Saving Substantial Money on Prototypes with R&D Tax Relief

There are many complexities surrounding the continual development of conveyor belts. Engineering can be a detailed and time-consuming industry in which changes take time to be innovated and constructed. This can be expensive and labour-intensive, especially in the building of conveyor belt prototypes and their subsequent testing.

We have worked with several high-quality welding and fabrication solution companies who have become leading UK's conveyor manufacturers.

The company aim to stand apart from their competitors through their impressive standard of designing processes and machinery. Their focus remains on reliability, supportive maintenance and quality. As such, their solutions and processes have been utilised by a wide variety of sectors from automotive markets to water treatment.

Companies in this sector have faced a wide range of technical challenges, delivering systems that their customers rely on. Clients they serve depend on a conveyor system as part of their mechanical handling equipment. This enables them to move materials from one location to another, making hard-to-handle and bulky products easier to manage.

The conveyor enables the manufacturing team to have speed and efficiency on their side during the production process. Some of the conveyor systems that they use include spiral conveyors, rotary tables, wire belt conveyors, conveyor control systems and PU/PVC belt conveyors.

These conveyor systems are the lifeline for many businesses and impact their profitability and commercial successes. In this instance, our client was looking to manufacture a spiral conveyor that could be used within the food sector, primarily for large-scale bakeries.

Implementing R&D tax relief into a business project plan

When our client approached us, they were seeking to manufacture a spiral conveyor that had a flexible design. They wanted it to have a single design capable of multiple variations, promoting a one-stop system that would reduce manufacturing time and the cost of repairs and maintenance.

In order to do this, they needed to invest time into researching products and the mechanics of conveyor systems in order to find a safe and reliable method for their production system. The company needed to draft up potential solutions with an initial prototype installed, which could then be re-engineered to remove any faults.

Steps to obtain R&D Tax Relief

Through working with R&D Tax Solutions, the client was able to meet HMRC's guidelines for R&D tax relief. In essence, R&D stands for 'research and development'. The UK government supports businesses who are innovative in their work and wants to assist companies who are pushing forward to establish systems, processes, products and services that will benefit others. As such they offer tax relief against corporation tax, allowing businesses to plough this money more effectively into their research and development work.

Companies that want to gain R&D tax relief must meet certain criteria. We worked with the client to ensure they did.

In this project, some of this included the fact that they were working on the development of specialised tools and prototype tooling and machines. Additionally, the production technology they were creating would increase the quality of manufacturing, improve reliability, plus aid the performance or reduce waste, spoilage, scrap or defects. On top of this, their use of technology to duplicate an existing process, material, device or service was being done in a new or appreciably improved way. The final stage in the prototype development was the design, construction, testing and trialing.

Saving substantial money for corporations

Through working together, we were able to help this particular customer reduce their costs to the final prototype stage by almost 25%. This primarily included staffing costs, which were required as part of the technical design and testing. We also helped them save much-needed consumables costs which were utilised during the prototype development and testing phase.

Over the past five years, the company has successfully claimed R&D tax relief on several projects. This has had a total cash benefit of over £400,000 - a huge value to have been saved in such a simple and effective way for work that is already being implemented.

Although the R&D tax relief process may seem complicated, by working with experts who understand the process and know what HMRC is looking for, it can be made significantly easier and more stress-free.

Solving problems in the industry

What HMRC really wants to see are companies that are looking to solve problems within their industry. In the case of our client, they had a few significant technical challenges that needed to be overcome.

These included the fact that their conveyor belt system needed to have specific integration with other equipment. This was vital as, if a small aspect of the whole system didn't integrate correctly, this would cause a significant number of other problems to occur.

- ✓ The system needed to have lubricants. Unfortunately, when a conveyor system is used within the food industry, there is a far more limited supply of lubricants available. The final design needed a lubricant to be developed that would be specific for this application and also safe to be used within the food industry. This had a significant amount of value for future product and manufacturing developments within this sector, which would no doubt utilise this new lubricant in other services or appliances.

- ✓ The gearbox had many complexities in its need to be adjusted to meet multiple requirements. It needed to be possible for multiple clients to use the conveyor system effectively but also have the ability to stop and start when required. This needed to be developed accordingly.

- ✓ New drive components required development, as well as identify the correct speed of the conveyor belt depending on the conveyor's exact incline. Each system integration would have to be unique, and it needed to be developed in a way that allowed the conveyor to be capable of matching new requirements without compromising any element of its functionality.

All of these complex elements of the research, design and production process meant our client was eligible for substantial R&D tax relief savings, which could be utilised for helping to grow their business further.

The R&D Tax Relief Claim reduced the development costs from initial concept to prototype signoff by 25%.

This is a 25% cash back via a reduction incorporation tax or tax credit.

The cash is non taxable and available for introduction back into the company's operations.