

Government Incentives to Support Innovative UK Businesses

6 July 2012

How the Government supports innovation in the UK?

- Grants
- R&D
- Patent Box

Grant schemes for individual companies

UK SME focus – Grant for research and development – ‘SMART’ – administered by TSB

- **Proof of Market** – 60% of project cost funded up to £25k
- **Proof of Concept** – 60% funded up to £100k
 - Innovative and ground breaking ideas
- **Development Grants** – 35% to 45% funded up to £250k
 - R&D into pre-production prototypes

Regional Growth Fund (October funding round?)

Fundamental research	100%
Industrial research	50%
Experimental research	25%

Research and Development Claims

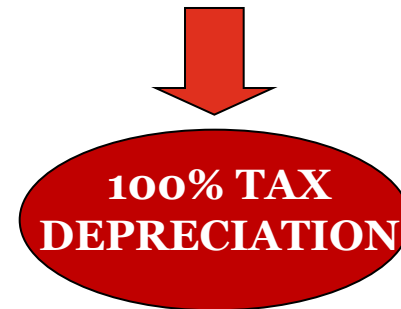
What are the benefits?

Revenue expenditure

- *Qualifying expenditure on qualifying R&D*
- Is eligible for a **125% corporate tax extra deduction (100% to 31 March 2012)**
- And a **cash repayment** if losses surrendered



Research & Development Allowances



e.g. Qualifying R&D £100k
Extra 100% £125k
The extra deduction will result in
Tax repayment @ 20%: £25k
Cash repayment @ 12.5%: £28k

Provides a cashflow benefit against the usual 18%/8% reducing balance basis of tax depreciation

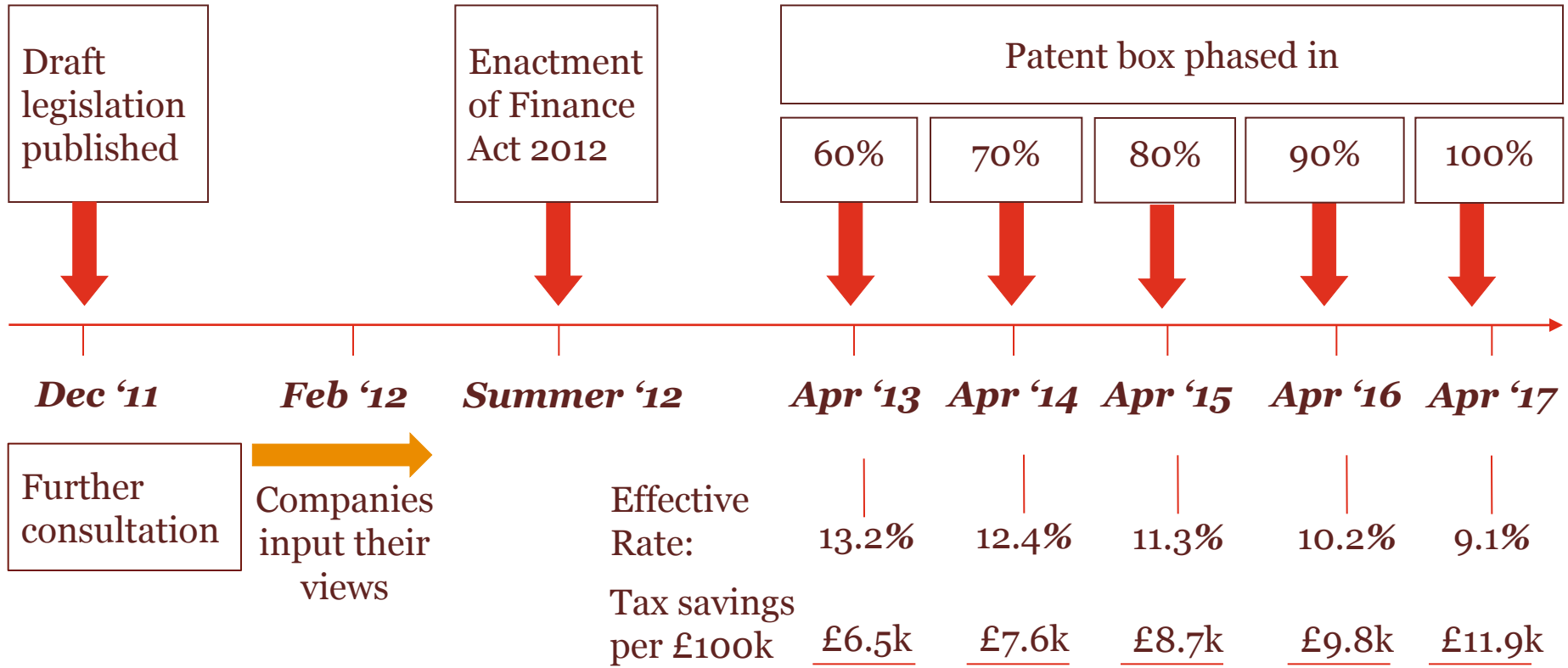
Impact of Grants

	<i>Grant</i>	<i>No Grant</i>
Qualifying R&D	£100k	£100k
Extra 30% / 125%	£30k	£125k
The extra deduction will result in:		
<i>Tax saved @ 20%</i>	<i>£6k</i>	<i>£25k</i>
	<u>£19k</u>	

R&D Case studies

<i>Sector</i>	<i>Approx value of R&D claim</i>
Software	£324k
Manufacturing	£128k
Engineering	£162k
Pharmaceutical	£152k
Aerospace	£140k
Food and drink	£66k
Waste disposal	£70k + £1.6m (timing)

Overview of Patent Box implementation process



Dispelling some myths

- No need to own the patent, an “exclusive” licence will suffice
- Only one qualifying item puts the whole income in the Patent Box
- Applies to both internally generated and acquired patents
- Any patents still valid on 1 April 2013 qualify even if 15 years old
- Royalties from qualifying patents qualify
- Sale of patents eligible for the 10% rate
- Restructuring can increase the benefit

Conclusion

- Maximise opportunities
- Starting up/loss making – Grants / R&D claims
- Profitable – Patent Box (91%)
- Keep 91% of your profits
- Use specialists to maximise annual benefits

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