

# Additional Tax Relief available for "R&D Intensive" SMEs

The rules governing the new single merged scheme and the R&D Intensive SME scheme became legislation at the end of February 2024, and it was confirmed that the current RDEC and Small and SME schemes will be merged from 1 April 2024.



Under the new single merged scheme, relief is given via a taxable above-the-line expenditure credit, which will be implemented at the current RDEC rate of 20%.

**THIS UNIVERSAL RATE WILL BE APPLIED TO ALL SIZES OF COMPANIES - WITH THE EXCEPTION OF LOSS-MAKING SMES THAT ARE "R&D INTENSIVE".**

The new single scheme was billed by the government to be a simplification of the existing separate schemes by bringing SMEs and Large Companies under the same rules. However, the introduction of the R&D Intensive SME scheme means that there will still be two schemes, and for a temporary length of time, three schemes, running in parallel, creating complexities that we advise companies to seek immediate professional advice on.

**THE R&D INTENSIVE SME SCHEME WILL BE BROUGHT IN TWO PHASES:**

- **For expenditure incurring on or after 1 April 2023:** Loss-making SMEs with an R&D intensity of 40% or higher (based on company expenditure over latest 12 months of accounts) will be able to claim an R&D tax credit at a rate of 14.5% instead of the standard 10%. This will mean the maximum rate claimable will be 27% compared to 18.6% for non R&D intensive SMEs.
- **For accounting periods beginning on or after 1 April 2024:** The same rate of relief applies but the R&D intensity is reduced to 30%.



“

Our accountants told us the rules for claiming R&D tax relief were changing, and recommended we partner with VISIATIV on our upcoming R&D tax claims.

I had always managed our R&D tax relief claims myself, however, given HMRC's increased scrutiny, I recognised the the need for expert assistance. Bringing in VISIATIV offered reassurance that we had support ready, should any challenges arise.

| PETER LLEWELLYN-STAMP  
| DIRECTOR  
| PEERLESS PLASTICS &  
| COATINGS

”

The new R&D intensive scheme could create difficulties for companies when predicting whether or not they are going to be “R&D intensive”.

SMEs will have to decide whether to claim under the merged or intensive scheme, and if R&D work is subcontracted, they will need to decide which company can make a claim going forward.

The calculation of R&D intensity includes connected companies and any R&D expenditure that has been capitalised as intangible fixed assets on the balance sheet and so companies should seek professional advice to ensure this calculation is made correctly and avoid under or over-claiming.

### WE CAN HELP

Visiativ supports many accounting firms with R&D tax relief claims and other innovation funding services.

If you have any questions or concerns about the changes and their impact on your clients and their claims, please get in touch with us.

- **Call:** 0330 660 0620
- **Email:** [consulting@visiativ.co.uk](mailto:consulting@visiativ.co.uk)
- **Or visit:** [www.visiativ.co.uk](http://www.visiativ.co.uk)

### About VISIATIV

Visiativ is a professional services and consulting business, dedicated to helping UK companies accelerate and fund their innovation and digital adoption strategies. We enable innovation for our clients through a combination of funding, technology and digital adoption products and services, empowering employees and transforming businesses.