



# **R&D Tax incentives**

## **Changes to look out for**

### **from April 2023**



# 1. Rate changes effective from 1 April 2023

## For Large Companies

- The R&D Expenditure Credit (RDEC) rate increased from 13% to **20%**.
- Being a taxable credit, the net tax benefit will be **15%**, an increase from **10.53%**



# Rate changes for SMEs

From 1 April 2023, the super deduction rate for Small and Medium-sized Enterprises (SMEs) will reduce from 130% to 86%.

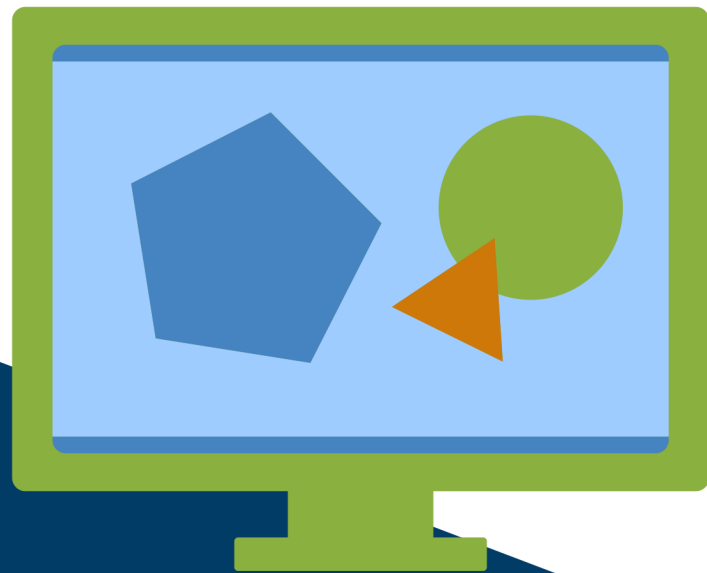
## Implications

- For SMEs paying tax at 19%, the additional tax benefit from the super-deduction will decrease from 24.7% to **16.34%**.
- For SMEs paying tax at 25%, the new benefit rate will be **21.5%**.
- No tax to pay? The R&D expenditure and related super-deduction can be submitted to HMRC for a cash refund. The refund rate is now **10%**, a decrease from 14.5%.



# New credit rate for R&D-intensive SMEs

- If your R&D expenditure is at least 40% of total expenditure, you will be regarded as a R&D-intensive company.
- Qualifying companies will be able to claim a payable credit rate of 14.5% for qualifying R&D expenditure instead of the abovementioned 10% credit rate. Draft legislation for this will be published in summer 2023.



## 2. Digital submission of R&D claims

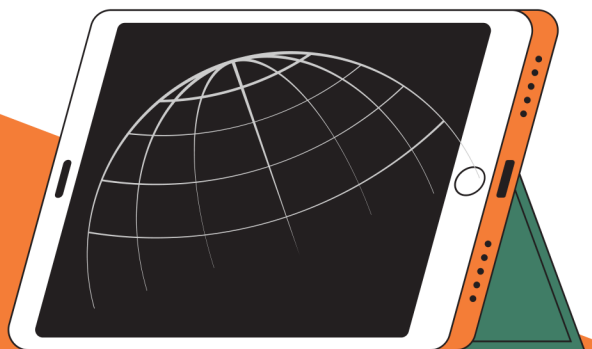
All claims submitted from **1 August 2023** will have to be submitted digitally via HMRC's portal. A link for this has yet to be published.



# 3. Restriction on overseas expenditure postponed

It was planned that from 1 April 2023, qualifying R&D expenditure would be restricted to UK activities only.

This restriction has now been postponed to 1 April 2024. This means that companies incurring qualifying R&D expenditure on activities undertaken overseas, will have one more year in which they will be able to include these costs in their R&D claim.





**Changes for  
companies with  
accounting periods  
starting on or after 1  
April 2023**



# The legislation will:

(i) create two new categories of qualifying expenditure for R&D tax relief, on **data licences** and **cloud computing services**.

(ii) the definition of R&D for tax reliefs will be expanded to **include all mathematics**, clarifying in particular that ‘pure maths’ can qualify.

(iii) mandate that companies **must inform HMRC of their intention to make a claim for R&D tax relief using a new digital form**. As this measure is intended to allow HMRC to perform more upfront compliance on new claimants, **companies that have claimed R&D tax reliefs in the previous three years will be exempted from this requirement**.







# Questions?

## Contact us

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