability of emergent third-party software tools.
- Development of single-signon (SSO) security technology for e-commerce platforms.

Do you recognise any of these situations?

- **Or have a project that may fit the bill?** If so, speak to a specialist adviser as interpreting the rules correctly and using the right terminology is crucial to success with any claim.



Expert Advice

Cultivate a good personal relationship with HMRC: Being on good terms with individual inspectors – as well as HMRC as a whole – will make a world of difference should an inquiry come up in the R&D tax relief claim process.

www.jumpstartuk.co.uk

T 0370 218 8903

E helpinghand@jumpstartuk.co.uk

CLAIMING R&D TAX RELIEF on SEO and digital projects

Search engine optimisation is a core element in the marketing mix. However SEO and digital agencies may be unaware that they can claim tax relief for their work in some cases.

As a general rule, the day to day SEO and PPC activities do not qualify for relief – in these cases, practices are well established and you will have a good idea of what works and what doesn't.

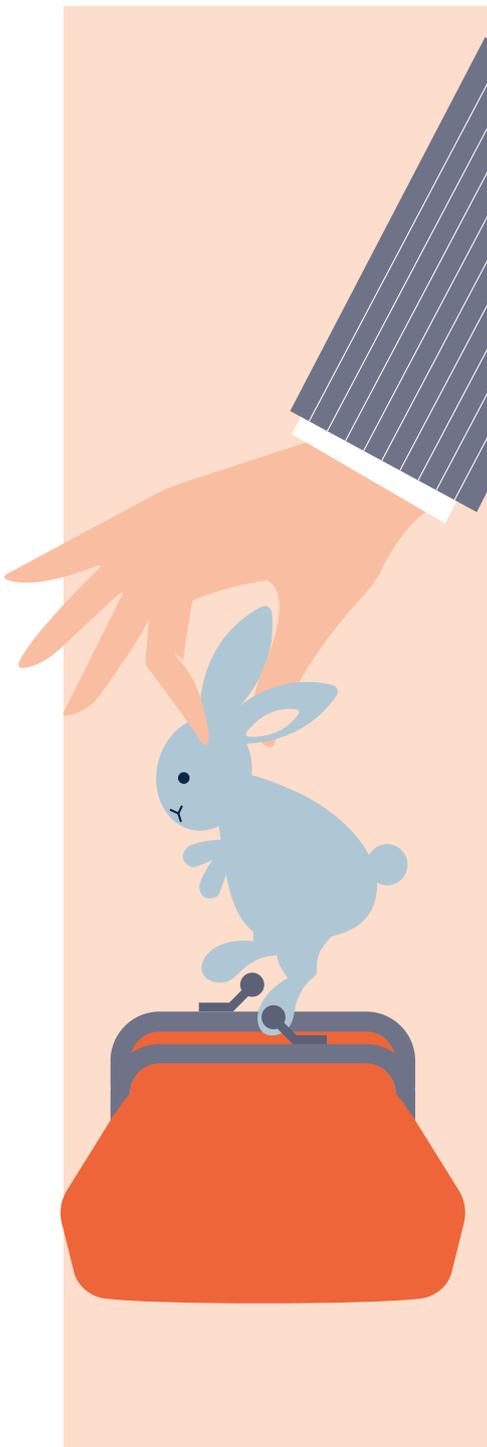
WHILE THE RULES ON R&D TAX CREDITS ARE COMPLEX, THE TRICK IS TO UNDERSTAND THE TYPE OF ACTIVITIES THAT MIGHT BE ELIGIBLE AND SPEAK TO AN EXPERT TO CHECK IF YOU HAVE A CLAIM.

The projects most likely to be eligible are the complex and challenging campaigns, where you are required to come up with innovative solutions and where there is uncertainty about how effective it will be or whether it will work at all.

TO ILLUSTRATE THE POINT, HERE ARE SOME COMMON AREAS FOR CLAIMS:

1 UNCLEAR GUIDELINES

Google and other search engines change their algorithms frequently and their guidelines are often ambiguous. In some cases, established techniques such as the use of keywords may fail to deliver the expected results and SEO specialists may have to experiment to find out what works while being mindful of those unpredictable and unexpected risks.





We're a design agency; we don't do Research and Development. At least, that's what we thought until we spoke with Jumpstart. The tax credits we received have already helped to support further development of our content management system and extended our offer for clients.

| Phillip Lockwood-Holmes
| Head of Digital
| Whitespace



2 OVERSEAS SEO

Dealing with western search engines can be difficult enough but improving rankings on sites such as Yandex or Baidu is a lot more challenging and uncertain. Again, the work may involve experiments and trialling different solutions to find what's most effective.

3 DEVELOPING SEO TOOLS

Clever SEO agencies are increasingly developing their own tools to automate the process or measure some aspect of performance which they can then offer as standalone products to generate ongoing income. This type of product development work is a common theme in R&D tax credit claims.

In the meantime, website owners may have to invest considerable time and money experimenting with different ways to fix the issue, encountering uncertainty as to the solution, effectiveness of their investigation and any wider applicability.

THIS TYPE OF WORK IS CLASSED AS RESEARCH AND DEVELOPMENT AND WILL GENERALLY QUALIFY FOR TAX RELIEF.



Why choose Jumpstart as your R&D Tax Credits partner?

Having the best people and processes in the business means that we minimise the demands on your time, the complexity of the claim process, the risk of inviting an HMRC audit, and we maximise both the accuracy and value of your claim. Ensuring the best results, time after time.



We were surprised by what Jumpstart were able to claim! They produced a clear, professional, detailed report which maximised our claim. Jumpstart are experts in what they do. Their technical approach is not only efficient and effective, but also minimised any potential risk for us.

| John Wiseman
| Director
| S.T.C.S Ltd



“While we have been seeing a lot of issues relating to Magento and Wordpress updates, the same applies to any type of software. However to qualify for tax relief, the work must have been sufficiently challenging, and carried out before an official patch is released, as it is then considered that a solution has been found.”

For the R&D Tax Relief scheme, companies can claim for any eligible work carried out during their current financial year and their previous two financial years.

Don't go it alone

R&D tax relief claims are lengthy, technical and complex - especially if there are multiple qualifying projects in one claim, so don't be afraid to ask for help if you need it. The more clear and accurate the report, the better the chance that it will be accepted by HMRC.



Expert Advice

Don't expect HMRC to do your claim for you: whilst HMRC's guidelines provide information on its definition of R&D, they do not provide information on the processes involved in putting a successful claim together.

In conclusion

If the content of this guide makes one thing clear, it's that there is no substitute for experience and expertise.

Experience gained through years of daily involvement in putting together thousands of successful R&D tax claims. Expertise built through a detailed programme of training and study, maintained and regularly enhanced.

And it helps to employ a team of PhD-qualified Technical Analysts, with specialisations including electronics, mechanical engineering, software, physics, chemistry and biology.

So - you might have experience, and you might have expertise. But, chances are that R&D Tax Relief isn't your sole area of focus.

R&D Tax is all that we do. We do it really well, and we believe that our experience and expertise could help your business.

To find out more about why you should talk to Jumpstart:

Call us on: 0370 218 8903

Email us at: helpinghand@jumpstartuk.co.uk

Or visit: www.jumpstartuk.co.uk