



Coverage:
United Kingdom

Theme:
The Economy

Released:
14 September 2016

Next Release:
September 2017

Frequency of release:
Annual

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Research and Development Tax Credits Statistics

September 2016



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Section 1: Introduction

About these statistics

This publication provides information on the number of companies claiming Research and Development (R&D) tax credits and the cost to the Exchequer of providing that support.

The statistics are compiled using claims made for tax credits which are reported on the Company Tax return form CT600 and reconciles this with management information collected by HMRC in the administration of the scheme. The CT600 form shows the enhanced amount of R&D expenditure and the amount of any R&D payable tax credit. Companies also state under which scheme they are claiming for the Small and Medium Enterprise (SME) and large company schemes. The figures are for 2000-01 to 2014-15 and are based on returns received on or before 30 June 2016. The filing deadline for CT returns is one year from the end of the accounting period. The latest possible filing deadline for accounting periods ending in 2014-15 was 31 March 2016, and the extra 3 months allows for the processing of returns and the inclusion of those filed late. As well as new statistics for 2014-15, this release includes revisions to 2013-14 using improved and additional information, particularly for estimates of RDEC and sub-contractor claims. Further explanation on these changes are provided in the background notes.

The number of claims made is higher than the number of companies who made claims. This is because a company can make more than one claim in the same year, either because they claim under different schemes or because they have more than one accounting period ending in the year.

What are Research and Development (R&D) tax credits?

R&D tax credits are a tax relief designed to encourage greater R&D spending, leading in turn to greater investment in innovation. They work by reducing a company's tax bill by an amount equal to a percentage of the company's allowable R&D expenditure. A company can only claim R&D tax credits if it is liable for Corporation Tax.

There are three schemes for claiming relief: The Small or Medium-sized Enterprise (SME) Scheme; The Large Company Scheme; and Research and Development Expenditure Credits.

A SME may claim a higher rate of relief than a large company. Also, a SME which has no tax bill to reduce may claim a cash payment instead.

R&D tax credits were introduced for SMEs in 2000 and extended to large companies from 2002. An additional "top-up" relief for vaccines research was introduced in 2003 – known as Vaccines Research Relief - VRR¹.

¹ VRR for SMEs has been removed for expenditure incurred on or after 1 April 2012, but is still available to large companies.

The Research and Development Expenditure Credit (RDEC) scheme (also known as 'Above-the-Line') was introduced in April 2013 for large companies. Companies could choose the new RDEC scheme or the Large Company scheme until April 2016, after which the Large Company scheme was no longer be available. A company with no tax liability that claims the expenditure credit may now claim a cash payment.

Further information on the schemes is included within the Background Information section of this publication.

What do the tables contain?

[Table RD1](#) shows how many R&D tax credit claims have been made under each scheme since 2000.

[Tables RD2](#) and [RD3](#) show the cost to the Exchequer (on an accounting period basis and on a receipts basis, respectively – see explanation in the [Financial years section below](#)) of meeting the claims shown in table RD1.

[Table RD4](#) shows how much qualifying R&D expenditure has been used to make the R&D tax credit claims shown in table RD1.

[Table RD5](#) provides a registered office regional analysis of R&D tax credit claims for 2014-15.

[Table RD6](#) provides an industry sector analysis of R&D tax credit claims for 2014-15.

Section 2: Key points and summary

2.1 Key Points

- Between 2000-01, when the R&D tax credit schemes were launched, and 2014-15, over 141,000 claims have been made and almost £14.0 billion in tax relief claimed.
- By the end of 2014-15, 39,360 different companies had made claims under the Small and Medium Enterprise (SME) scheme since it began in 2000-01, and 9,030 under the large company and Research and Development Expenditure Credit (RDEC) schemes, which launched in 2002-03 and 2013-14 respectively.
- The total number of claims rose to 22,445 for 2014-15. The increase was primarily driven by an increase in the number of SME claims, which totalled 18,630 in 2014-15, up from 16,005 in 2013-14. The number of claims is distinct from the number of returns (21,525) as a return can include more than one claim, e.g. where there is a claim for both the large company scheme and Vaccine Research Relief.
- The total amount of R&D support claimed rose to £2.45bn in 2014-15 – an increase of £675m (38%) from the previous year. The cost of support for the SME scheme rose by £325m to just over £1bn.
- The cost of the large company scheme fell to £165m reflecting the switch over to the new RDEC, which rose to cost just over £1.1bn in 2014-15.
- The total value of R&D expenditure against which claims were made was £21.8bn in 2014-15, an increase of 31% from the previous year.
- R&D claims and the amount claimed continue to be concentrated among companies with a registered office in London, the South East or the East of England (47% of all claims and 63% of the total amount claimed). However, the regional split is based on the registered head office location so may not be where all of the R&D activity took place.
- The ‘Manufacturing’, ‘Professional, Scientific and Technical’, and ‘Information and Communication’ sectors continued to have the greatest volume of claims, making up a total of 75% of claims and 77% of the total amount claimed for 2014-15.

Section 3: Commentary

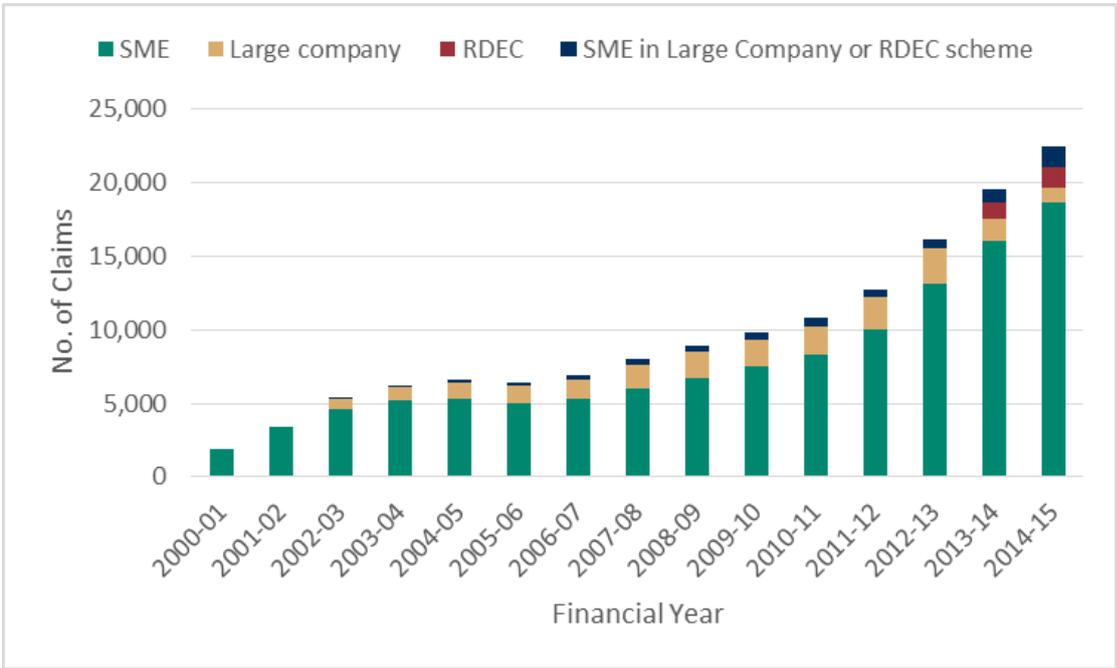
3.1 Number of claims

In 2014-15, the number of claims for R&D tax credits rose to 22,445 with £2.45 billion of tax relief support provided, based on £21.8 billion of R&D expenditure (See table RD1). The number of SME claims rose by 16% while large company R&D scheme claims decreased by 38%. This reflects the switch over to the RDEC scheme with, the number of RDEC scheme claims increasing from 1,110 in 2013-14, the first year of the scheme, to 1,470 in 2014-15.

The increase in the number of SME claims is likely to reflect the continuing effect of the removal on 1st April 2012 of the rule limiting payable credits to the amount of a SMEs PAYE/National Insurance liability and increases in the rate of enhanced expenditure for SMEs from 100% to 125% (allowing relief on 225% of their R&D expenditure) in 2012-13 and then 130% in 2013-14. The payable credit rate increased from 11% in 2013-14 to 14.5% in 2014-15.

Figure 1 shows the number of claims under each scheme in each financial year (data from Table [RD1](#)).

Figure 1: Number of claims received for R&D tax credits by scheme, 2000-01 to 2014-15



For both SMEs and large companies, the requirement for a minimum expenditure of £10,000 on R&D was removed on 1st April 2012. This allows SMEs carrying out lower level R&D activity (i.e. spending less than £10,000) to make claims where they could not before. Large company claims are generally well in excess of £10,000, so the removal of the minimum expenditure would not affect the number of large company claims.

3.2 Companies with more than one claim in a year

In some cases, a single tax return has more than one claim. For example, a company could claim under the large company scheme, and separately for vaccines research relief, on the same form. Also, a company with more than one accounting period ending in a single financial year will submit a return for each accounting period ending in that year. For accounting periods ending within 2014-15, companies may have submitted returns claiming under both the large company and RDEC schemes; the latter not being available until 1st April 2014.

In 2014-15, a total of 20,935 companies made 22,445 relief claims (see table RD1). Note that the claims figures in RD1 do not sum to the number of returns with a claim for the reasons described in the paragraph above. A key factor in this is that some returns included a claim for both the RDEC and the large company scheme, so the difference between number of claims and companies claiming is greater in the two years since RDEC has been introduced.

3.3 Type of relief claimed

The most common way for SMEs to claim R&D tax credits was by a deduction from corporation tax (CT) liability, with 10,935 claims made this way for 2014-15, compared to 3,485 claims made for a payable credit. Payable credits are claimed by loss-making companies which have no CT liability against which to set the deduction. In the years since 2008-09 the relief rate for deduction claims has increased by 50%, and the figures in tables RD1 and RD2 reflect this, showing a significant increase in the number and cost of deduction claims compared with the number of payable credit claims. The rate for payable tax credit claims increased to 14.5% in 2014-15. This may be one of the drivers behind large growth in the number of payable credit claims with 31% more claims in 2014-15 than 2013-14.

3.4 Amount of relief claimed

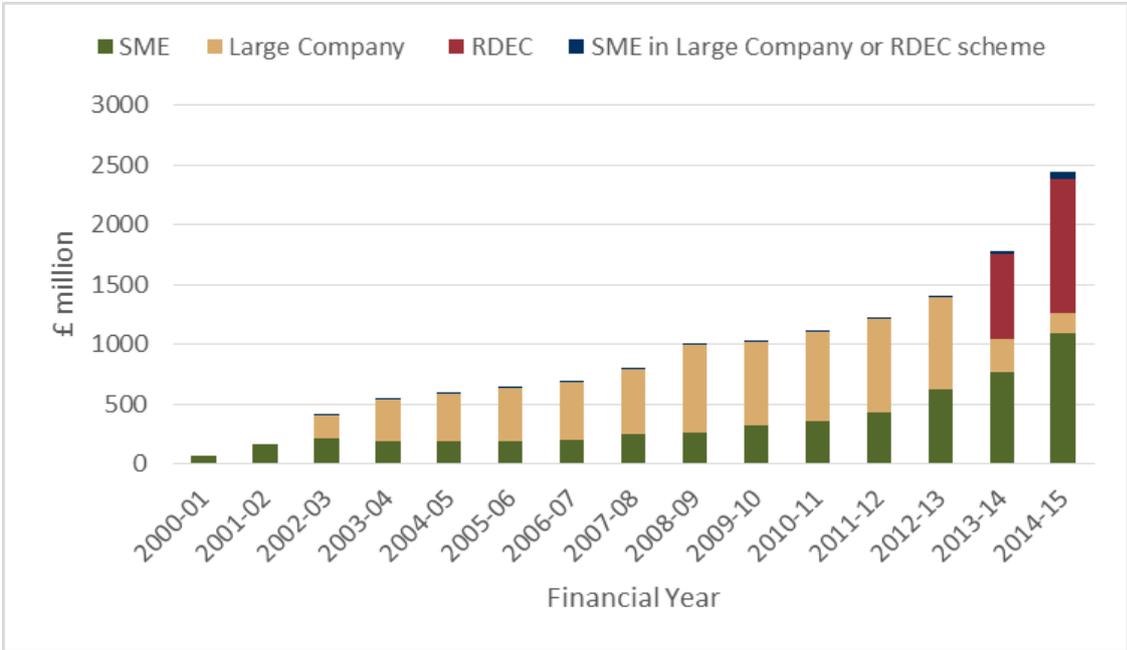
Although the volume of claims under the SME scheme are much larger than under the large company and RDEC schemes, a larger proportion of the relief by value has been claimed by large companies. This is because the amounts they claim are generally much larger than those claimed by SMEs.

The amounts of support claimed are shown in Figure 2 below (data from table RD2). The cost of support has increased substantially each year except for 2009-10. The increase in the rate of enhanced expenditure for SMEs from 100% to 125% in 2012-13 and then to 130% in 2013-14 and the increase in the payable credit rate from 11% in 2013-14 to 14.5% in 2014-15 is a factor in the increase in the value of support claimed by SMEs.

£2.45bn of support was claimed for 2014-15, of which £1.1bn was claimed through the SME scheme, £165m under the large company scheme, and £1.1bn under the RDEC scheme. £70m was claimed by small and medium sized companies, including subcontractors, though the large company and RDEC schemes. This represents an increase in overall support from 2013-14 of 38%.

There has been a large increase in the value of RDEC support as it becomes more established (increasing by 58% from 2013-14 to 2014-15) offsetting the decreased in the large company scheme as this wound down (decreasing by 41% from 2013-14 to 2014-15).

Figure 2: Total support claimed through R&D tax credits by scheme, 2000-01 to 2014-15 (£m, accounting period end date basis)

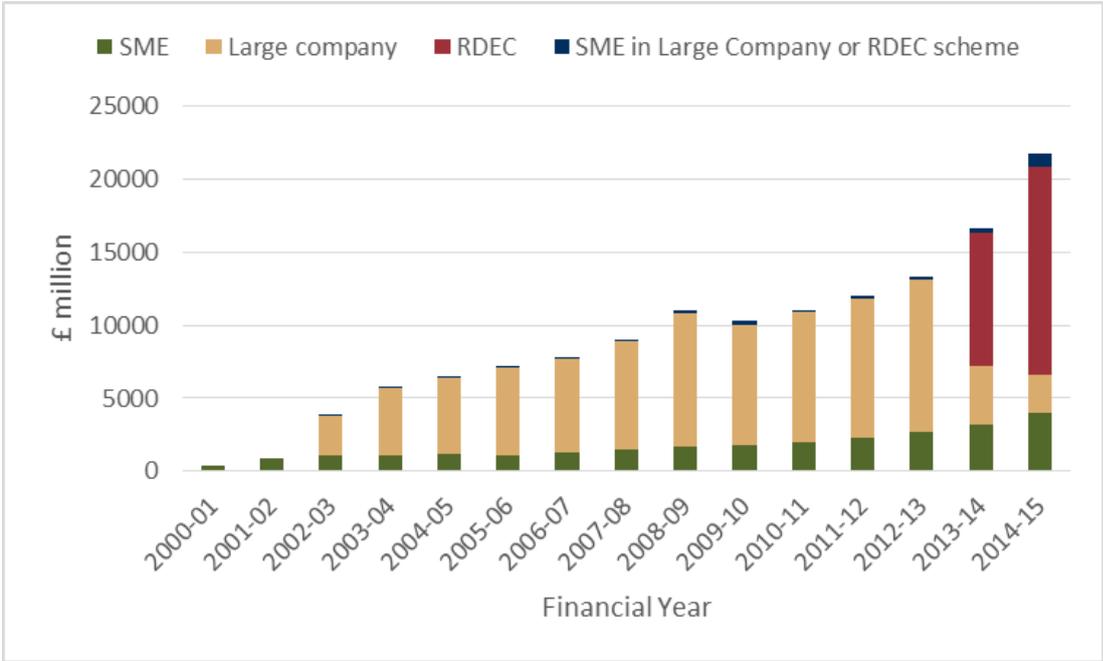


3.5 R&D expenditure

Figure 3 (data from table RD4) shows the total qualifying expenditure on R&D which has been used to claim R&D tax relief. This does not represent all expenditure on R&D in the UK, just that which qualifies for R&D tax relief and has been used to make a claim. Section 3.13 provides a comparison between the tax relief data and the Business Enterprise Research and Development survey of R&D expenditure carried out by the Office for National Statistics.

The level of R&D expenditure used to claim R&D tax relief amounted to £21.8bn in 2014-15, an increase of 31% from the previous year. R&D expenditure by companies claiming under the SME scheme rose by £830m between 2013-14 and 2014-15. For companies claiming under the large company scheme, expenditure fell by £1.4bn as this scheme is phased out and replaced by the RDEC scheme. The RDEC scheme accounted for £14.3bn in expenditure in 2014-15. It should be noted that the latest figures include expenditure by universities and similar institutions: expenditure incurred after 1st of August 2015 by universities and similar institutions is no longer eligible for R&D tax relief. These account for around £2.4bn of expenditure, the majority (89%) of this was claimed through RDEC and the large company scheme.

Figure 3: Total R&D expenditure used to claim R&D tax credits by scheme, 2000-01 to 2014-15 (£m, accounting period end date basis)



3.6 “Combination” claims

In some cases, a SME can first use its R&D tax credit to reduce its tax bill to zero, and then take the rest as a cash payment. In other cases, a SME with no tax bill might choose to take some or none of its R&D tax credit as cash, with the remainder being carried forward. All such cases are referred to as “combination claims”. In 2014-15, £1.2bn of expenditure was used to make combination claims, while £1.4bn of R&D expenditure was used to claim pure deductions from CT liability. The increase in payable credit rates to 14.5% in 2014-15 and the increase number of claims meant that expenditure of credit claims grew to £1.4bn in 2014-15 from £900m in 2013-14 (an increase of 56%).

3.7 SMEs claiming in large company or RDEC scheme

SMEs working for large companies as sub-contractors or receiving related subsidies must claim under the large company or RDEC scheme. The number of these cases rose steadily from 60 in 2002-03 to 530 in 2010-11. There was a slight drop in 2011-12 to 510, but the numbers rose to 580 in 2012-13 and then 840 in 2013-14. This has been revised up from the previous estimate of 660 for 2013-14 reflecting improvements in the calculation of this data. The number of SMEs claiming in the large company or RDEC scheme then increased substantially to 1,370 in 2014-15. The removal of the £10,000 minimum claim requirement in 2012-13 will have allowed more SMEs to make claims where they could not before.

Due to the way that the data is recorded, it is not currently possible through CT returns to fully distinguish between SMEs claiming under the large company scheme and those claiming under the RDEC scheme. Large companies themselves account for the majority of

the support claimed under the large company and RDEC scheme. Management information data has been reconciled with the CT returns to improve our estimate of SMEs claiming in these schemes² and the level of support for them (See table RD2). In 2014-15, SMEs received £70m in support from either the RDEC or Large company scheme. The value for 2013-14 has been revised up to £20m from previous estimates.

² For further explanation, see the Methodology section within Background Information.

3.8 Vaccines Research Relief (VRR)

Previously, loss-making SMEs could surrender enhanced VRR deductions for a cash payment, just as with the SME R&D tax credit. However, VRR for SMEs was reduced to 20% of qualifying expenditure from 1st April 2011 and was then removed for expenditure incurred on or after 1st April 2012. Large companies claiming VRR can only use the deduction option; they cannot claim payable credits for VRR, just as they cannot under the main R&D scheme.

The number of claims under the VRR scheme has remained at about 10 a year since its introduction in 2003-04 (See table RD1) though has fallen to less than 10 in 2013-14 and 2014-15. This represents a very small cost to the Exchequer, with support claimed less than £5m each year (not shown in Figure 2, due to its small size).

Expenditure used to claim under the VRR scheme (data from table RD4) rose from approximately £10m in 2003-04, when the scheme was introduced, to £30m in 2011-12, with subsequent falls in the years since to £15m in 2013-14 then increasing again slightly to £20m in 2014-15.

3.9 Registered office location

Table RD5 shows the distribution of R&D tax credit claims by government office region of the company's registered address. The numbers and amounts for 2014-15 are shown in Figure 4 below (data from Table RD5).

The figures continue to show a concentration of companies with registered offices in London (19% of all claims and 33% of the total amount claimed), the South East (18% of claims and 19% of total claimed) and the East of England (10% of all claims and 11% of total claimed).

Table RD5 should be interpreted with caution because this table is based on registered office location, which may not be where the actual R&D activity is carried out— [see section on tables RD4–RD6 in the Background Information chapter below](#).

Figure 4: Registered office regional analysis of R&D tax credit claims, 2014-15

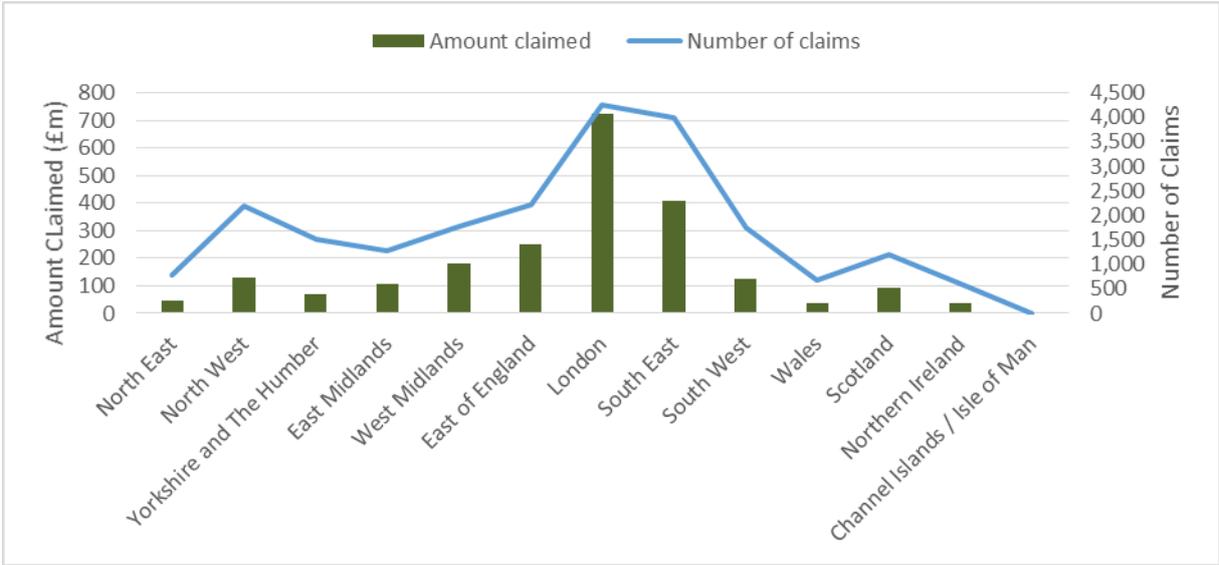


Figure 5 shows the proportion of claims received by Government office region (GOR) in relationship to the overall number of Corporation Tax returns this is to give some perspective on the expected level of claims made from each GOR. Although London does have the highest percentage of claims at 19% the percentage of CT returns received from companies registered in London is 26%, so proportionately the amount of companies claiming R&D tax credits is lower. South East England has more claims in comparison to overall returns than any other regions with an overall 18% of claims for R&D tax relief a greater proportion than the share of total CT returns at 15%

Figure 5: Registered office regional analysis of R&D tax relief claims comparison to Corporation tax returns, 2014-15



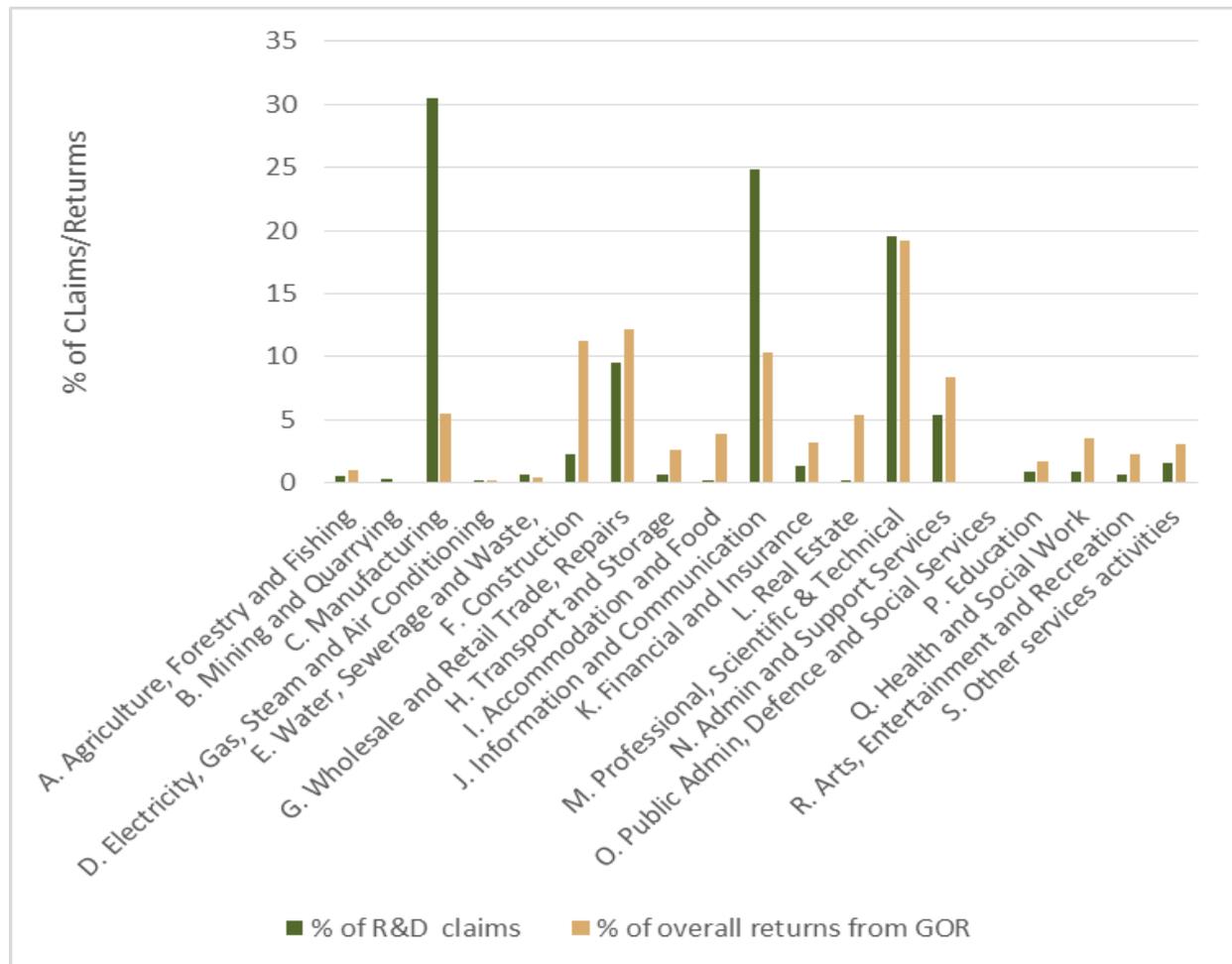
3.10 Industry sector analysis

Table RD6 shows the distribution of R&D tax credit claims by industry sector for 2013-14.

The figures show a concentration of claims in the 'Manufacturing' (30%), 'Professional, Scientific and Technical' (20%) and 'Information and Communication' (25%) sectors, accounting for 36%, 24% and 18% of the total amount claimed respectively.

Figure 6 shows the proportion of claims made against the overall proportion of corporation tax returns from that sector. Overall 30% of R&D claims comes from the 'manufacturing' sector which makes up just 5% of corporation tax return with the same SIC codes. 'Information and Communication' also have a disproportionately high number of R&D tax relief claims in comparison to the size of the sector with 25% of claims from that sector in comparison to just 10% of overall CT returns.

Figure 6: Industry Sector analysis of R&D tax credit claims comparison to Corporation tax returns, 2014-15

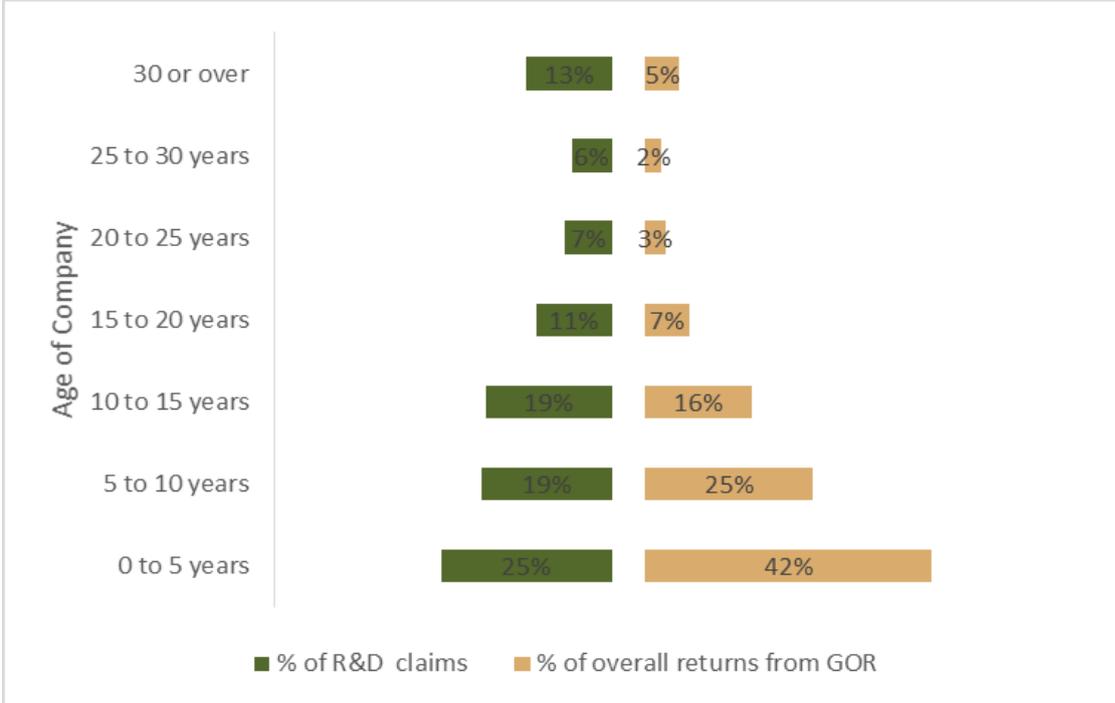


The coding of industry sectors does not always reliably describe the sector of companies' R&D activity for a variety of reasons – as described in the [Tables RD4-RD6 part of the Background information section below](#). Caution should therefore be exercised in interpreting this chart.

3.11 Age of Company

Figure 7 shows the distribution of R&D tax credit claims by age of the company's registered with Companies House. The largest number of claims came from young companies between 0-5 years old (25%) however this group represent 42% of all CT returns. Companies between 25 to 30 years old have a greater proportion of claims to returns making 13% of all claims but only 5% of all returns.

Figure 7: Age of Company analysis of R&D tax credit claims comparison to Corporation tax returns, 2014-15



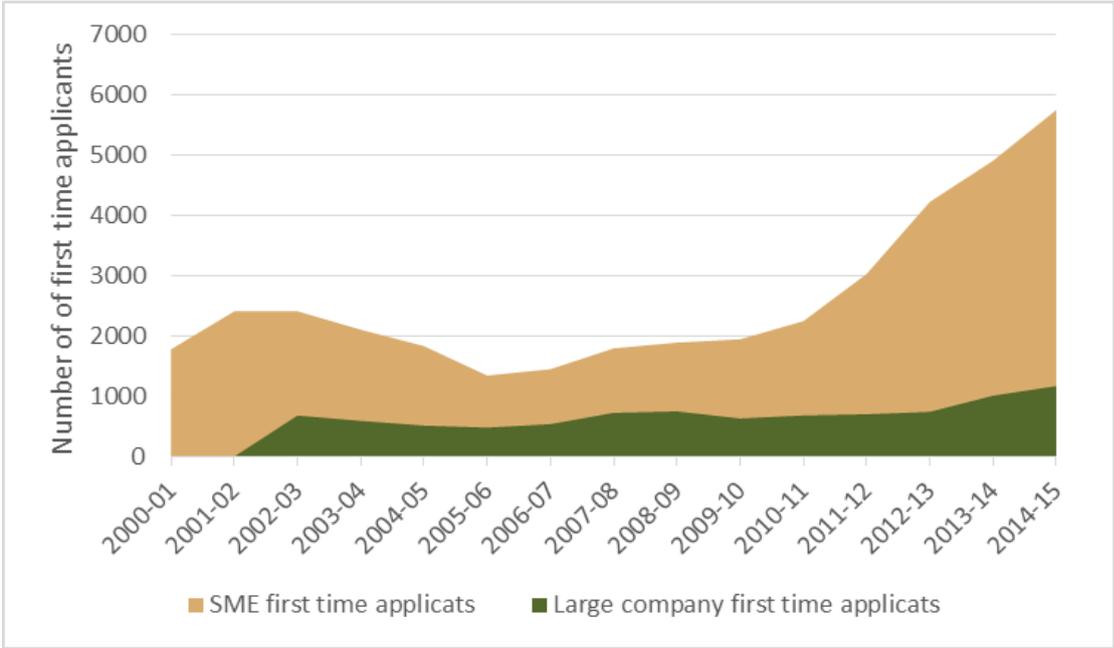
3.12 First time applications

For both SMEs and large companies, the requirement for a minimum expenditure of £10,000 on R&D was removed on 1st April 2012. This allows SMEs carrying out lower level R&D activity (i.e. spending less than £10,000) to make claims where these were not previously eligible.

This change has had a noticeable effect on the number of first time applicants claiming R&D tax relief, particularly for SMEs where the number of claims has almost doubled since 2011-12.

Large company claims are generally well in excess of £10,000, so the removal of the minimum expenditure would have a more limited impact on the number of large company claims. The RDEC scheme has resulted in an increase in first time applicants from large companies, new applicants were 57% higher for 2014-15 then 2012-13.

Figure 8: Number of first time applications by financial year, 2000-01 to 2014-15



3.13 Business Enterprise Research and Development (BERD) survey estimates of R&D expenditure

The Office for National Statistics (ONS) conducts the annual Business Enterprise Research and Development (BERD) survey of 400 of the largest R&D spenders and a sample of approximately 4,600 other companies³.

Table 3.13 shows the latest BERD survey estimates of R&D revenue expenditure by businesses, and the expenditure used to claim R&D tax credits.⁴ The BERD figure for 2014 of £19.9 billion compares with our claims-related expenditure figure of £19.6bn for 2014-15. This indicates that 98% of all R&D revenue expenditure by business was used to claim R&D tax credits. Note that BERD data is reported on a calendar year basis, whereas R&D tax credit claims are reported by financial year. For comparing data, the 2014 calendar year basis is most closely related to the 2014-15 financial year. To improve the comparability of the estimates, we have removed the value of expenditure for universities and similar institutions from the analysis of our tax relief statistics.

Table 3.13 UK R&D expenditure 2005 to 2015 (£ billion)

Year of Comparison	Total revenue expenditure (BERD survey, cash terms)	Expenditure used to claim tax credits	Percentage of total used to claim
2005 and 2005-06	13.7	7.2	53%
2006 and 2006-07	14.1	7.9	56%
2007 and 2007-08	15.7	9.1	58%
2008 and 2008-09	15.8	11.0	70%
2009 and 2009-10	15.5	10.3	66%
2010 and 2010-11	16	11.1	69%
2011 and 2011-12	17.5	12.0	69%
2012 and 2012-13	17.4	13.4	77%
2013 and 2013-14	18.8	16.4	87%
2014 and 2014-15	19.9	19.6	98%

Both BERD and HMRC recorded expenditures have followed upward trends except for 2011 when BERD estimate of total R&D expenditure decreased by 3%, while the expenditure used to claim tax credits increased by 17%. However since 2012 both have continued to grow.

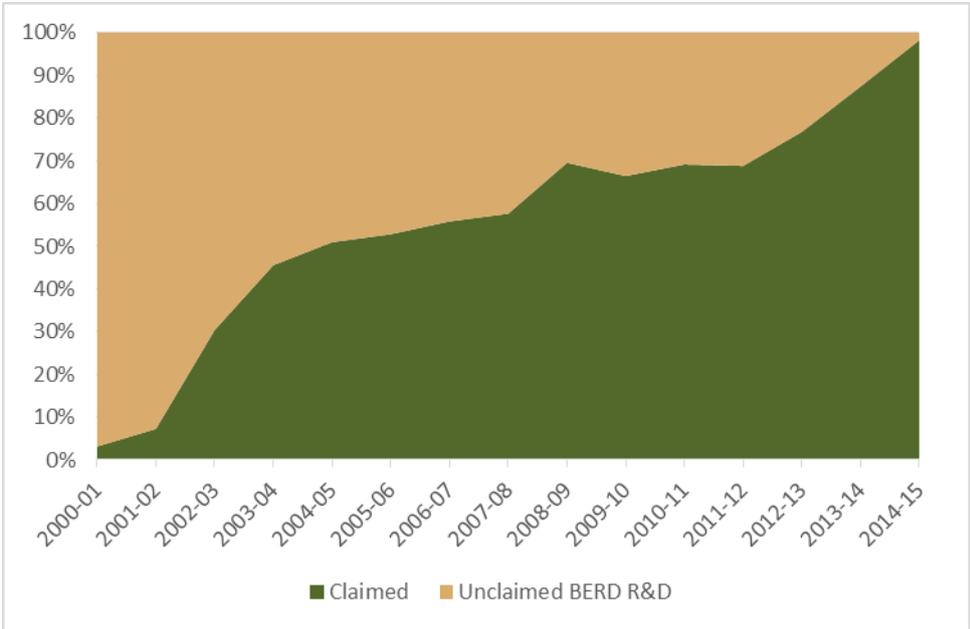
³ See Business Enterprise Research and Development, 2012: <http://www.ons.gov.uk/ons/rel/rdit1/bus-ent-res-and-dev/2012/stb-berd-2012.html>

⁴ See Table 13 of the BERD survey. <http://www.ons.gov.uk/ons/rel/rdit1/bus-ent-res-and-dev/2012/stb-berd-2012.html>

After the introduction of the large company scheme in 2002-03 the percentage of total R&D expenditure used to claim tax credits has increased steadily from 30% in 2002 to 98% in 2015.

It is possible that greater awareness and the increasing generosity of the schemes may be leading to a larger proportion of those companies carrying out R&D activity going on to make a claim. The increase in the proportion of expenditure being used to claim credits may, in part, be a reflection of those SMEs who previously carried out R&D activity but could not claim due to the £10,000 minimum expenditure now claiming under the scheme. Figure 9 shows a comparison of tax relief statistics to BERD expenditure levels for 2000-01 to 2014-15.

Figure 9: Comparison to BERD level of expenditure, 2000-01 to 2014-15



Section 4: Background Information

What are Research and Development (R&D) tax credits?

R&D tax credits are a tax relief designed to encourage greater R&D spending, leading in turn to greater investment in innovation. They work by reducing a company's tax bill by an amount equal to a percentage of the company's allowable R&D expenditure. A company can only claim R&D tax credits if it is liable for Corporation Tax.

There are three schemes for claiming relief:

- The Small or Medium-sized Enterprise (SME) Scheme;
- The Large Company Scheme; and
- Research and Development Expenditure Credits (RDEC).

The RDEC scheme (also known as 'Above-the-Line') was introduced in April 2013 for large companies. Companies could choose the new RDEC scheme or the Large Company scheme until April 2016, after which the Large Company scheme was no longer available. A company with no tax liability that claims the expenditure credit may now claim a cash payment.

Under the normal EU definition, a SME is a company or organisation with fewer than 250 employees and either of the following:

- an annual turnover not exceeding €50 million; and
- a balance sheet not exceeding €43 million.

This definition was used in deciding eligibility for R&D tax credits until 1 August 2008. Since then, a wider definition of SME has been used – but only in the context of R&D tax credits. This new definition, still in force, states:

“A SME is a company or organisation with fewer than 500 employees and either of the following:

- an annual turnover not exceeding €100 million; and
- a balance sheet not exceeding €86 million.

However, a company may not be considered to be a SME if it is part of a larger enterprise that, taken as a whole, would fail these tests.

A SME may claim a higher rate of relief than a large company. Also, a SME which has no tax bill to reduce may claim a cash payment instead.

R&D tax credits were introduced for SMEs in 2000 and extended to large companies from 2002. An additional “top-up” relief for vaccines research was introduced in 2003 – known as Vaccines Research Relief - VRR⁵.

Both corporation tax and R&D tax credit rates have changed over the years. For information about current and historical rates of deduction and payable credits, and who can claim them (including sub-contractors), please see <http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm>.

Data sources

The main administrative data used to compile National Statistics on R&D tax credits are derived from information provided by companies on the Company Tax return (CT600), with any modifications or additions made in subsequent assessments. The data cover all CT returns received by HMRC and records are available for all SME and large company claims made in those returns.

The CT return collects information on the enhanced level of R&D expenditure and the amount of any R&D payable tax credit. Companies also specify whether they are claiming under the SME or large company scheme, and declare the expenditure they are claiming under the SME sub-contractor or vaccines research relief scheme, if applicable.

The figures also include cases in which the SME or large company claim box was ticked in the CT return but the associated expenditure was only recorded later as part of the CT assessment process.

The CT600 form contains a step-by-step record of the company’s corporation tax calculations, starting with its income and chargeable gains, and taking into account any relevant deductions and reliefs.

Initial checks carried out on the data include:

- Correction of calculation errors in the tax return;
- Automated checks which take place when loading data into the analysis database. Inconsistencies are automatically ‘repaired’ if possible; otherwise the record is flagged as invalid.

Once the claims data have been extracted from the analysis database:

- Outliers are identified and their veracity checked – records are then removed or corrected appropriately;

⁵ VRR for SMEs has been removed for expenditure incurred on or after 1 April 2012, but is still available to large companies.

- Any large changes in figures from one statistical release to the next are investigated.

Tables RD1 to RD4 relate to claims made in CT returns for the SME, large company R&D tax credit, RDEC schemes, and vaccines research relief. The figures cover the period 2000-01 to 2014-15 and are based on CT returns received on or before 30 June 2016.

Because a company can sometimes claim under more than one scheme in any one accounting period, and can have more than one accounting period ending during any one financial year, the number of companies making claims in any one year is less than the number of claims in that year. Table RD1 provides the number of companies claiming R&D tax credits by financial year, and the number of tax returns in which they make those claims.

Postcode and industry sector data for companies claiming R&D tax credits are obtained from Companies House via FAME (Financial Analysis Made Easy) under licence from Bureau Van Dijk Electronic Publishing and also from the Office for National Statistics' (ONS) Inter-Departmental Business Register (IDBR) survey. These data extracts are combined with CT return data to produce Tables RD5 and RD6.

Because all the necessary data for the R&D Tax Credits National Statistics are obtained from administrative data sources, there is no additional burden on companies or HMRC tax inspectors to provide information.

Methodology

The R&D tax credit tables include every case captured via a CT600 form. As no sampling is necessary, sampling error is not an issue.

Each claim is classified (e.g. as a SME payable credit, Large company, SME applying in the Large Company or RDEC scheme, etc.) based on the information provided on the CT600 form and its associated R&D expenditure and tax cost calculated. The numbers, costs and expenditure are then aggregated to produce Tables RD1, RD2 and RD4. Table RD3 is produced by applying standard conversion factors to the figures in Table RD2.

Data is reconciled with claims data held as management information held by the claims handling units within HMRC. This provides a further check on the value of claims and the relevant scheme under which a claim has been made. Where information on the RDEC scheme is limited within the CT600 form, this has been of particular value in estimating the value of RDEC claims and expenditure and claims by SME companies applying through the RDEC scheme. This approach has been carried back to the data for 2013-14, revising the previously published estimates for this period. As the RDEC scheme was not in place prior to April 2013, we would not expect this change to generate significant revisions to earlier periods.

Limitations and reliability of the estimates

Although the data are the best available at the time, claims for R&D tax credits can be made up to 2 years after the end of an accounting period (i.e. amendments can be made to returns already submitted within this time period), so some claims may be received after the statistics are released. Figures for earlier years may therefore have changed since a previous release.

The statistics are produced based on information provided to HMRC on the CT600 and related forms. The figures represent the initial claims made prior to any compliance checks being carried out and are known to exclude a small number of large company claims that come in a non-standard format.

This release provides information on research and development activities for which R&D tax credits have been claimed. Not all expenditure on R&D in the UK is used to claim the tax credit, so these statistics are not a comprehensive account of all R&D activity in the UK.

The RDEC tax credit scheme was introduced in 2013-14. Large companies claiming RDEC can be clearly identified in the CT600 tax return data. Small companies claiming a tax credit may have claimed under RDEC or through the SME scheme. To distinguish these, information is additionally needed that is provided in the supplementary information to the claims. It has therefore been necessary to make certain assumptions in compiling the figure for SME applying through the large company or RDEC scheme for 2013-14 and 2014-15. However, this group have historically accounted for only a very small proportion of the support claimed under the large company scheme and this fact has been used in compiling the latest figures.

A new version of the CT600 form has been introduced for accounting periods starting on or after 1 April 2015 that will enable improvements to the figures for this sub-category.

Tables RD5 and RD6 should be interpreted with caution. Table RD5 looks at the regional split of R&D claims. However, this is based on registered office location, which may not be where the actual R&D activity is carried out. Table RD6 provides the industry breakdown of R&D activity. However, this may not reflect the industry in which the R&D activity itself is carried out. For more info, see the note on tables [RD4 to RD6](#) below.

All figures should therefore be considered provisional, although any revisions are more likely to affect the later years.

Sources of error in the published statistics include:

- Although the data are broadly complete, as explained above, there are a small number of returns received after the 30th June which add to the existing data and can therefore result in minor revisions to previously published figures. Accordingly, the results for all years should be considered as provisional, although any such revisions are more likely to impact on the later years;

- Data capture errors: companies may make errors entering their information onto the CT600 Company Tax Return form, whether this is done on paper or electronically. The data are subsequently entered onto the COTAX system either manually or by electronic transmission. This is another point at which data may be altered due to human error or software errors. There is a risk that errors involving very large profits or tax amounts may distort the overall statistics. To mitigate this, checks are carried out and any incorrect large values which are detected are altered in the analysis database before the statistics are produced;
- A small number of companies submit claims in a non-standard format and are therefore not included in these statistics; and
- Data on company location and industry sector are not necessarily reliable indicators of the R&D being carried out - [see explanation of tables RD4 to RD6 below](#).

Rounding and totals

The figures have been independently rounded, e.g. to the nearest 10 or £10 million for tables RD1 to RD4. This can lead to components not summing to the totals shown.

Also, for table RD1, the total claims provided for individual schemes do not sum to the total returns for all R&D schemes shown in that table. This is because: some sub-contractor and vaccine research relief claims are included on the same return as existing SME or large company claims; and, due to the accounting periods (explained further below) claims may be made for the large company and RDEC schemes on the same return.

Financial years, accounting periods and receipt of tax

Despite appearances, tables RD2 and RD3 present slightly different costs. Table RD2 shows costs falling on the Exchequer according to when the company incurred the R&D expenditure, whereas table RD3 shows estimates of the costs according to when tax would have been received, or the payment was made, by HMRC.

The financial year in table RD2 is therefore defined by the date at which the company's accounting period ends. For example, if the end date of the accounting period is 31st January 2006, the claim is said to be for financial year 2005-06 (which ended on 31st March 2006). However, in table RD3, the financial year indicates when the cost was incurred by HMRC. So, in the same example, if the claim was paid on 27th April 2006, then that cost will fall in financial year 2006-07.

Revisions to previously published tables

Companies' corporation tax assessments are subject to revision, and although the majority of assessments are finalised within two years, there are exceptional cases which can take much longer. The cut-off date for receipt of returns has been set to minimize omissions and amendments, resulting in very little change to the published tables. Further revisions have been made as a result of the reconciliation of CT600 data with management information (described in the Methodology section above). There is thus no specific point at which the R&D tax credit claims for a particular year can be considered complete or final, for example, due to late submission of a company's tax return. In this release, the revisions to these statistics have been limited to 2013-14 onwards where we have had access to management information.

Revisions to the published figures are not routinely made until the following year's release. Typically the only revisions are to the most recent year's figures, reflecting returns received after the cut-off date.

Tables RD4 to RD6

Tables RD4 to RD6 were published for the first time in 2012 in response to user requests and on the recommendation of the United Kingdom Statistics Authority (UKSA).

Table RD4 reports the amount of R&D expenditure that gives rise to the tax relief claims, which for some users is a more relevant business measure than the tax cost.

Table RD5 analyses claims for 2014-15 by the government office region (GOR) of the registered address of the companies making the claims. A company may operate at different locations throughout the UK but its tax return will be made on behalf of the whole company and linked to its registered office address. A geographical breakdown will therefore show all the company's expenditure and tax liability as originating at the location of the registered office, which may not reflect the location of the company's actual R&D activities. Since the publication of the 2010-11 statistics, a regional breakdown of registered office addresses has been provided in Table RD5, subject to the above important caution. **Table RD5 is classified as official statistics rather than as National Statistics.**

Similarly, Table RD6 analyses claims by industry sector based on the SIC classification of the companies. The classification is based on the UK Standard Industrial Classification 2007 standard; prior to the 2014 set of statistics it was based on SIC2003⁶. Companies have been assigned to a SIC 2007 sector based on information from the ONS's Inter-Departmental Business Register (IDBR) survey where there was a unique match, or otherwise from information provided by companies to Companies House. However, there are a number of caveats to this information for example, a company may have changed its primary business since first registration; or, although its primary business is correct (eg telecommunications),

⁶ Please see the link below to the Office for National Statistics (ONS) which provides further information on SIC2007 including the correlation between SIC2003 and SIC2007:
<http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html>

the company's current research is in a different sector (e.g. materials science). For companies within a group, the industry sector might be recorded as that of its holding company, and appear under "activities of holding companies" within the Business Services sector. **Table RD6 is classified as official statistics rather than as National Statistics**

Who might be interested?

These statistics may be of interest to anyone seeking the latest data about the uptake of R&D tax credits, their cost, and the nature of the companies claiming them.

They may also be of interest to organisations such as think-tanks, universities and other similar institutions, e.g. for comparing the relative effects of similar incentives operating in other countries. Such organisations might also be interested in an evaluation of R&D tax credits published on the HMRC web site at:

<http://www.hmrc.gov.uk/research/report107.pdf>.

User engagement

We are committed to improving the official statistics we publish. We want to encourage and promote user engagement, so we can improve our statistical outputs.

We would welcome any views you have. We will use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals. If you have ideas for improvements, or comments on changes made this year, or any other suggestions relating to this release, please let us know by visiting:

<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics#contact-us>

Other statistics on R&D in the United Kingdom

These statistics comprise information on research and development activities for which R&D tax credits have been claimed. Not all expenditure on R&D in the UK is used to claim the tax credit, so these statistics are not a comprehensive account of all R&D activity in the UK.

The Office for National Statistics (ONS) publishes several additional National Statistics on R&D in the UK, including the *Business Enterprise Research and Development (BERD)* survey and *Gross Domestic Expenditure on Research and Development*. Additionally, the Scottish Government and the Northern Ireland Statistics and Research Agency publish National Statistics on R&D activity in Scotland and Northern Ireland, including the *Business Enterprise Research and Development, Scotland*, *Gross Expenditure on Research and Development Scotland*, and the *Research & Development Survey (Northern Ireland)*.

For access to these and other related publications on R&D activity in the UK, please visit:

<https://www.gov.uk/government/statistics/announcements>

Statistics on Patent Box have been published on the same day as these statistics providing information on the numbers, value and cost to the Exchequer of Patent Box tax reliefs. The Patent Box enables companies to apply a lower rate of Corporation Tax to profits earned after 1 April 2013 from its patented inventions. The statistics and accompanying commentary include figures for 2013-14, the first full year for which Patent Box data is available since the relief's introduction in 2013.

National Statistics

National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. For general enquiries about National Statistics contact the National Statistics Public Enquiry Service.

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Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

Annex A: Statistical Reference Tables – RD1 to RD6

RD1 Claims for the R&D tax credit by scheme and financial year, 2000-01 to 2014-15^{1 2 3 4 5}

Numbers: Actual

	SME R&D scheme			TOTAL	Schemes for large companies			Vaccines research relief	All R&D schemes	
	Deductions from CT liability	Payable credits	Combination		Large company R&D scheme	RDEC scheme	SME claims in large company and RDEC scheme		TOTAL	returns
2000-01	990	630	240	1,860					1,860	1,780
2001-02	1,650	1,130	630	3,410					3,410	3,270
2002-03	2,370	1,380	880	4,640	630		60		5,300	5,110
2003-04	2,940	1,290	940	5,160	920		120	10	6,130	5,950
2004-05	3,120	1,280	920	5,310	1,090		220	10	6,490	6,310
2005-06	2,960	1,100	900	4,960	1,200		290	10	6,290	6,120
2006-07	3,230	1,060	990	5,270	1,320		350	10	6,760	6,560
2007-08	3,760	1,090	1,130	5,990	1,640		400	10	7,810	7,570
2008-09	4,180	570	1,910	6,670	1,810		440	10	8,670	8,470
2009-10	4,820	880	1,770	7,470	1,830		490	10	9,500	9,250
2010-11	5,460	800	2,020	8,280	1,960		530	10	10,440	10,200
2011-12	6,770	800	2,460	10,030	2,150		510	10	12,340	12,050
2012-13	8,810	1,240	3,100	13,140	2,380		580	10	15,700	15,280
2013-14 ^r	10,425	2,655	2,920	16,005	1,560	1,110	840	<10	18,940	18,355
2014-15 ^p	10,935	3,485	4,210	18,630	965	1,470	1,370	<10	21,525	20,935

1. Estimates of the number of claims are rounded to the nearest ten. Totals may not sum due to rounding. Totals for all R&D schemes may not sum to the totals of individual schemes, as some SME subcontractor and vaccines research relief claims are included with existing SME, RDEC or large company claims.

These claims have been removed from the total to avoid double counting.

2. The number of claims is based on the date that the accounting period covered by the claim ends. Table RD1 is comparable with cost data in Table RD2 where costs are apportioned on the same accounting period basis.

3. The figures are based on claims for R&D tax credits made by companies in Company Tax returns received on or before 30 June 2016.

4. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.

5. The Research and Development Expenditure scheme was introduced on 1 April 2013.

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RD2 Cost of support claimed for the R&D tax credit by scheme and financial year on an accounting period basis, 2000-01 to 2014-15 ^{1 2 3 4 5}

£ million

	SME R&D scheme			Schemes for large companies				Vaccines research relief	All R&D schemes
	Deductions from CT liability	Payable credits	TOTAL	Large company R&D scheme	RDEC scheme	SME claims in large company and RDEC scheme	TOTAL		
2000-01	10	60	70						70
2001-02	20	150	170						170
2002-03	30	180	210	200		*	200		410
2003-04	40	150	190	340		*	340	*	540
2004-05	50	140	190	390		*	400	*	590
2005-06	40	140	180	450		10	460	*	640
2006-07	50	150	200	480		10	490	*	690
2007-08	60	180	240	550		10	560	*	810
2008-09	80	190	270	730		10	740	*	1,000
2009-10	130	190	320	670		10	690	*	1,010
2010-11	160	190	350	750		10	760	*	1,110
2011-12	210	220	430	780		10	790	*	1,220
2012-13	320	290	600	760		10	770	*	1,370
2013-14 ^r	370	400	770	280	710	20	1005	*	1,775
2014-15 ^p	390	705	1,095	165	1,120	70	1350	*	2,450

1. Estimates of the cost of support claimed are rounded to the nearest £10m. Totals may not sum due to rounding.
2. Tables RD2 and RD3 are not directly comparable due to the time basis on which they are calculated. The accounting period basis in Table RD2 apportions costs to financial years based on the accounting period end-date of the R&D tax claim. The receipts basis in Table RD3 apportions costs based on when HM Revenue & Customs is estimated to incur the cost arising from R&D tax credits. Where claims are for a combination of deductions from Corporation Tax liability and the payable credit, the cost of the claim has been split into the two separate components. Table RD2 is comparable with Table RD1 where the number of claims is also presented on an accounting period basis.
3. The figures are based on claims for R&D tax credits made by companies in Company Tax returns received on or before 30 June 2016. They exclude a small number of large company claims made alongside the returns totalling around £20 million a year in Exchequer cost.
4. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.
5. The Research and Development Expenditure scheme was introduced on 1 April 2013.

* Negligible amount (less than £5m)

p. Provisional

r. Revised

RD3 Cost of support claimed for the R&D tax credit by scheme and financial year on a receipts basis, 2000-01 to 2014-15 ^{1 2 3 4 5}

£ million

	SME R&D scheme			Schemes for large companies				Vaccines research relief	All R&D schemes
	Deductions from CT liability	Payable credits	TOTAL	Large company R&D scheme	RDEC scheme	SME claims in large company and RDEC scheme	TOTAL		
2000-01	*	20	20						20
2001-02	10	90	100						100
2002-03	30	160	180	180		*	190		370
2003-04	30	170	200	330		*	330	*	540
2004-05	40	150	190	390		*	390	*	590
2005-06	50	140	190	440		*	450	*	640
2006-07	40	150	190	480		10	490	*	680
2007-08	60	160	220	550		10	560	*	770
2008-09	70	180	250	720		10	720	*	980
2009-10	100	190	290	670		10	690	*	970
2010-11	140	190	330	740		10	760	*	1,090
2011-12	180	200	380	770		10	780	*	1,160
2012-13	230	230	460	770		10	770	*	1,230
2013-14 ^r	325	375	700	305	665	20	990	*	1,690
2014-15 ^p	370	635	1,010	170	1095	65	1,330	*	2,340

1. Estimates of the cost of support claimed are rounded to the nearest £10m. Totals may not sum due to rounding.

2. Tables RD2 and RD3 are not directly comparable due to the time basis on which they are calculated. The accounting period basis in Table RD2 apportions costs to financial years based on the accounting period end date of the R&D tax claim. The receipts basis in Table RD3 apportions costs based on when HM Revenue & Customs is estimated to incur the cost arising from R&D tax credits. Where claims are for a combination of deductions from Corporation Tax liability and the payable credit, the cost of the claim has been split into the two separate components.

3. The figures are based on claims for the R&D tax credits made by companies in Company Tax returns received on or before 30 June 2016. They exclude a small number of large company claims made alongside the returns totalling around £20 million a year.

4. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.

5. The Research and Development Expenditure scheme was introduced on 1 April 2013.

* Negligible amount (less than £5m)

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r. Revised

RD4 R&D expenditure used to claim R&D tax credits by scheme and finance year, 2000-01 to 2014-15 ^{1 2 3 4}

£ million

	SME R&D scheme	Schemes for large companies			Vaccines Research Relief	All R&D schemes
		Large company R&D scheme	RDEC scheme	SME claims in large company and RDEC scheme		
2000-01	360					360
2001-02	890					890
2002-03	1,140	2,620		30	*	3,780
2003-04	1,130	4,520		40	10	5,700
2004-05	1,150	5,250		60	20	6,470
2005-06	1,090	5,960		170	10	7,240
2006-07	1,280	6,390		180	20	7,870
2007-08	1,530	7,350		150	20	9,050
2008-09	1,700	9,100		170	20	10,990
2009-10	1,740	7,990		230	20	9,980
2010-11	1,960	8,910		170	20	11,070
2011-12	2,260	9,580		180	30	12,050
2012-13	2,670	10,490		180	20	13,360
2013-14 ^f	3,195	3,980	9,190	265	15	16,645
2014-15 ^p	4,025	2,535	14,335	890	20	21,805

1. Estimates of the expenditure used to claim tax credits are rounded to the nearest £10m.

2. Totals may not sum due to rounding.

3. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.

4. The Research and Development Expenditure scheme was introduced on 1 April 2013.

* Negligible amount (less than £5m)

p. Provisional

r. Revised

RD5

Regional analysis of number and cost of R&D tax credit claims, 2014-15 ^{1 2 3 4 5 p}

Numbers: actual
Amounts: £ million

Government Office Region	SME R&D scheme		Schemes for large companies								All schemes	
	Number of claims	Amount claimed	Large company R&D scheme		Dual Claims		RDEC scheme		SME claims in large company and RDEC scheme		Number of claims	Amount claimed
			Number of claims	Amount claimed	Number of claims, All	Amount claimed	Number of claims	Amount claimed	Number of claims	Amount claimed		
North East	665	35	25	*	*	*	40	10	45	*	770	45
North West	1865	75	80	*	5	*	135	50	115	5	2200	130
Yorkshire and The Humber	1295	50	60	5	*	*	70	15	85	*	1510	70
East Midlands	1095	50	40	5	5	20	55	30	85	*	1285	105
West Midlands	1505	60	65	*	10	*	90	110	105	5	1775	180
East of England	1835	105	100	10	*	*	125	125	160	10	2220	250
London	3495	280	175	70	25	35	355	320	195	15	4245	725
South East	3300	190	210	50	10	*	235	155	235	15	3990	410
South West	1470	80	75	5	*	*	90	35	110	*	1750	125
Wales	565	20	10	*	5	*	45	15	50	*	675	35
Scotland	905	50	80	5	10	*	100	40	105	5	1200	95
Northern Ireland	480	25	40	*	*	*	25	10	65	*	610	35
Channel Islands / Isle of Man	0	0	0	0	0	0	0	0	0	0	*	*
Total	18480	1020	955	160	80	60	1360	910	1355	65	22240	2215

1. Regional allocation is based on the postcode of the company's registered address, which might not correspond to where the R&D activity takes place, so caution must be exercised when interpreting these figures.
 2. Figures exclude claims where region is not known.
 3. Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £5m. Totals may not sum due to rounding.
 4. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.
 5. Dual claims are those where a company made a claim under both the Large Company and RDEC schemes.
- p. Provisional
- * Value suppressed as cell count less than 5

Industry sector	SME R&D scheme		Schemes for large companies								All schemes	
			Large company R&D scheme		Dual Claims		RDEC scheme		SME claims in large company and RDEC scheme			
	Number of claims	Amount claimed	Number of claims	Amount claimed	Number of claims, All	Amount claimed, RDEC scheme	Number of claims	Amount claimed	Number of claims	Amount claimed	Number of claims	Amount claimed
A. Agriculture, Forestry, Fishing	85	5	0	0	10	*	10	*	5	*	105	5
B. Mining & Quarrying	25	*	*	*	10	*	30	20	*	*	65	25
C. Manufacturing	4,990	250	20	*	325	70	550	430	460	20	6,345	770
D. Electricity, Gas, Steam and Air Conditioning	20	5	*	*	10	*	10	*	*	*	40	10
E. Water, Sewerage and Waste,	95	5	*	*	10	*	15	5	5	*	130	10
F. Construction	375	15	*	*	25	*	65	20	10	*	480	35
G. Wholesale & Retail Trade, Repairs	1,725	60	10	*	100	15	75	20	65	*	1,975	100
H. Transport & Storage	105	5	0	0	15	*	20	*	*	*	140	10
I. Accommodation & Food	40	*	0	0	*	*	5	*	0	0	45	*
J. Information & Communication	4,530	275	20	*	175	20	145	70	295	15	5,165	385
K. Financial & Insurance	180	15	5	*	25	5	50	30	10	*	270	60
L. Real Estate	40	*	0	0	*	*	*	*	*	*	45	*
M. Professional, Scientific & Technical	3,285	245	15	35	150	35	250	190	365	25	4,065	525
N. Admin & Support Services	920	40	*	*	55	5	90	35	45	*	1,115	80
O. Public Admin, Defence & Social Services	0	0	0	0	0	0	*	5	0	0	*	5
P. Education	140	10	0	0	5	*	25	60	10	*	175	70
Q. Health & Social Work	145	10	0	0	5	*	5	*	20	*	175	15
R. Arts, Entertainment & Recreation	135	15	*	20	*	*	5	20	*	*	145	55
S. Other services activities	305	10	0	0	5	*	5	*	15	*	335	15
Total	17,135	970	80	60	935	160	1,360	910	1,315	70	20,830	2,170

Notes

1. Industry sector is based on primary SIC2007 coding of registered company. This coding might not correspond to the industry sector of the R&D activity, so caution must be exercised when interpreting these figures.
2. Figures exclude claims where industry sector is not known.
3. Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £5m. Totals may not sum due to rounding.
4. Statistics in this table are consistent with HMRC's policies on dominance and disclosure.
5. No claims for R&D tax relief were received from companies classified within SIC2007 sectors T (Activities of households as employers) and U (Activities of extraterritorial organisations and bodies). These sectors were therefore excluded from the table.
6. Dual claims are those where a company made a claim under both the Large Company and RDEC schemes.