



# UK RESEARCH & DEVELOPMENT TAX RELIEF

Is your business ready for the proposed R&D tax changes recently announced by HMRC?

HMRC continues to provide generous investment incentives to UK companies. Most significant amongst these is the UK R&D tax relief. Recent statistics showed that 60,000 companies received £7.5 billion of this long-standing R&D benefit. In a fiscally challenging environment, HMRC wants to ensure the taxpayers are getting value for money and thus placing claims under greater scrutiny and looking to better target the incentive, as demonstrated through recent HMRC announcements.

In parallel, tax departments are pressured to 'do more with less' to secure the incentives they are entitled to through more efficient and timely claim methodologies.

Faced with these conflicting pressures, do you have a trusted advisor to guide your business through the increased HMRC scrutiny to efficiently and robustly secure the full R&D benefits that you are entitled to?

## Are you eligible?

➔ If you can answer yes to any of the queries below, then you are likely to be undertaking R&D, as defined for tax purposes:

- Do you employ in-house engineers/software developers?
- Do you develop new, or significantly improve existing, products, processes and services?
- Are you undertaking transformational programmes to improve cost parity or develop competitive advantage?

## Why is now the time to review your UK R&D processes, and prepare for the future?

- ✓ **HM Treasury is proposing a "once-in-a-generation" change to R&D incentives** that will radically impact international companies and increased administration burden for smaller entities.
- ✓ **UK R&D credits generate significant cash benefits to companies** where large companies can receive, akin to a grant, 13 percent of their R&D project costs, and small or medium enterprises (SMEs) can receive a benefit worth over 33 percent of the R&D costs. This **improved cashflow and EBITDA** means the UK R&D scheme is more relevant during current times.
- ✓ **Organisations are transforming** and legacy R&D methodologies have failed to keep track, leading to inefficient processes and lost benefits.



### What challenges do claimants face?

- **Greater HMRC scrutiny** - with 100 new HMRC inspectors and recent announcements, it is clear HMRC is placing greater scrutiny on R&D claims.
- **Inflexible and inefficient existing methodologies** - if these no longer align with organisational structure and information systems, resulting in a loss of benefits that companies are entitled to.
- **Forcing a company to fit a rigid R&D claims tool** - automated solutions leading to vendor lock-in and inflexible solutions as the organisation changes.
- **Poorly integrated internal tax and engineering resources** - resulting in a challenge to deliver robust claims.
- **Lack of engagement by technical teams** - the use of formulaic processes can lead to poor understanding of R&D eligibility and sub-optimal claims.
- **Global R&D claims** - optimising value chain across UK and international R&D activities will face complexities.



### Where does A&M come in?

- Our highly experienced team is dedicated to deliver optimised and fully supported claims. We understand HMRC's needs and proactively identify key issues arising in any changes to the R&D tax legislation.
- We adapt and continuously monitor our methodologies to align with your project finance information systems to ensure efficient and robust claim preparation.
- Our combined tax and engineering experience means we are positioned to maximise engagement through peer-to-peer technical discussions and ensuring tax teams understand the impact to their tax profile throughout the engagement.
- Being fully integrated with wider tax services means we are perfectly positioned to identify wider opportunities including optimising international R&D claims, transfer pricing, capital allowances etc.

# THE RIGHT FIT

## Why A&M is the right fit for your business:



### **We are hands-on.**

Our senior and experienced R&D tax specialists, apply a practitioner's perspective leveraging their industry knowledge and expertise to deliver a hands-on and differentiated service offering.



### **We are industry-trained specialists.**

A&M aims to be your most trusted and sought-after tax and business advisor. R&D tax service is one of our specialist competencies and in the past two years, we have helped companies to secure over £40 million of benefit across FTSE100, FTSE250, international groups and SMEs.



### **We offer a wide spectrum of services.**

We offer a service tailored to our clients and commensurate with the value we generate. Our services include a simple desktop review, training workshops, full claim preparation and proactively engaging with or efficiently agreeing claims with HMRC.



### **We integrate services across your entire value chain.**

Our holistic approach ensures R&D is integrated with your complete value chain in respect of international R&D, transfer pricing policies and other structuring/planning activities.



### **We use analytics to maintain your low risk tax profile.**

Our proven methodologies can adapt to your project finance information systems, utilising advanced analytics to ensure efficient and robust claim preparation.



## What benefits have we delivered for our clients?



### Case Study: Multinational consumer credit reporting company

**Background:** This London Stock Exchange-listed company collects and aggregates data on over a billion data points, with data analytics and business marketing specialties.

**Impact:** We have advised this UK 'crown jewel' for over five years, in each period increasing the claim value. By working collaboratively and through the insights we've developed, we have delivered a more efficient approach and helped generate £6 million cash benefit per annum.



### Case Study: Global medtech company

**Background:** This FTSE-listed client is a market-leading medical products and technologies company in the areas of wound and skin care, ostomy care, continence and critical care and infusion devices. Previous claims solely focused on their R&D teams.

**Impact:** Applying our industry expertise, we identified areas that were overlooked in prior claims including the manufacturing and IT teams resulting in a six-fold increase from £2 million qualifying expenditure to £13 million in their latest claim. This equates to £1.3 million cash benefit to the business per annum.



### Case Study: International footwear and clothing brand

**Background:** Our FTSE-listed client is an internationally recognised footwear and clothing brand. They had never previously considered R&D claims and sought expert advice to ensure their claims were optimised.

**Impact:** Following our complete review of our client's organisational structure and finance systems, we covered all areas, including new product development, manufacturing and an internal project relating to the digital transformation programme. This generated more than £250,000 benefit per annum.

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## ABOUT ALVAREZ & MARSAL TAXAND

Alvarez & Marsal Taxand, an affiliate of Alvarez & Marsal (A&M), a leading global professional services firm, is an independent tax group made up of experienced tax professionals dedicated to providing customized tax advice to clients and investors across a broad range of industries. Its professionals extend A&M's commitment to offering clients a choice in advisors who are free from audit-based conflicts of interest, and bring an unyielding commitment to delivering responsive client service. A&M Taxand has offices in major metropolitan markets throughout the U.S., and serves the U.K. from its base in London.

Alvarez & Marsal Taxand is a founder of Taxand, the world's largest independent tax organization, which provides high quality, integrated tax advice worldwide. Taxand professionals, including almost 550 partners and more than 2,500 advisors in 50 countries, grasp both the fine points of tax and the broader strategic implications, helping you mitigate risk, manage your tax burden and drive the performance of your business.

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