

## Economical Engineering: How R&D Can Save You Money



In order to run a cost-efficient and economically sound business, those in the engineering sector need to understand not only how to make products that sell, but how to utilise the many tax rules and regulations that govern the industry.

*R&D Tax Relief is the key to many engineering firms success!*

The reality is that many are not cognisant of such legislation at all; still less do they understand how they can use this to their economic advantage. Viewing taxes as little more than a dent in their earnings, many fail to explore this area, and thus never know the money they could save simply by filing a research and development (R&D) tax claim.

It may be that you have never even heard this term before, so let us explain it to you. R&D tax credits were introduced by the UK government in 2000. Intended to encourage companies like yours to spend more on research and development.

### How does R&D tax credits work?

The reason R&D tax credits were introduced in the first place is because the government were of the opinion that such actions are advantageous not only to the companies who carry out this research and development, but to the economy as a whole. In return for helping to grease the wheels of commerce, they believed that such enterprises should have to pay less than their competitors – an

undoubted advantage to those who choose to take them up on such an offer.

As we stated above, these tax credits can save companies a substantial amount of money. Small and medium enterprises able to reclaim up to 33 percent of the amount they spend on qualifying research and development. Larger ventures can also profit, with refunds of up to 10 percent available.

This money is paid as a corporation tax refund after the close of the financial year. Tax-free, it can be used for any purpose, from hiring additional developers to investing in equipment or covering the cost of dividends.

### A case in point

One company that was able to benefit from R&D tax credits is A.M Fabrications Limited. A venture specialising in structural steel, they offer an array of services, from the design and erection of structures up to 500 tonnes to site work and welding.

Their notable portfolio of clients includes some big names within the industry, from Vinci Construction to Verne Global, Metnor, Noble, and the Keir Group, making them ideally placed to perform research and development within their sector.

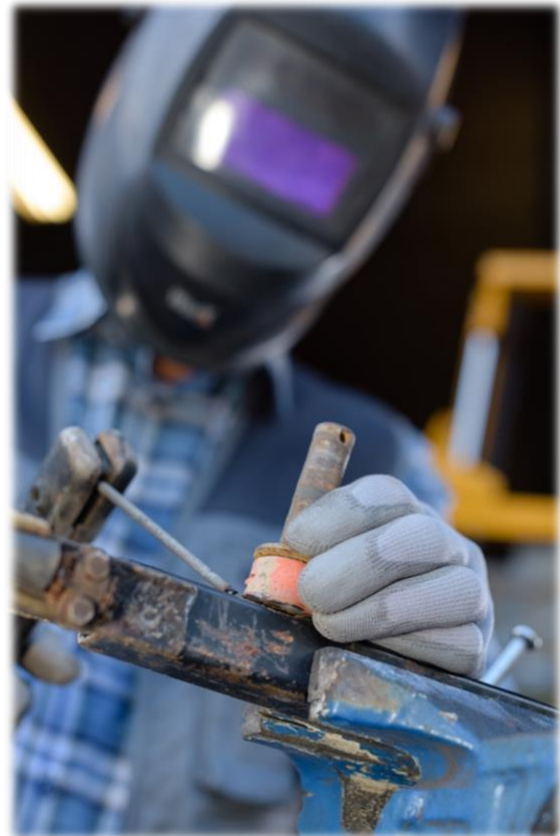
The sector itself is a sub-discipline of civil engineering. It trains professionals to understand, predict, and calculate the stability, strength, and rigidity of built structures, for both building and non-building entities. It has a heavy focus on developing intelligent designs, with innovation being essential to its nature.

Metal fabrication also falls within its remit. A value-added process that involves the creation of machines, parts, and structures from raw materials, it is another area that benefits from constant progression and new inventions, making it a perfect candidate for research and development projects.

### Project and payoff

A.M. Fabrications was an ideal enterprise to involve itself in research and development projects. One example of how this was undertaken can be seen in its work on a modular walkway system intended to provide plant room access.

The endeavour was a complicated one: to develop a fully integrated and transportable walkway, which would be designed with the intention of making it fully portable. This raised a number of technical issues, with the foremost uncertainty relating to the weight of the modular section.



The design brief had to take numerous factors into account, including the safe loading and unloading of the walkway, both onto transport and to the plant roof room.



This necessitated a low-weight structure which could nonetheless withstand the load requirements that would be imposed upon it.

Much time and effort had to be devoted to research and development as a result, with the necessary steps including:

- ✓ The application of specialist plasma cutting techniques
- ✓ The utilisation of specialist 3D modelling software
- ✓ The completion of complex calculations pertaining to weight distribution and safe loading and unloading
- ✓ The development of access requirements through separate prototyping
- ✓ The manufacture and development of a prototype module
- ✓ The completion of a specialist CNC machining process

At the end of these, an important issue remained: structural integrity tests indicated that the company could not get the proper connection between the interface and the modular system. This necessitated further re-design, with much research being devoted to the development of the product as a result.

The many steps taken to progress such a time- and resource-intensive project from start to finish unsurprisingly ate into the company's coffers, with their total research and development expenditure upon its completion in excess of £700k.

This money had been spent in various ways, but was primarily made up of staff and subcontractor costs and wasted materials. In order to make it economically viable, the company required some way to recoup at least part of this sum, and this came in the form of the R&D tax break that was introduced in 2000.

## How R&D claim assisted the company?

This allowed A.M Fabrications to release an incredibly helpful cash injection against its technical aspects of the project. Significantly increasing the company's profit margin, these funds helped it manage a project that would otherwise have stretched its cash flow in an exceptionally unhealthy way.

The enterprise chose to reinvest these funds into further research and development, with the money they saved on the project helping them to make additional savings along the line.

For businesses within the engineering sector, such cases clearly have substantial benefits. Not only do they encourage investment into research and development, which advantages the company and helps to push them ahead of their competitors, but they can also deliver significant monetary boons too.

## Why contact R&D Tax Solutions Ltd

*This tax relief is best exploited through the assistance of companies like R&D Tax Solutions, who can work alongside you to make sure that your operations and cash flow remain healthy and your company financially viable.*

*Contact us today to learn more.*