

R&D TAX RELIEF CONDITIONS to be satisfied for engineering companies

Engineering companies push technological boundaries on a daily basis.

You might be developing tools to support safe well intervention in the oil & gas sector. Perhaps you machine complex profiled components from exotic materials within advanced engineering industries, such as aerospace or automotive?

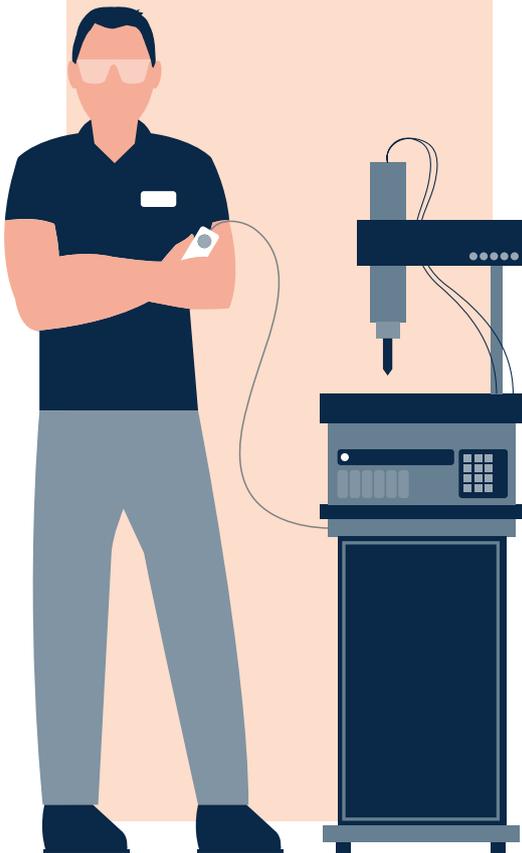
CHANCES ARE, YOU'RE UNDERTAKING ELIGIBLE R&D WORK AND SHOULD LOOK INTO CLAIMING TAX CREDITS.

HMRC's guidelines for what constitutes R&D are certainly extensive, but they're not always clear! It can take a fair bit of time, not to mention head-scratching, to pick your way through the terminology and understand exactly how HMRC defines R&D.

1

Technological uncertainty vs technological unknown

One thing HMRC is clear about is that companies must be trying to achieve their goals by resolving 'technological uncertainties' within specific projects. So what's meant by 'uncertainty'? Well, in the eyes of HMRC, there is a vast difference between technical uncertainties and technical unknowns. Technical unknowns on their own don't count as eligible R&D, which only kicks in when technical uncertainties arise. The distinction between the two essentially comes down to whether or not a problem can be readily resolved by a competent professional. If it can, then it isn't a technological uncertainty. R&D only begins when conventional knowledge has been applied and exhausted, without a resolution to the problem.





After being told by a very reputable company that we couldn't apply for R&D tax credits, we then met Jumpstart on their stand at a business trade show and they insisted we could apply.

The next thing a cheque arrived from HMRC!! It really was that straightforward. Let them take the strain, it really is worth every penny

| MATTHEW TUTT
| MD
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FOR EXAMPLE:

An automotive engineering company aims to develop an improved transmission system for use in commercial transit vans. It procures three transmission systems produced by competitors and tests each to qualify the performance. Although the performance of each transmission system is **unknown**, it is possible to carry out the tests using conventional methods. This data may provide engineers with a clear idea on how to develop an improved transmission system. In this case, the unknown has been resolved (ie the performance of the competitors' systems) and, as established methods were used, this doesn't constitute R&D. However, if, once the **unknowns** have been resolved, it's still unclear how the engineers will develop a more efficient transmission system, then this becomes a technical **uncertainty** and R&D begins!

2

Trial and error

Another minefield on the fine line between eligible and ineligible R&D is trial and error! If you think of trial and error as experimentation using routine methods, then when it's used to remove unknowns that precede R&D it's ineligible, but if it's used to resolve technical uncertainties that form part of R&D then it is eligible.

FOR EXAMPLE:

If an engineering firm is using trial and error to establish the best tooling material for a given application, this wouldn't be considered eligible R&D. Why? Because the company knows that with this trial it will find the best material for its purpose. If, instead, a company uses trial and error to determine how different parameters affect fundamental material properties, and this knowledge hasn't been documented in the open domain, then this is R&D. Why? Because in the second example, trial and error is being used to generate new knowledge.



Working with Jumpstart opened our eyes to what it means to receive excellent customer service!

HMRC is here to reward R&D and innovation in UK businesses, and Jumpstart will expertly assist, end-to-end, with the application and technical writing of a claim, right through to liaising with tax consultants to ensure timely submissions of R&D tax claims.

| CRAIG HADFIELD
| CFO
| VOLPARA SOLUTIONS
EUROPE LTD



3

Process improvement

Advancements in a company's processes only qualify as eligible R&D if they're geared towards advancing science and technology, not simply increasing profits.

FOR EXAMPLE:

If a factory installs new machines to improve production processes, but is then forced to carry out major adaptations to resolve technological uncertainties before this improvement can be seen, then this is eligible R&D. However, if process improvement is carried out purely for commercial gain – such as improving the processes using standard methods with a view to increasing production rates – then it doesn't count as R&D.

SLIPPERY STUFF, AND THIS IS JUST THE TIP OF THE ICEBERG WHEN IT COMES TO THE MANY SPECIFIC DEFINITIONS OF ELIGIBILITY ON HMRC'S WEBSITE. NO WONDER COMPANIES FIND APPLYING FOR R&D TAX RELIEF ON THEIR OWN QUITE SO DAUNTING AND CONFUSING.

The best people and the best processes get the best results. As the UK's leading technical R&D tax relief specialist, Jumpstart provides a host of engineering companies with a welcome hand in securing R&D tax relief. All on a no-win, no-fee basis!

"With the technical expertise of Jumpstart, we saw a massive increase in the money returned for the R&D we had invested in and, now that we have seen what HMRC considers eligible expenditure, I hope our future claims with Jumpstart will be every bit as strong." James S Milne | Chairman | Balmoral Group

For a free R&D tax credit consultation and analysis of the potential returns you might expect, contact the Jumpstart team.

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.

JUMPSTART YOUR R&D TAX CLAIM TODAY.

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