

MEDILINK RESOURCES

R&D TAX RELIEF IN THE UK



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QUALIFYING COST CATEGORIES

The UK government offers R&D tax relief to **encourage innovation**, and life sciences companies can benefit significantly from this program. To maximise your claim, it's **essential** to understand the key cost categories that qualify for R&D tax relief. These include:

1. EMPLOYEE STAFFING COSTS AND R&D TIME

Employee costs are a major component of R&D claims. For life sciences companies, this includes the salaries and associated costs of staff engaged in R&D activities.

- **Qualifying Costs:** Gross salaries, Employer National Insurance Contributions (NICs), Employer Pension Contributions, PAYE bonuses, and reimbursed travel expenses.
- **Time Tracking:** You must estimate and break down the time spent by employees on R&D activities, ensuring you can allocate their work appropriately between direct, associated, and qualified indirect roles. This is crucial in demonstrating the extent to which your team is contributing to scientific or technological advancements.



2. CONSUMABLES

Consumables used in the course of R&D are eligible for tax relief, which is particularly relevant in the life sciences sector.

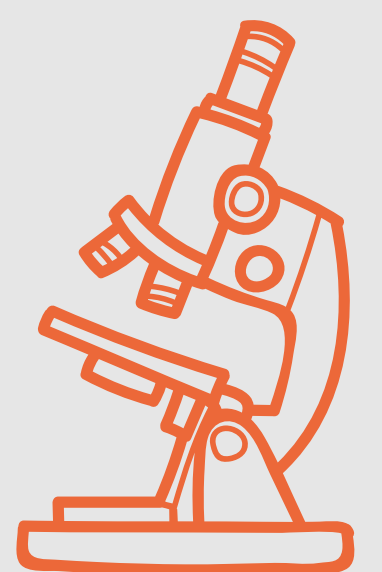
- **Qualifying Expenditures:** Materials such as chemicals, laboratory consumables, prototypes, and reagents that are used or discarded during R&D processes.
- **Key Consideration:** Items must be consumed and cannot be salvaged or resold for profit. This includes items that are otherwise irreparably altered in the process.



3. SUBCONTRACTOR COSTS

Life sciences firms often collaborate with **third-party contractors** to address specific R&D challenges. These subcontracted services are eligible for R&D tax relief if they contribute directly to your project.

- **Eligible Costs:** Payments to subcontractors for research and development activities that solve technological or scientific uncertainties.
- **Important Notes:** For larger companies, only subcontractors that meet certain criteria (such as qualifying bodies or individuals) are eligible. Post-April 2024, subcontracted R&D must generally be performed in the UK, with some exemptions.



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4. EXTERNALLY PROVIDED WORKERS (EPW)

Life sciences companies may utilise agency staff or other **externally provided workers (EPWs)** to fill specialised roles. These workers' time can count toward your R&D claims if they are directly involved in R&D activities.

- **Eligible Costs:** Costs associated with EPWs involved in R&D, including their wages and associated costs.
- **Integration Requirement:** To qualify, EPWs must be integrated into your workforce and work under the same conditions as permanent employees.
- **Post-April 2024 Changes:** Only UK-based EPWs will qualify for claims, unless they meet certain exemptions.

5. SOFTWARE LICENSES

The **software** used to support R&D activities is also eligible for tax relief. This is especially relevant for life sciences firms utilising specialised tools for data analysis, modelling, and simulations.

- **Qualifying Expenditures:** Costs for software licenses that are directly used in the R&D process (e.g., laboratory software, data analysis tools).
- **Apportionment:** If software serves multiple functions (e.g., both for R&D and administrative purposes), these costs must be apportioned based on its use in R&D activities.



6. DATA LICENSES AND CLOUD COMPUTING SERVICES

Many life sciences companies rely on large datasets and cloud computing for their R&D, making these expenses eligible for tax relief.

- **Eligible Costs:** Data licenses and cloud computing services that are essential to resolving scientific or technological uncertainties in your R&D.
- **Apportionment:** If these services are used for multiple purposes, the cost must be apportioned to reflect their use in the R&D activities.

MAXIMISING YOUR R&D TAX RELIEF CLAIM

By carefully tracking and documenting the costs in these categories, life sciences companies can ensure they claim all eligible expenses. Each category plays a critical role in the R&D process, and proper accounting can lead to significant financial benefits through R&D tax relief.

Whether you're developing new treatments, improving medical devices, or conducting cutting-edge biological research, understanding and applying these qualifying costs is key to unlocking your company's R&D tax relief potential.