

Biotech Companies Explore R&D Tax Credits



Our client specialises in biotechnology development and develops many new patent-holding products. Biotechnology involves taking various natural biological processes and expertly engineering them to work in different situations, from industrial and domestic cleaning products through to the production of hormones and antibiotics. So much of our daily life is impacted by this high-tech sector without us even realising it, and the experts working in the field combine the latest thinking in science and technology to provide exciting new solutions to some of society's biggest problems.

Our client's biotech track record

Over the years, our client has been investing heavily in its technology, knowledge and expertise, to create exciting new solutions that have ranged from food preparation safety products through to antibacterial hand sanitisers. By working at the forefront of the industry, it has been able to create a number

of firsts and win patents in recognition of its R&D success.

However, the process of R&D is time-consuming, challenging, expensive and risky - which is why HMRC helps R&D companies with a tax credit scheme that offers relief against this spend. We were delighted to help our client to make the most of their entitlement, and to help them navigate the sometimes complex government scheme! Without this scheme, their investment in developing new solutions was borne entirely by their own bottom line and the risks were often significant.

This is always the way with pioneers in the field, and many eligible businesses simply don't know that the R&D tax credit scheme exists to help them.



The challenges that our client faced: a new bacterial protection product

Juggling multiple R&D projects simultaneously, our client was working to create a new antibacterial product that would leap ahead of other household brands currently available on the market and set a new standard for consumers; an ambitious aim that required tremendous R&D investment.

Creating this product involved a number of key technical challenges - all of which are recognised as qualifying for 'true' R&D under HMRC's scheme. For example:

1. The raw product was highly toxic, but if diluted, a range of biocidal products could inadvertently result, which can cause harm to organic life. These sorts of products are highly dangerous and heavily regulated, such as pest controls, preservatives and disinfectants. At this stage, the necessary biochemical mix needed to create an A-grade safe solution was unknown.
2. Other variables also had to be factored in for the end product, such as pH level, colour, fragrance, bacterial performance, packaging, viscosity and shelf life. When dealing with bio organic organisms, the challenges involved in defining and guaranteeing the right levels of each variable were hugely complex, and - until this point - also an unknown. For example, a slight tweak to the fragrance to make it more appealing could vastly impact anti-bacterial performance.
3. At the same time, the new product needed to be able to kill 99.99% of surface bacteria, for a longer-lasting finish, whilst being entirely safe to handle and compliant with legislation that regulates potentially hazardous materials.
4. It also had to be suitable for mass production, but with minimal toxic risk.

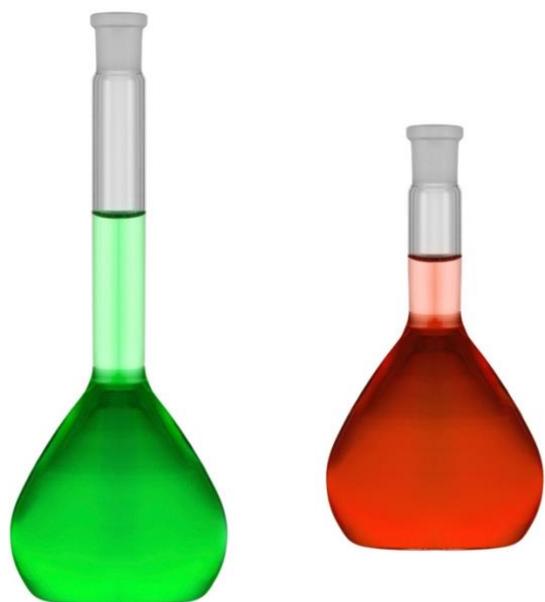
The challenges were significant to create this next generation of antibacterial household product. Luckily, our client was undeterred,

and we were able to work with them to apply to the HMRC R&D tax credits scheme to help mitigate the extensive costs involved in developing a cutting-edge solution.

How we met the HMRC guidelines

We worked with our client to apply the detailed rules of the R&D tax credits to their system and demonstrate that the R&D involved fell within HMRC's particularly definitions. This meant evidencing that the project:

1. Genuinely advanced scientific knowledge
2. Extended existing knowledge within the field of biotechnology
3. Significantly improved product formulation performance compared to other existing products on the market
4. Required the use of expert personnel, and,
5. Followed R&D project management best practices, including testing records for prototypes and project failure documentation to show the journey that the product development had to go through.



What we did to secure the R&D tax claim

We were able to include evidence of applicable costs, such as staffing costs for scientific design and testing and consumables used for the prototype development and testing phase. We also included relevant subcontractor costs for the testing period and submitted all computations, technical supporting evidence and narrative as part of the client's claim. Once prepared, we submitted our client's claim to HMRC on their behalf and liaised with the inspector.

The process of developing and submitting an R&D tax claim can be lengthy and does require specialist knowledge, but we work with our clients to make it as smooth and as unobtrusive as possible so they can focus on what they do best - innovating and creating cutting-edge new products!

What was the result of the claim?

By using our expertise in the R&D field, our client was delighted to receive an R&D tax credit benefit of more than £240,000.

They were keen to invest this back into their R&D work and to progress other biotechnology projects that would further the industry's knowledge and capabilities.

Why the R&D tax credit scheme exists

This is exactly why the HMRC offers the tax credit scheme to innovative R&D businesses, in recognition of the significant risk that they take on whilst trying to create cutting-edge new solutions. Where British businesses can create new solutions that push an industry forward, the UK can develop its own globally competitive position, improve productivity and increase its overall GDP. Suddenly, the reason for the HMRC incentive is apparent!

The application process can be complex, but R&D Tax Solutions is here to help. We can also support our R&D clients on an annual basis so that they always submit relevant claims throughout their R&D cycle without needing to take their focus off the heart of their business.

As our client proved, the time investment is well worth it when 25% of the project cost can be pumped back in cash for use on new projects and potential new products.

