MMP Tax Ltd Press Release
Response to the Budget 2014
for immediate release

Publish date: Thursday 20 March 2014

MMP Tax welcomes the Chancellor's decision to increase the payable R&D Tax Credit credit rate for loss-making SMEs from 11 per cent to 14.5 per cent. This means that loss-making SMEs will be able to reclaim 32.63% of the gross amount of their expenditure on R&D in the form of a payable cash credit. So a loss-making SME investing £100,000 in qualifying R&D will be able to claim a cash payment of £32,630 which is an extra 7.88 per cent (i.e. £7,880) more than is available under the existing scheme.

The R&D Tax Relief scheme is a cross-party governmental success story of recent years. Introduced by Labour and enhanced by the Coalition, last year the number of claims for R&D Tax Relief rose by 16.5% on the previous year and accounted for £1.2 billion of support in reducing the cost of investment in R&D. £420 million of this was claimed by smaller businesses.

The fruits of this research can be seen in the promising growth figures emerging across the SME economy. The latest figures from the Manufacturing Advisory Service show that more than three quarters of SMEs (76%) expect to increase their sales in the first six months of 2014, while more than half of SMEs (53%) expect to take on staff in next six months (a figure which is 14% higher than the last MAS survey).

But there is no room for complacency and MMP will continue to encourage the government to enhance the Large Company R&D Tax Scheme. Large Companies matter in the context of UK R&D. The Large Company payable credit, introduced last year, is beginning to impact on large firms but the enhancement rate of the scheme (30% pre-tax) has not increased since August 2008. This is especially important given the mobility of multi-national R&D programmes in response to international tax incentive regimes. The 100 Group of large companies have recently published their annual tax report which highlights that its group of only 100 large companies last year invested more than £5 billion in business research and development – equivalent to more than 31% of the entire UK business R&D tax spend.

Elsewhere, MMP responded positively to the confirmation that the enhancements to the Film Tax Relief Scheme announced in the Autumn Statement in December 2013 have all now received State aid approval.

With effect from 1 April 2014, Film Tax Relief will be available at 25% on the first £20 million of qualifying production expenditure and 20% thereafter, for both small and large budget films. In addition, the minimum UK expenditure requirement will be reduced from 25% to 10% to encourage further investment in the UK and to benefit visual effects and the wider industry. This will help UK independent production companies by encouraging minority co-productions where the UK spend is less than 25%.

The changes will make the entire scheme more generous and will also give more prominence to visual effects in the Cultural Test: thereby helping visual effects production as part of overall film production costs. They will also strengthen the incentives to produce culturally relevant British and EEA films and maintain skills and expertise within the UK community, as well as for co-productions with partners across the EEA.

MMP also welcomed the doubling of the annual investment allowance (AIA) to £500,000 from April 2014 until the end of 2015. This will particularly benefit small and medium sized firms because up to 4.9 million firms – 99.8% of businesses – will receive 100% up-front relief on their qualifying investment in plant and machinery. It is worth remembering that the AIA was only £25,000 per annum up until January 2013.

Finally, MMP has cautious optimism about the prospects for eventual State aid approval for Video Games Relief. MMP have been involved in recent years in lobbying for the relief, in partnership with industry groups such as TIGA. The relief will definitely help reverse recent declining trends in the UK video game development industry. Numerous countries have generous game development tax incentives and the UK game development industry is not competing on a level playing field in a global context.

Peter Denison-Pender, Director of Tax at MMP Tax Limited, commented:
"These are significant improvements to the technology tax landscape which will have a tangible impact on the nature and quantum of UK business R&D.

The cost of R&D for UK businesses is continuing to fall which can only have a positive impact on future innovation and wealth creation.

The government's technology tax framework is taking coherent and effective shape. We urge the government to keep up the good work, for instance in making the case to the EU Commission about video game tax relief."

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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

