The scope of qualifying expenditure for R&D tax credits: CIOT response

Large Corporate OMB

01 December 2020

The CIOT responded to the consultation published in July 2020 on potential changes to the scope of qualifying expenditure for R&D tax credits in two specific areas: data and software (cloud computing).

This consultation on potential changes to the scope of qualifying expenditure for R&D tax credits sits alongside the UK's R&D Roadmap, which was also published in July 2020 (tinyurl.com/y7jfazah). The roadmap confirms the government's commitment to increasing UK investment in R&D, which we welcomed.

We welcomed that the consultation was at an early stage of consideration of the changes discussed, but noted that there was no clarity about the costings of any changes which may result. We were concerned that there was some implication throughout the consultation document that any changes made to the availability of R&D relief should be cost neutral, although this was not expressly said. We said that we hoped that this is not the case. Overall, we said that the changes to qualifying expenditure in relation to data and software mooted by the consultation document would be welcome and in accordance with the policy aims of the R&D credit system. However, a scaling back of the generosity of the regime with respect to indirect costs of R&D would not be welcome, as these can form a critical part of R&D which factor into the overall investment decisions taken.

In our view the UK R&D credits regime is valuable and generally very well structured. It compares favourably with many other regimes and is generally easy to apply for and well administered. We suggested that the government should promote the regime more to encourage more small and medium enterprises and international businesses to consider the regime as beneficial as it actually is (and, therefore, give it greater weight in making investment decisions).

The consultation document and our full response is available here.

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