

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 31: R&D Tax Credits for Small Or Medium-Sized Enterprises

Summary

1. This section amends Part 13 of the Corporation Tax Act 2009 (CTA 2009) to increase the rate of payable tax credit for small and medium sized companies (SMEs).

Details of the Section

2. The section increases the rate of payable tax credit for expenditure incurred on or after 1 April 2014 from the current rate of 11 per cent to 14.5 per cent of the surrenderable loss.

Background Note

3. Additional tax relief for expenditure on research and development (R&D) was introduced in 2000 for SMEs.
4. The SME R&D relief currently gives an additional deduction from profits at a rate of 125 per cent of the qualifying expenditure. This combined with the normal deduction for such expenditure, gives a total deduction of 225 per cent.
5. A loss-making SME is able to obtain a payable R&D tax credit at a rate of 11 per cent of the lower of its trading loss for the period and 225% of the qualifying R&D expenditure incurred, giving a maximum payment of 24.75 per cent of the original expenditure. The rate of payable credit is to be increased to 14.5 per cent for expenditure incurred on or after 1 April 2014, giving a maximum payment of 32.625 per cent of the original expenditure.