



Technology Tax Experts

MMP Tax Ltd Press Release
Response to the Autumn Budget 2014

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MMP Tax applauds the government for the increase in rates for the above-the-line RDEC from 10% to 11% for large corporations, and the additional rate of credit increase from 225% to 230% for small and medium enterprises (SMEs). Both of these measures will take effect from 1 April 2015. These changes will make both schemes more generous, providing a net benefit of £45 million for companies in the year 2015-16.¹

The changes in the RDEC Large Company Tax Scheme are especially important given the recent figures from the Office for National Statistics, which showed that large corporations represented £14.2 billion of a total possible £18.4 billion for expenditure on R&D performed by UK businesses in 2013.² We will continue to encourage the government to enhance the Large Company scheme, as the aforementioned figures demonstrate the importance that large companies have on advancing and sustaining the growing R&D sector.

Elsewhere, MMP react positively to the Chancellor's decision to invest £5.9 billion into the UK's research infrastructure throughout the five year period: 2016-2021. This funding will also include a £2.9 billion Grand Challenges fund, which will specifically facilitate UK investment in nationally significant and large-scale research facilities.³ Growing evidence suggests that governmental investment in science and engineering research can boost the UK's economic growth; therefore, we see the government's investment in the UK's research infrastructure as a positive step towards creating more jobs, greater economic progression and advanced infrastructure throughout the UK's technological landscape.⁴

Additionally, this investment strategy commits £0.8 billion in new research facilities and projects, including the construction of a proposed £20 million innovation centre on ageing in Newcastle. The latest figures from the Office for National Statistics show that the North East is one of the regions with the lowest levels of R&D employment and totals of expenditure on business R&D; we believe that examples such as The National Centre for Ageing Science and Innovation in Newcastle are exactly what are needed to rejuvenate R&D deprived areas, and establish a consistent level of R&D expertise throughout the UK.

Although the Chancellor's investment decision is a positive step in the right direction, there is no room for complacency, and MMP will continue to encourage the government to increase their total level of R&D investment. Recent figures demonstrate that the UK's level of R&D investment is internationally low and declining (1.78% in 2011 and 1.72% of GDP in 2012), while the EU28 average is increasing (rising from 2.04% in 2011 to 2.07% of GDP in 2012).⁵ The UK government can drive economic growth by increasing their investment in R&D, which will in turn incentivise large multi-national corporations to operate in the UK. Research has shown that the business enterprise component of R&D in the UK is concentrated in the hands of a few very large firms⁶;

¹ Autumn Statement 2014 Policy Costings; accessed at: <https://www.gov.uk/government/publications/autumn-statement-documents>

² Business Enterprise Research and Development, 2013; accessed at <http://www.ons.gov.uk/ons/rel/rdit1/bus-ent-res-and-dev/index.html>

³ Autumn Statement 2014 Summary; accessed at: <https://www.gov.uk/government/publications/autumn-statement-documents>

⁴ Science and engineering investment – Policy Briefing; accessed at: <http://sciencecampaign.org.uk/CaSE2015InvestmentBriefing.pdf>

⁵ Science and engineering investment – Policy Briefing; accessed at: <http://sciencecampaign.org.uk/CaSE2015InvestmentBriefing.pdf>

⁶ The UK R&D landscape – March 2012; accessed at: <http://www.ukirc.ac.uk/resources/reports/657-2/>

we believe that the government should be implementing strategies to retain and incentivise large multi-national corporations to operate within the UK.

In relation to the importance of large companies in the wider tax framework, MMP welcome the introduction of a 'diverted profits tax', which will be administered from 1 April 2015. The tax will apply to UK-generated profits that have been diverted away to other countries, and the new scheme will ensure that these diverted profits are charged at a rate of 25%. The move is projected to raise £1.4bn in total by 2010⁷. MMP believe that the introduction of this tax will have long-term implications on companies' choice of location, and we hope that large multi-national corporations will begin to centralise their operations in the UK market.

Elsewhere, we fully support the introduction of an advance assurance scheme for small businesses making their first R&D tax credits claim. Small, emerging companies are essential to the growth and progression of the technology sector; however, as previously mentioned, the real driving force for UK R&D and UK innovation are large corporations. We urge the government to introduce schemes and net benefit increases on current Large Company schemes, with the view of incentivising multi-national corporations to locate in the emerging UK market. In order to increase the UK's declining level of R&D investment, the government have to focus their efforts on long-term strategies for large companies.

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About MMP Tax:

MMP offer breadth and depth in the provision of specialist technology-based tax consultancy for our corporate clients. Specific areas of expertise include tax reliefs for R&D, patents, video games and animation, specialised capital allowances, and corporate investments.

At MMP we combine specialist knowledge of technology tax reliefs with practical experience in engineering and scientific disciplines. We apply these skills in a client-centric way to ensure our clients submit robust and verifiable claims.

The directors have more than 30 years of direct experience in technology tax relief from a technical and consulting perspective, in addition to wide-ranging experience in industry.

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For further information:

See MMP Tax's Budget Commentary at www.mmp-tax.co.uk/news.php

⁷ Autumn statement 2014 Summary; accessed at: <https://www.gov.uk/government/publications/autumn-statement-documents>