

MAXIMISING TAX RELIEFS TO MITIGATE COMMERCIAL RISK

RESEARCH AND DEVELOPMENT CASE STUDY



LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE



Summary

Our case study involves a client who was looking to obtain cash to further develop their business by utilising R&D tax reliefs.

During a consultation period with the client, the COVID-19 crisis hit. This created a heightened level of uncertainty for our client, forcing them to adapt in order to weather the COVID-19 storm, which in turn necessitated the need for greater strategic business advice.

Our team submitted a successful R&D claim to maximise the tax reliefs available and preserve cash flow going forward, as well as providing strategic advice and funding support reviews to assist the client in managing their commercial risks and exposures arising from the pandemic.

Background

Our case study involves a client who was looking to obtain cash to further develop their business. They had already conducted extensive R&D activities to position themselves within the highly competitive and innovative brand agency marketplace, but had not taken full advantage of valuable and often under-claimed R&D Tax Credits.

During a consultation period with the client whereby we worked to submit a claim for historic R&D Tax Credits for the last two open corporation

tax periods, the COVID-19 crisis hit, which created uncertainty. This claim therefore assisted their cash flow position, but also necessitated the need for greater strategic business advisors from our wider team of experts, to ensure our client was able to adapt and prosper throughout the crisis.

It was our responsibility to help the client navigate these challenges, whilst maximising the tax reliefs available historically, and preserving cash flow to be directed for use in the business going forward.

How we helped

Prior to the impact of the COVID-19 crisis, specialists from our Tax division provided initial advice on a variety of options to maximise the tax opportunities available, including R&D, tax restructuring, and remuneration planning opportunities.

Having submitted a successful R&D claim for a two-year period on behalf of our client, the team were able to yield a repayment exceeding six figures. R&D tax reliefs can be a very valuable asset for companies who do not always believe that the activities they undertake on a daily or project by project basis, are defined as eligible R&D in its purest sense, which was the case with our client.

As the COVID-19 crisis hit, the financial implications from the pandemic had a severe financial impact on the economy and, to a much lesser effect our client. Our team then provided strategic advice and funding support reviews to assist the client in managing their commercial risks and exposures through this challenging time. Whilst providing support for a Coronavirus Business Interruption Loan, our tax team provided and implemented a scheme of reconstruction which gave access to director's loan accounts, streamlined remuneration planning and a mechanism to fund future school fees in a tax efficient manner. This in part was bolstered by the R&D claim we were able to secure.

The result

As a result of the outcome of the successful R&D claim, our client received significant tax repayments which in part were utilised for future development projects and to provide a buffer against future commercial risks arising from the pandemic.

Furthermore, by restructuring the group we accessed significant director loan account balances, were able to restructure remuneration packages and reduce the overall costs to the company without reducing net income to the directors.

To speak to one of our experts, please call 03333 446306 or visit our website www.pkfsmithcooper.com.

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Gary Devonshire,
Tax Director,
PKF Smith Cooper