

Dear Ms Darley

I am writing to BUFDG about today's Budget announcement on university and charity claims to RDEC.

What is the change?

From 1 August 2015, the government will correct an anomaly in Research & Development (R&D) tax credits legislation so that universities and charities are unable to claim the R&D Expenditure Credit (RDEC), in line with the original intention of the policy. This will ensure that R&D tax credits remain well-targeted at business R&D investment.

The government is committed to supporting the UK's world-class research. This change maintains the focus on supporting excellence wherever it is found, both through Higher Education Funding Bodies and Research Councils.

The government will be introducing an amendment to S104A CTA 2009, to provide that an 'ineligible company' will be unable to claim RDEC in respect of expenditure incurred on or after 1 August 2015. An ineligible company is defined as an 'institution of higher education' or a charity.

Why are we making this change?

HMRC has recently received a number of claims for the RDEC from universities. Universities and charities were never intended to claim the RDEC and were unable to claim under the previous large company scheme. The RDEC was intended to provide a more visible and certain incentive to large companies, including those without a liability to CT. This change ensures it continues to be effective and well-targeted towards business R&D investment.

The government remains committed to supporting the UK's world-class research on the basis of excellence and will provide £4.6bn of support in 2015-16 for science resource funding. This support is better targeted to the research universities undertake.

What about current claims?

This change does not affect claims that have already been made, and HMRC will continue to process those claims and make payments (where due). These claims will undergo risk assessment, and in some cases, enquiry in line with existing procedures. Universities and charities can continue to make claims for expenditure incurred up to 1 August 2015.

What next?

CIRD guidance will be revised in due course.

I would be happy to have a call or meeting with you to discuss this.

Best regards
Aziz

Aziz Yusuf
Policy Adviser, R&D Tax Credits
HMRC Corporation Tax, International and Stamps
100 Parliament Street, London SW1A 2BQ