



LEYTON

R&D in Software.

R&D Tax Overview

The R&D tax credits scheme allows businesses in the software industry to reduce their corporate tax bill or receive a tax refund based on a proportion of their R&D expenditure. The scheme can be used by any limited company that is liable for corporation tax in the UK and meets the necessary R&D criteria; it can even be used on unsuccessful projects. The work that qualifies for R&D tax relief must be part of a specific project which aims to make an advance in its field.

Are you developing a new process, a product or service, or perhaps improving an existing one? Tax Credits provide an often vital cash injection for businesses and to date, Leyton UK has helped thousands of clients successfully claim more than £900m in R&D tax relief.



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In terms of the financial benefit, the R&D tax refund we received was really nice to have. As an SME we expect to have made a profit each year and it is good to avoid having to pay large corporation tax bill on this profit. By using the scheme we retain this cash and we can invest it back into the business.

- *Real Wireless*

Are you one of the many software businesses eligible for R&D Tax Relief?

What kind of software projects can qualify for R&D Tax Credits?

- Cutting edge software for new projects, or new functionality for existing R&D projects;
- Tools to improve the functionality of application software programs or of an operating system;
- Novel data management techniques
- Innovative methods of capturing, transmitting, manipulating, and protecting data
- Extensions to database software, programming languages, or operating systems;
- Software development tools, such as tools to port data across platforms
- Means of integrating hardware and software platforms



Financial

Scheme applies to companies in both profit and loss making positions.



Loss making: benefit received as extension of losses, OR these losses can be exchanged for cash (most businesses choose this option, as cash is king). Benefit is up to **33%** of qualifying expenditure.



Profit making: benefit received as reduction in future corporation tax, and/or a cash refund of corporation tax paid. Benefit is typically **26%** of qualifying expenditure.



Eligible cost categories: PAYE Salaries, sub-contract costs, consumable/material costs, utility costs, software licences.

Retrospective scheme – applicable to two prior trading years (so two years' benefit received from initial claim), current, then future years.

Case Study: Nutmeg

Nutmeg is the largest UK digital wealth manager. The company uses innovative technology to transform the wealth management industry and invests significantly in products and technology to deliver new features and benefits to customers. Nutmeg has carried out qualifying R&D activity in a number of areas, including in the development of an event-driven architecture, data extraction and aggregation and enhancing the use of mobile applications. Having previously claimed R&D Tax Credits through a third party, Nutmeg has worked with Leyton on their R&D Tax Claim for the last three years.

We spoke to Damian Walsh, Head of Financial Control and CMA about Nutmeg's experience of claiming R&D Tax Credits with Leyton.



When we first spoke to Leyton a few years back, we said we were happy with our current provider, but at the time **didn't appreciate how much more we could potentially claim back**. After looking at the nature of our business, we realised we should be getting a lot more back through this scheme.

The service provider we were working with on our R&D tax claims had previously just provided us with templates to complete and return. During the claims process we mainly dealt with accountants who, while good when it came to calculating the claim, did not have the expertise to understand the technical aspects of our business and what research and development work may or may not qualify as R&D.

Leyton was very professional. When we first met they took the time to get under the skin of our business and **it was clear that they had a lot of background knowledge about the industry**. As part of the work undertaken on our initial engagement at the end of 2019 we reviewed the previous claim for the 2017 tax year. Leyton worked with us and in the space of only a few weeks we submitted an amended claim for which we received four or five times the amount. Knowing this we should have claimed with Leyton a lot earlier!

Leyton's consultants had the technical expertise to uncover all the qualifying activity, I felt that our Consultant, Callum, really understood what HMRC were looking for and had the industry knowledge to make the process as seamless as possible. Claiming with Leyton freed up a lot of our time for our engineering and product teams. With our previous provider we needed to write the technical reports for HMRC, which took a long time and often required a number of revisions before we got to a final version. **By having that knowledge from Leyton we were able to reduce the amount of time required by our engineering and product teams, which was a massive saving as well as being able to optimise our claim.**



Find out more.

At Leyton, we advise thousands of businesses every year on all aspects of innovation funding, government incentives and capital advisory.

If you are interested in finding out more about our services and how we may be able to grow your business, please contact Oliver Ivey at oivey@leyton.com or [+44 203 002 8760](tel:+442030028760)