



HM Revenue
& Customs

Improving access to R&D tax credits for small business

Consultation document

Publication date: 16 January 2015

Closing date for comments: 27 February 2015

Subject of this consultation:	Research and Development (R&D) is essential for economic growth, and the Government provides tax credits to encourage companies to carry it out. This consultation is about improving access to those credits for small companies.
Scope of this consultation:	The consultation will provide Government with evidence both to implement changes that have already been agreed (advance assurances for small companies, and improving guidance) and to consider further simplification of R&D tax credits.
Who should read this:	We would like to hear from decision makers in small companies that carry on R&D and from their advisers. We especially want to hear from companies that might claim tax credits but have not done so.
Duration:	The consultation runs from 16 January to 27 February 2015. This is an initial consultation, aimed at identifying areas for further action and longer, more detail consultation will follow if needed.
Lead official:	The consultation is led by HM Revenue & Customs (HMRC) and the lead official is David Harris
How to respond or enquire about this consultation:	<p>Please send responses to R&D Tax Credits Consultation, HMRC, Room 3/63 100 Parliament Street, London SW1A 2BQ</p> <p>Responses may also be sent by email to the address below or via an online survey at https://www.surveymonkey.com/s/HMRCTaxReliefsconsultation</p> <p>Any enquiries about the consultation should be addressed to Nalini Arora either by email to nalini.arora@hmrc.gsi.gov.uk or on 03000 545843</p>
Additional ways to be involved:	Because the consultation is particularly aimed at smaller companies, we have designed a simple online survey to make it easier for such companies to become involved. This should take around 10 minutes to complete. If you wish to be more closely involved in the consultation you will be able to give contact details.
After the consultation:	The Government will make an initial response to the consultation in Spring 2015, confirming how the advance assurances (from Autumn 2015) will operate and the detail of improvements to the R&D guidance, as well as any wider changes to the tax credit rules or processes.
Getting to this stage:	R&D relief is administered by HMRC. HMRC and HM Treasury (HMT) have held initial discussions with a number of representative bodies and advisers as well as with the Office for Tax Simplification (OTS) on the scope of the consultation.
Previous engagement:	HMRC and HMT have regular contact with representative bodies and advisors, including through the R&D Consultative Committee, and have held several previous consultations on the tax credits.

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On request this document can be produced in Welsh and alternate formats including large print, audio and Braille formats

Foreword

Research and Development (R&D) is crucial for the long-run growth of economies. This is why R&D tax credits play a key role in the Government's commitment to an internationally competitive tax system and in its objective for strong and sustainable private sector-led growth.

Studies¹ have found that R&D tax credits lead to as much as £3 of additional investment for £1 of foregone tax. I am delighted to see that the take-up of relief for both large and for small or medium companies has increased to over 15,000 firms, with the government providing over £1.4bn of support. This demonstrates that firms are benefiting more and more from the increased commitment from this government towards R&D tax credits. Changes announced at Autumn Statement 2014 further increased the generosity for both small and large companies.

Autumn Statement also announced improvements to administration for smaller firms. R&D investment by smaller firms is vital for the performance of the UK economy, and small and medium enterprises (SMEs) accounted for over 80% of all R&D claims in 2012-13. I want to make sure that the relief is accessible for all small companies. That is why we are introducing a new advanced assurance service for small companies making their first claim and developing new guidance.

This consultation aims to identify further improvements to make the tax credits even better and ensure that firms of all sizes who make this vital R&D investment can access the relief in the best way possible.

I am pleased to invite businesses of all sizes, but particularly smaller businesses, representative bodies and others interested in promoting the growth of innovative companies in the UK to share their experiences and play a full part in this consultation process, setting the agenda for the R&D reliefs over the next few years.



David Gauke
Financial Secretary

January 2015

¹ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344917/report107.pdf

1. Introduction

1.1 At Autumn Statement 2014, the government announced that it would launch a package of measures to streamline the R&D tax credits application process for smaller companies, to ensure that all companies are able to access the relief.

1.2 This consultation seeks to understand the issues faced by small companies investing in R&D, to inform simplifications to the current system. Alongside this document, the government is running an online questionnaire and will hold a series of workshops with small business to engage a wide range of views.

This forms part of a wider programme to improve access to R&D tax credits, including;

- Introduction, from Autumn 2015, of an advanced assurance service for small companies making their first claim, providing them with greater certainty in advance of R&D investment that they will be entitled to R&D relief.
- Overhauling the R&D tax credits guidance to make it accessible for small companies.

The current schemes

1.3 Science and innovation are at the heart of the Government's long term economic plan. R&D tax credits play a key role in this by reducing the costs of R&D.

1.4 There are separate schemes for large businesses and small and medium enterprises (SMEs). The scheme for SMEs works by reducing the amount of corporation tax small businesses pay, allowing them to reduce the income they pay corporation tax on by 230% of their qualifying R&D expenditure (225% until 1 April 2015). This reduces the cost of R&D by 46%.

1.5 SMEs which make a loss have the option of instead receiving a payable cash credit at a rate of 14.5%. This reduces the cost of R&D by around 33%. These companies have a choice between an immediate benefit or carrying forward the loss to set against income at a later time.

1.6 Take-up among small companies has increased rapidly in recent years and increased by 30% in 2012-13. In that year R&D tax credits provided almost £1.4bn of relief supporting around £13.2bn of innovative investment.

Improving access

1.7 However the government wants to continue to improve administration of the relief to ensure that all small companies investing in R&D can access it. This consultation focuses on the 4 main areas that drive claims to the relief:

- **Awareness.** Are key decision makers in small companies aware of the relief?
- **Design.** Are the rules appropriate for small companies?
- **Understanding** Do decision makers in small companies understand the rules, how they apply to the company, and the claims process?
- **Administration.** Does the process operate smoothly (speed, and ease of use) for small companies?

Q1. Do you agree that these are the most relevant factors in ensuring that small businesses can access R&D tax credits?

2. Small or Medium Companies' R&D relief

2.1 Businesses apply for R&D tax credits in their Corporation Tax return. Tax legislation sets out what activity qualifies as R&D for the purposes of the relief and what costs can be claimed. Specialist HMRC units help businesses claim the relief and ensure the claim is for the right amount. They will provide support to companies at any time in the claims process and will engage with companies before a claim is actually made.

2.2 The way the relief is administered is critical to ensuring that it is given to the right companies, and for the right activity – ensuring compliance with the law also means the relief is targeted properly, maximising its incentive effect.

2.3 What counts as R&D for tax credits is set out in guidance² issued by the Department for Business, Innovation and Skills (BIS).

2.4 The BIS guidelines define R&D as taking place wherever a company is engaged in a project which is seeking to make **an advance in science or technology** through the **resolution of scientific or technological uncertainty**. This doesn't just include activity conducted by scientists in a laboratory, but extends to any other situation where a company is seeking an advance in science or technology by resolving scientific or technological uncertainty.

2.5 Successful claims have been made across a wide range of business sectors including

- developing cell therapy products in the pharmaceutical industry
- delivering advanced surveillance systems for the defence and aerospace markets, design and manufacture of specialised electronics used in a broad range of applications
- manufacture of new composite materials which can again be used in a wide range of sectors including automotive.
- In the building sector, new methods of construction such as modular and panel design, giving flexibility including off-site fabrication.

2.6 In particular, software is embedded in most industries now and the R&D costs are often substantial - for example bioinformatics software (managing and analysing biological data using advanced computing techniques).

2.7 The relief is a state aid approved by the European Commission and subject to the Commission's limits on overall amount of aid. Because of its generosity it can't be claimed if a business is receiving any other form of state aid (though a company can then claim relief instead under the separate, large company rules).

² <https://www.gov.uk/government/publications/guidelines-on-the-meaning-of-research-and-development-for-tax-purposes>

Smaller Companies

2.8 This consultation is aimed at improving access to the tax credits by smaller companies, by finding out what more HMRC can do to help these businesses.

2.9 An example is advance assurances (see chapter 7) which will be for the smallest companies, and especially companies that have not previously claimed the relief (ie new companies and those which have not previously carried out R&D).

2.10 So in response to the questions in this consultation, we are particularly interested in hearing about any areas where the needs of smaller companies are different.

3. Awareness

How HMRC communicates about R&D

3.1 The focus of HMRC's communications on R&D tax credits is currently through the R&D units, and now the R&D specialists in HMRC's Large Business directorate, supported by guidance material on the HMRC and Gov.uk websites.

3.2 The R&D units have an "outreach" role, attending trade fairs and similar events, and BIS runs "Innovation workshops".

3.3 However, we want to further increase the take up of R&D tax relief and need your help to understand where businesses go to access information and advice on this subject. We want to find better ways of raising awareness amongst the business population (in particular small businesses) to increase the take-up of this relief.

3.4 Towards the end of last year, HMRC ran a publicity campaign to highlight the tax reliefs which are available to help business save money. This involved providing a digest of the reliefs most relevant to small businesses on the Department for Business Innovation and Skill's 'Business is GREAT Britain' webpages. HMRC tweeted short details of the tax reliefs available, and what they do, via our @HMRCBusiness twitter account, and provided information on the HMRC Linked-in pages.

3.5 Information HMRC provided via its free business support email service pointed 45,000 small businesses to the 'Business is GREAT Britain' webpages in one day, all seeking further information about claiming for tax reliefs.

3.6 We want to know what we might do better to raise the profile of R&D tax credits and whether there are new ways of engaging business with this information to help increase their take-up. For example, this might include through social media, trade bodies or other business networks.

Q2. How can HMRC better engage businesses to help increase take-up of R&D tax credits?

- **How could businesses best obtain information on tax reliefs (social or traditional media, trade bodies, agents, other sources of information)?**
- **Who, within a company, should we target with information? (finance, R&D managers, the business owner, agents, others).**
- **What is the right time for a business to receive information?**
- **What other promotional activities could be introduced to ensure maximum take up of the reliefs?**
- **Do you consider that HMRC works sufficiently well in partnership with other government agencies? If not why?**
- **Are there any models of good practice we might follow (eg in other countries)?**

Q3. Are you confident that you can contact the right R&D Unit if you need to do so?

4. Design

4.1 The key features of the R&D tax credits are

- Research and development (R&D): the activity that the relief supports;
- The types of R&D expenditure that qualify for relief (eg staff costs);
- How relief is given (via the Corporation Tax system).

4.2 Government wants to make sure that these features continue to meet the needs of small companies in particular, that relief is given to the right companies, and for the right activity – ensuring compliance with the law – while the amount of work companies must do to support a claim (eg record keeping) is appropriate.

R&D

4.3 It is important that companies understand what counts as R&D to ensure that this isn't a barrier to claiming the relief and to ensure that the right amount of relief is given

4.4 The definition of R&D was consulted on in 2011, with most responses reflecting that the current definition is well established, understood and effective.

4.5 However, we would like to understand whether this still applies to smaller companies. One alternative that has been suggested to us is that small companies could be given an option of setting aside the current definition and instead using relevant accounting practice to identify R&D.

4.6 This could be a simplification, if a company already identifies R&D in its accounts.

Qualifying expenditure

4.7 The current rules specify different types (categories) of expenditure on R&D which qualify for tax credits, such as the cost of labour and the cost of consumable items. The rules aim to capture the majority of R&D costs, without introducing complexity by going into detail on every potential cost.

4.8 However we have had some feedback that the rules on what costs qualify for tax relief may be over complex given the amount of relief that can be claimed.

Q5 Is the current definition of R&D a barrier to small companies claiming R&D tax credits?

- **Would a change in definition to align it to accounting practice simplify the rules? If so why? What alternatives might be better?**
- **If introduced, how far should this treatment be optional (say, for companies below a certain size) or should it be compulsory?**
- **What can we learn from other countries?**

Q6. Are the rules over which costs qualify for relief a barrier to small companies claiming R&D tax credits?

Q7. Are there other specific design features which could be simplified to help small companies?

Q8. If overall changes or improvements can be identified, would they be better as options or changes to the general rules, or as a particular scheme aimed at the smallest companies?

5. Understanding

5.1 The government has committed to improve the R&D guidance, including making changes³ suggested by the Office of Tax Simplification⁴ in their report on tax Competitiveness. HMRC is already updating the guidance on the interaction of SME R&D relief and other forms of state aid. We are keen to use this consultation to explore different ways of providing guidance, rather than simply upgrading the current material.

5.2 The main guidance currently available is an online HMRC manual (the “Corporate Intangibles Research & Development ” manual or CIR⁵) which attempts to meet a wide range of needs, from straightforward, practical questions to interpreting complex statutory requirements and application to particular circumstances.

5.3 This manual is addressed at those with a good understanding of corporation tax and its main function is as HMRC staff guidance – but ever since it was first written in 2002 it has, like other internal guidance, been available to external customers. Information about R&D tax credits can also be found on Gov.uk and on the BIS website.

5.4 We recognise that guidance for an external audience needs to be,

- Accessible: designed to meet the needs of customers, written in plain language and easy to find – meaning not only that content should be clear, concise and consistent but that publication and design should be simple, user friendly and easily searchable.
- Relevant: meeting the needs of, and targeting, general and specific audiences. Structured in a way that users can easily navigate between ‘simple’ and ‘detailed’ guidance choosing the appropriate detail.
- Accurate: well maintained regularly reviewed and revised so that users have the confidence that they have the latest and most accurate view.

5.5 HMRC will need to maintain internal guidance for its staff and will therefore always have a manual, but we recognise that this may not be the best way to provide external guidance, nor is it necessarily the case that the same material is appropriate for both audiences. However there are two key principles. Material should be

- designed to cover things customers will need or want to do as well as events (eg starting a new project or subcontracting work);
- structured in layers, from a simple top level view through to much deeper technical detail for those who need it.

³ Improving guidance on software R&D, updating case studies and making clear what activities included as R&D by the BIS guidelines do not qualify for additional tax relief.

⁴ See <https://www.gov.uk/government/publications/competitiveness-of-uk-tax-administration-review>

⁵ See <http://www.hmrc.gov.uk/manuals/cirdmanual/index.htm>

Tailored guidance

5.6 Customers will normally consult guidance around the time of a key event, for example, starting a new venture or project or working in a new way such as subcontracting work for the first time. Guidance focussed on key events, specific risks or particular sectors will help business, encourage greater voluntary compliance and provide certainty. In some areas current guidance already caters for this and whilst we have given a commitment to improve guidance on the subject of software, there may be potential to go further on other areas.

Structure of guidance

5.7 There are alternative ways to structure and deliver guidance. For example, Australia uses step by step guides which combine eligibility, calculation and claims process. HMRC has previously used roadshows and webinars and simplified guidance for particular audiences.

Q8. Recognising that the R&D manual is used by different groups, what works well/ less well and for whom with the current format?

Q9. Is dedicated external customer (rather than intermediary) guidance needed? If so, does the commercial market already provide what is needed?

Q10. Should HMRC design its guidance by task or event rather than around the detail of the legislation?

Q11. What are the top issues for small companies and intermediaries both in terms of the legislation/rules and procedures?

Q12. Who uses the current guidance: companies, intermediaries or both? In particular, who uses the

- material currently on Gov.uk's site <https://www.gov.uk/corporation-tax-research-and-development-rd-relief>
- HMRC manual <http://www.hmrc.gov.uk/manuals/cirdmanual/index.htm>

Q13. How would companies and intermediaries prefer guidance to be set out Alternatives could include

- ***in the current format as a manual;***
- ***additional illustrations/ case study, Q&A, decision tree etc***
- ***via online forums: webinars/ YouTube etc***
- ***embedded in rules based applications (accounting software)?***

6. Administration

Advance assurances

6.1 The Government announced at Autumn Statement 2014 that HMRC will introduce a formal process of advance assurance for small companies claiming R&D relief for the first time.

6.2 The aim is to provide greater certainty and enable businesses to plan their finances effectively. HMRC will benefit from reduced errors as assurances should minimise the need for later HMRC intervention.

6.3 Pre-approvals (optional or compulsory) are already a feature of some other countries' R&D reliefs. In Canada companies must submit detailed information on a prescribed form for each eligible project however pre-approval is not necessary. In Austria and Brazil, an approval is required. In France, the taxpayer can seek governmental pre-approval for projects; however, pre-approval is not required in order to benefit from any of these incentives.

Proposed approach

6.4 Smaller companies making their first claim will be able to approach the R&D Units in advance and discuss the claim. There will be a single initial contact point for this purpose. Companies will supply brief information in a standard template, usually followed by a telephone (or in some cases, face to face) discussion. It is **not** proposed that advance assurances will be compulsory, or that any fee will be charged.

6.5 The process will allow companies greater certainty before the company tax return is submitted and a formal claim to relief made. This builds on the informal relationships that currently exist between the HMRC Specialists units and those companies who already seek advice before putting in their claim. Discussions will centre on agreeing a basis for future claims allowing companies certainty⁶ for a period going forward.

6.6 Advanced assurances would be particularly aimed at companies which may be deterred from making a first claim because of unfamiliarity with the system. Once companies have successfully made a first claim they will generally be more confident about future claims. Companies receiving support with the first claim will also be less likely to make future errors.

6.7 The design is based on a pilot that took place in 2011 which therefore provides a source of evidence. However we are keen that the new, wider service incorporates business' views and also draws on experience from other, similar services that HMRC already offers (such as for the Enterprise Investment Scheme).

⁶ Subject to the company carrying out the activity it proposed, in the way it proposed.

6.8 A particular issue is which companies should be able to apply for an assurance. The government's current thinking is that this should "small" or "micro" businesses according to the EU definition. This is a definition which is already used, both in the UK and elsewhere in the EU.

Company category	Employees	Turnover		Balance sheet total
Medium	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m	or	≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

6.9 Where contact is necessary it will be delivered initially through face to face conversations or possibly telephone calls. In the longer term, we are keen to explore other options for providing companies with a greater degree of certainty.

6.10 For example, we could provide an online service through a flow diagram or interactive decision tree, breaking the claims process down into manageable portions. As part of this or in addition, we might provide an online calculator that could help in setting out a claim. And contact could be through email.

6.11 HMRC is also keen to explore with business any other ways to improve the administration of the SME scheme – whether these can be delivered quickly, or as part of any longer-term changes to the Department's processes.

Q14. Would the approach set out above improve take-up of R&D tax credits amongst firms who have never made a claim?

Q15. We would welcome views on the design of the advance assurance service including

- **The companies that would benefit most (ie in encouraging them to carry out more R&D and grow faster)**
- **What specific issues do companies encounter in making their first claim?**
- **For how long an advance assurance should be valid?**
- **Whether your company (or a company you advise) would be likely to use advance assurances (and if not, why not)?**
- **Any issues for particular sectors/ types of company in administering and designing advanced assurance?**
- **How the service should be advertised?**

Q16. Another way to improve administration might be to link the advanced assurance service with access to finance. When attracting finance for an R&D project, how is this ability influenced by R&D tax credits? How could an advanced assurances service be structured to support access to funding?

Other administration issues

6.12 Claims to R&D relief are received centrally by HMRC. Where the company has not claimed relief before, the claim then needs to be allocated to an R&D unit. HMRC is however considering various ways to streamline the process including IT changes to ensure that claims are identified automatically when first submitted electronically. HMRC is also keen to explore with business any other ways to improve the

administration of the SME scheme – whether these can be deliver quickly, or as part of any longer term changes to the Department’s processes.

Q17. Are there any specific aspects of the way which a claim is made or processed which could be simplified or improved?

7. Assessment of Impacts

Summary of Impacts

7.1 The table below sets out our current assessment of impacts from the changes discussed in this document. This will be developed and updated in the light of comments received.

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+/-	+/-	+/-	+/-	+/-
Economic impact	By making R&D relief easier to access and therefore encouraging R&D, UK growth and competitiveness should be improved				
Impact on individuals and households and families	None. R&D tax reliefs only apply to companies.				
Equalities impacts	We have considered whether there will be any negative impacts on protected groups and have concluded there will not.				
Impact on businesses and Civil Society Organisations	Making R&D relief easier to access should benefit businesses able to claim. There should be no impact on Civil Society organisations.				
Impact on HMRC or other public sector delivery organisations	HMRC will need to deliver an additional service (the advance assurances) which will require additional resources as will the improvements to guidance and, potentially, any process changes identified. However, simplified processes, better guidance and improved understanding by businesses will make HMRC's role in administering the reliefs easier in the longer term.				
Other impacts	<p><u>Small business</u></p> <p>The intended outcome is improved access to R&D tax relief for smaller businesses, which should benefit them.</p>				

Q18. Do you agree with this assessment? In particular do you think that changes to the R&D tax credits could have any equalities impacts?

8. Summary of Consultation Questions

Q1. Do you agree that awareness, design, understanding and administration are the most relevant factors in ensuring that small businesses can access R&D tax credits?

Q2. How can HMRC better engage businesses to help increase take-up of R&D tax credits?

- How could businesses best obtain information on tax reliefs (social or traditional media, trade bodies, agents, other sources of information)?
- Who, within a company, should we target with information? (finance, R&D managers, the business owner, agents, others).
- What is the right time for a business to receive information?
- What other promotional activities could be introduced to ensure maximum take up of the reliefs?
- Do you consider that HMRC works sufficiently well in partnership with other government agencies? If not why?
- Are there any models of good practice we might follow (eg in other countries)?

Q3. Are you confident that you can contact the right R&D Unit if you need to do so?

Q4. Is the current definition of R&D a barrier to small companies claiming R&D tax credits?

- Would a change in definition to align it to accounting practice simplify the rules? If so why? What alternatives might be better?
- If introduced, how far should this treatment be optional (say, for companies below a certain size) or should it be compulsory?
- What can we learn from other countries?

Q5. Are the rules over which costs qualify for relief a barrier to small companies claiming R&D tax credits?

Q6. Are there other specific design features which could be simplified to help small companies?

Q7. If overall changes or improvements can be identified, would they be better as options or changes to the general rules, or as a particular scheme aimed at the smallest companies?

Q8. Recognising that the R&D manual is used by different groups, what works well/less well and for whom with the current format?

Q9. Is dedicated external customer (rather than intermediary) guidance needed? If so, does the commercial market already provide what is needed?

Q10. Should HMRC design its guidance by task or event rather than around the detail of the legislation?

Q11. What are the top issues for small companies and intermediaries both in terms of the legislation/rules and procedures?

Q12. Who uses the current guidance: companies, intermediaries or both? In particular, who uses the

- material currently on Gov.uk's site <https://www.gov.uk/corporation-tax-research-and-development-rd-relief>
- HMRC manual <http://www.hmrc.gov.uk/manuals/cirdmanual/index.htm>

Q13. How would companies and intermediaries prefer guidance to be set out
Alternatives could include

- in the current format as a manual;
- additional illustrations/ case study, Q&A, decision tree etc
- via online forums: webinars/ YouTube etc
- embedded in rules based applications (accounting software)?

Q14. Would the approach set out above improve take-up of R&D tax credits amongst firms who have never made a claim?

Q15. We would welcome views on the design of the advance assurance service including

- The companies that would benefit most (ie in encouraging them to carry out more R&D and grow faster)
- What specific issues do companies encounter in making their first claim?
- For how long an advance assurance should be valid?
- Whether your company (or a company you advise) would be likely to use advance assurances (and if not, why not)?
- Any issues for particular sectors/ types of company in administering and designing advanced assurance?
- How the service should be advertised?

Q16. Another way to improve administration might be to link the advanced assurance service with access to finance. When attracting finance for an R&D project, how is this ability influenced by R&D tax credits? How could an advanced assurances service be structured to support access to funding?

Q17. Are there any specific aspects of the way which a claim is made or processed which could be simplified or improved?

Q18. Do you agree with the impact assessment? In particular do you think that changes to the R&D tax credits could have any equalities impacts?

9. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before consulting later on a specific proposal for reform.

How to respond

Please send responses by 27 February to:

R&D Tax Credits Consultation,
HMRC,
Room 3/63
100 Parliament Street,
London SW1A 2BQ

Responses may also be sent by email to the address below

Any enquiries about the consultation should be addressed to Nalini Arora either by email to nalini.arora@hmrc.gsi.gov.uk or on 03000 545843 (from a text phone prefix this number with 18001)

While this consultation document provides the full detail of what we propose and what we would like to understand more about, we have also devised a series of accessible questions on the key areas of the consultation (see <https://www.surveymonkey.com/s/HMRCSTaxReliefsconsultation>). Using this approach, with social media to help gather responses, we hope to specifically engage businesses (particularly the smallest businesses) who might not usually respond to government consultations.

A summary of the questions in this consultation is included at chapter 9.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC Inside Government](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles. This is an initial consultation, aimed at identifying areas for further action and longer consultation will follow if needed.

The Consultation Principles are available on the Cabinet Office website:
<http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

Oliver Toop, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: Relevant (current) Legislation

The legislation governing the R&D tax credits for SME companies is in Part 13 of The Corporation tax Act 2009 (CTA 2009), in particular at chapters 1-4, 6, 8 and 9.