

# Driving Into an R&D Tax Relief Claim



With global warming on the rise and environmental concerns plaguing our consciousness, transport companies have had to think outside the box to ensure they can help people keep moving but without having a detrimental effect on the planet. Innovation throughout the supply and manufacturing chain is crucial.

It is for this reason that the many vehicle manufacturers have decided to work on creating fully electric buses. They have a huge amount of potential thanks to the fact they're exhaust-free, can shorten travel time, and are almost noiseless. In a nutshell, they provide cities with cleaner, quieter and more efficient ways of ferrying commuters and travellers around.

They're so efficient, that they can also operate indoors - providing new opportunities for innovation and development.

## Claiming tax relief for R&D

R&D - otherwise known as 'research and development' - is actually something you can claim tax relief for. When companies such as vehicle manufacturers are operating in such an innovative and beneficial way, why shouldn't they seek relief that will release more cash into their product development?

With these kinds of changes, there are often large costs. Demands on companies to spend on developing and implementing such kinds of systems can be daunting. However, with the tax relief scheme developed by Her Majesty's Revenue & Customs (HMRC), it is possible for companies carrying out research and development to claim back some of their invested cash – whilst also managing to solve problems in their sector.



If a business can demonstrate to HMRC that they are trying to solve a technical uncertainty within their industry, they can reduce their tax bill - often significantly. When it comes to creating a safe, secure and healthy environment for people to live and travel in, many companies are vying to find the perfect answer.

## A new kind of transport

The projects being led by vehicle manufacturers enable companies to bring together industry, academia and society in a way that will help to provide the next generation with sustainable public transport. A lot of the transport available is powered by electricity that comes from renewable sources.

With the successes of these pioneering projects already evident, momentum is building worldwide for many like-minded travel companies and vehicle manufacturers to shift towards fully electric city buses and cars.

## Turning vision into reality

Sustainable transport manufacturers are renowned for their innovation. They have become world leaders in providing sustainable transport solutions, whether these are buses, cars or trucks. Their products are sold and manufactured in a global array of markets. With such influence and market penetration, it's easy to see why these companies are so worthy of R&D tax relief.

**It is thought that the global electric bus market will grow on an annual basis of 28% between 2014 and 2020. By 2020.**

It is believed that electric buses will be selling in the tens of thousands of units each year.

There is a vast amount of potential change on the horizon, which ultimately will take smelly, polluting buses off the roads in return for a sleek and sophisticated eco-friendly solution.



## Conducting thorough research

Before sustainable vehicle manufacturers can push forward with their concept of fully electric cars and buses, they need to put in some serious research and development beforehand. It is this thorough and detailed work that HMRC specifically looks for when offering tax relief, as this is where their work can be used to support other businesses and research projects.

During their analysis, manufacturers of vehicles and their key components seek to understand the total cost of electric vehicles and how this compares with biogas and diesel vehicles, particularly when taking into account environmental and social impact.

When considering how much value sustainable vehicles can provide, the manufacturers will look at estimating the cost of fuel, driver costs, vehicle lease, garaging and maintenance. There are also broader considerations to include, such as what the environmental and socio-economic costs of each vehicle will be, and what benefits there are to society.

This also means taking into account considerations such as the noise and pollution that sustainable vehicles create, that could impact on the public health. There's also the environmental impacts of manufacturing the fuel needed, as well as the transportation and fuel costs of getting it to the required destination. This all contributes to climate change. The analysis also took into consideration the time that passengers will spend travelling, and how this changes over time.

"Working on sustainability projects has the potential to change perceptions, transform urban environments, and influence decision-makers to truly make a difference in the world we live in."

Sustainable vehicle manufacturers will need to adjust their costs to take into account any additional financial implications, such as tax incentives and subsidies. This means they could produce a like-for-like comparison between diesel, biogas and electric vehicles. The admin and garage, fuel/energy, driver and lease would all be taken into account.

## What is the cash tax benefit?

Through utilising tax relief, these sustainable vehicle manufacturers are able to gain money back from the government to put into their research, design and development work. It also means they are able to keep putting their efforts into future generation of similar ideas that will help the wider public and society overall. This can help motivate vehicle manufacturers to keep working in such a positive way. Tax relief may seem complicated, but it doesn't need to be. Working with experts can help you get the most back for your project in the quickest way.

R&D relief provides a cash benefit calculated by reference to the development project spend

A SME company on average reduces development cost by 25%.

Some SME's can actually receive up to 33% of their development spend back in cash.

Large companies will benefit by around 9% cash back.