Innovation & Capital Incentives

Improving your cash position

Cash preservation and generation is the number one priority for many businesses. R&D claims are cash generating regardless of a company's tax position and are therefore a way in which companies can accelerate cash into the business. Companies should also be considering other ways to maximise cash tax deductions, particularly in terms of capital expenditure and other incentives.

Set out below are some of the key considerations in accelerating cash from incentives.

R&D Claims

Acceleration of filing R&D claims	Companies should be looking to accelerate the R&D claim process so they can file their R&D claims (and receive cash back quicker). Currently R&D claims must be filed within the tax return – requiring the tax returns (and accounts) to be completed earlier. However we understand that HMRC are considering ways to allow some flexibility in how claims are submitted and therefore we would recommend starting claim preparation now.
HMRC processing of R&D claims in the current climate	We understand from HMRC that they are working on plans to accelerate the processing of R&D claims. HMRC understand the issues businesses are facing and are looking at ways to be flexible and accelerate repayments but how they will achieve this is yet to be confirmed. HMRC are also considering the interaction of claiming R&D repayments with deferrals of tax such as Time to Pay and VAT deferrals.
Going Concern requirements for R&D claims	Both SME R&D and RDEC cash repayments are subject to going concern requirements. It's important companies fully understand these requirements within the R&D legislation, which include a requirement for the most recent statutory accounts to be prepared on a going concern basis.
Pause of investment in R&D	We are currently seeing pauses in R&D projects, freeing up companies R&D teams to help support the R&D claim and therefore allowing the acceleration of the filing of claims. We expect this pause to only be temporary so it's important companies make the most of their R&D team's availability now.
Loss carry back	It is expected that many more companies will be in a tax loss position this year and able to carry back losses to offset prior year profits and generate tax repayments (plus interest). Additional losses may be generated through maximising capital allowance claims. If a company made an RDEC claim in the prior period, carrying back the losses may also generate an RDEC repayment.

pwc

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2020 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Capital Allowances and other reliefs

Historical capital allowances claims	Making “catch up” claims on historical expenditure (that has not previously been pooled) - these can be made in an open tax return regardless of when the capital expenditure was incurred (provided the asset is still owned by the business). As such, for those who have not prioritised/optimised claiming capital allowances in the past, a catch up claim can now be made to obtain additional allowances and immediate cash tax repayments.
Business rates & cash grants	A range of business rates reductions have been announced including full rates relief for 12 months for all companies in the retail, hospitality and leisure sector and cash grants (up to £25k subject to rateable value) for retail, hospitality and leisure businesses.
Short Life Assets	For expenditure incurred in the last two years, a capital allowance election can be made to accelerate the tax relief available on assets with a shorter life in the business. Where the assets have a very short life e.g. 2-3 years this could generate immediate cash tax savings and we can group expenditure on similar assets together to make the process easier.
Payable tax credits - Land Remediation and/or Enhanced Capital Allowances	Payable tax credits (of between 13% and 24%) are often available for loss making companies where expenditure is incurred on remediating land (land remediation relief) and/or on qualifying energy and water saving assets (enhanced capital allowances for expenditure incurred before 1 April 2020) subject to certain conditions. These credits can be processed and cash received relatively quickly after a claim is made.
Maximise Research & Development Allowances (RDAs) and Patent Box claim	It’s important to remember that RDAs and Patent Box claims reduce taxable profits and therefore reduce tax payable. Companies should remember to explore RDA and Patent Box opportunities, particularly for previous periods where there are tax liabilities - amended returns for RDAs and Patent Box claims could generate cash repayments of tax previously paid.

Contacts:

Rachel Moore
Partner
T: +44 (0)7841 561935
E: rachel.moore@pwc.com

Tom Ewins
Partner
T: +44 (0)7753 463785
E: tom.ewins@pwc.com

Rohit Patiar
Partner
T: +44 (0)7710 283056
E: rohit.patiar@pwc.com

Diarmuid MacDougall
Partner
T: +44 (0)7714 447312
E:diarmuid.j.macdougall@pwc.com

pwc

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2020 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.