



Crowthers Chartered Accountants R&D Case Studies

At Crowthers Chartered Accountants, we seek to ensure our clients are taken through the process of claiming Research and Development (R&D) tax relief in a carefree and professional manner. In our experience, successful claims can have a big impact on cash flow and as a result, most of our clients write their R&D tax relief into their cash flow projections.

The Covid-19 pandemic has shown that cash flow management is vital and can make the difference between business continuity and closed doors. R&D tax relief can play a significant role in boosting cash flow, enabling businesses to keep expanding their range of products and stay ahead of their competitors.

Our Tax Director, Sara Crowther, is an experienced tax professional having worked in Corporate Tax since qualifying as a Chartered Accountant over 15 years ago. Sara is also a qualified Corporate Tax Adviser and is regularly asked to present seminars to other professional advisers.

Sara is a specialist in R&D tax relief and has developed our R&D service and now has a dedicated team that help a large number of corporate clients obtain tax savings or tax repayments which are essential to help cover the R&D costs of their products and services.

R&D can aid a company to follow, or stay ahead of market trends and keep them relevant. Companies who partake in R&D allocate a vast amount of resources to enable the development of innovative products and processes, including specialised staff and equipment with high upfront costs. While these are essential to the R&D process, spending needs to be factored into budgets and for some companies, R&D expenditure can be one of the biggest outgoings.

Fortunately, many of the R&D costs can be recovered with R&D tax relief. Crowthers can help companies to identify the qualifying costs and breakdown the terminology to provide a step-by-step guide to the claiming process. R&D covers a lot of different activity which can be overwhelming, which is why Crowthers seek to ensure the process is individually tailored to each client to help them get the most out of the claim. Being able to use R&D tax relief to reinvest money back into the business helps clients to work towards their objectives and invest further into their R&D projects.

There is a common misconception that R&D tax relief only applies to high-technology companies, but in fact, the relief is equally applicable to companies that operate in engineering, manufacturing, software and agricultural industries, and at Crowthers, we have experience of working with companies across all these sectors. The following case studies indicate the ways in which we have helped companies claim back a proportion of their R&D expenditure.

Harbr Group Limited

Crowthers have worked with Harbr since its incorporation in 2017 and assisted on their R&D tax relief claims.

Harbr was formed to develop a new cloud-based data platform to enable the effortless trade, exchange and use of data by organisations and individuals who produce, consume, and use data for any purpose. Harbr hope to deliver a paradigm shift in how data is accessed and to help realise a future where extracting value from data is fast, easy, and cost-effective for everyone.

Gary Butler, Co-founder and CEO says that "Data is an increasingly important asset. Our work to transform how we realise its value, as well as facilitate data innovation through collaboration, will literally change how businesses, governments and society interact."

In 2018, HMRC changed its approach to R&D tax relief claims for software development and hired IT specialists. As a result, the technical detail which needs to be submitted as evidence to substantiate the claim is of extreme importance. Since then, Crowthers have expanded their team to include an in-house software specialist to provide the necessary knowledge and translate the industry terminology to ensure all technical requirements are met.

So far, Crowthers have submitted three successful R&D tax relief claims for Harbr, which has enabled more money to be invested back into the business to enhance the product further.

During the claim process, Sara and her team spend time with Harbr's competent professionals to identify and separate the qualifying R&D activities from the non-qualifying activities. By collating an in depth and holistic view of the development activities with the client, Crowthers produce the R&D tax claims, highlighting the technological challenges faced in developing the ground-breaking software solution. The reports also provide technical justifications, demonstrating that the overall system is backed by a suite of back-end elements, processes and techniques that could not be built through conventional techniques.

Due to the in-depth knowledge of the business gained over the course of the relationship, Crowthers can now compile reports quickly and efficiently, once an initial meeting to discuss the latest developments has been undertaken. This optimises the claim and requires less time from the client, allowing them to focus on the development in hand.

Rotec Engineering Limited

R&D is crucial to all engineering sectors. Often, engineering is about solving technical problems and developing next generation products and infrastructure. With so much scope for innovation, it is surprising that more engineering firms do not claim R&D tax relief.

Rotec Engineering manufacture a wide range of precision components for the aerospace, entertainment, oil, automotive, medical, defence and packaging industries. They have invested in cutting edge CAD development software to improve, edit and develop their existing and new products and to improve production in the workshop.

As engineering involves the creation of new parts, structures, and fixtures from raw materials, it is an area that benefits from constant progression and new inventions, making it a perfect candidate for R&D. During the development process, Rotec must iteratively develop and trial several prototypes of each product to ensure it provides an enhanced function over existing products. This process contributes to high consumable costs and a large amount of staff time.

Managing Director Paul Butler spends much of his time on R&D activities. As an engineer himself, he is supported by a team of fully qualified and highly skilled engineers and fabricators.

“For years, I have been trying to find accountant’s that would take the time to appreciate my business and express data in a way I can understand. With Sara’s dynamic enthusiasm and Nikki’s tenacious appetite for detail, Crowthers have helped develop our systems and reclaim tax allowances going back several years. All in all, Crowthers are a pleasure to work with.”

Crowthers began a professional relationship with Rotec in 2013 and have since completed five successful R&D tax relief claims. During the initial meeting, the client explained their development processes and Crowthers quickly realised that the innovative machines designed and built by Rotec required a very high level of engineering expertise. The challenge was to then understand each project in depth to ensure that it was eligible and compile the supporting claim, including all the technical details.

Each year, Crowthers liaise with Rotec to discuss all aspects of each individual project. The process that follows involves several meetings to ensure all relevant information and projects are included. Once confirmed, a draft report is compiled and sent to the client for approval.

Determining the eligibility of costs for each project is the job of a skilled tax advisor. Crowthers take extra care in examining all the associated costs and work with the client to identify qualifying expenditure. This can include:

- The salaries of engineers working directly on the R&D, including employer national insurance contributions and pension costs.
- A proportion of other staff’s (who support R&D engineers) employment costs.
- Contractors carrying out their services via agencies.

- Money spent on development or testing work subcontracted to other firms.
- The cost of materials transformed during the R&D process. This includes consumables such as light, heat and power, as well as materials relating to the project.
- A proportion of relevant software costs like CAD and 3D modelling software used by research and development engineers.

Not only do Crowthers help to identify qualifying projects, they can also provide advice on future projects to consider. In order to run a cost-efficient and economically sound business, those in the engineering sector need to understand not only how to make products that sell, but how to utilise the many tax rules and regulations that govern the industry.

Working with Rotec, Crowthers have developed an understanding of the processes involved in the engineering sector and have experienced real-world R&D. Throughout the past eight years, Crowthers have produced professional and successful R&D tax relief claims for Rotec and hope to continue the longstanding relationship in years to come.