



R&D TAX CREDITS

One of the most underused financial tools available to UK businesses
GUIDE 11

If your business invests in research or innovation, you may be owed real money.

R&D Tax Credits are a government incentive for businesses spending on qualifying research and development. This guide covers what qualifies, how much you can claim, how to make a claim, and how R&D credits interact with other innovation finance sources like Innovate UK grants.

GUIDE 11 | Business Lincolnshire Finance Accelerator

Who this guide is for: any business that develops, engineers, or improves products, processes or software.

YOU'LL GET

- Plain-English guidance tailored to Greater Lincolnshire businesses
- Practical steps, checklists and decision points
- A clear route into Accelerator support and adviser conversations

START: Use this guide alongside the Finance Accelerator resources and book a fully funded Funding Diagnostic Session when you are ready to discuss your options.

ABOUT THIS GUIDE

R&D Tax Credits are one of the most valuable and most underused financial tools available to UK businesses. If your business invests in research, development, or innovation, and many do without realising it, you may be entitled to a significant tax reduction or cash payment from HMRC.

The numbers matter

A business spending £150,000 on qualifying R&D staff costs could receive a cash payment or tax saving of £15,000 to £40,000, depending on the scheme and your tax position. This is real money that most first-time claimants did not know they were owed.

SECTION 1 — WHAT COUNTS AS R&D?

HMRC's definition of qualifying R&D is deliberately broad. The key test is whether your project seeks to achieve an advance in science or technology by resolving a scientific or technological uncertainty. The advance does not have to be new to the world. It only needs to be new to your company.

Likely qualifies	Does NOT qualify
New software, algorithms or AI/ML models where the technical approach is uncertain	Routine testing, quality control or product maintenance
Engineering a new product, or significantly modifying an existing one	Minor cosmetic or aesthetic modifications
New or substantially improved manufacturing processes	Market research or commercial feasibility studies
Formulating new materials, compounds or food products	Pre-production design work where the technology is already proven
Prototype development and iterative testing	Software that replicates existing functionality with no technical innovation

When in doubt, take specialist advice

Do not assume you do not qualify without checking. Do not assume you do qualify without getting the claim reviewed by a specialist. An incorrect claim that is later challenged by HMRC can mean repayment plus interest and penalties.

SECTION 2 — THE SCHEMES, AND WHAT COSTS QUALIFY

From April 2024, HMRC merged the previous SME scheme and RDEC into a single merged scheme, with a separate higher rate for R&D-intensive SMEs. Rates change periodically, so always check current figures with a qualified accountant.

	Merged scheme (most businesses)	R&D intensive SME (higher rate)
Who qualifies	SMEs and large companies from April 2024	SMEs spending 30%+ of expenditure on qualifying R&D
Rate of relief	20% above-the-line credit	27% above-the-line credit
Cash payment if loss-making	Effective rate around 15% of qualifying spend	Effective rate around 20% of qualifying spend
How claimed	Via corporation tax return (CT600)	Same process, accountant identifies eligible status

What costs qualify

Staff costs for time directly engaged in R&D (salaries, NI, pension). Subcontractor costs at 65% of payments to unconnected subcontractors. Materials and consumables used and transformed in the R&D process. Software licences and cloud computing used directly in the project. Externally provided workers engaged directly in qualifying R&D.

Capital expenditure, land costs, production and distribution, management and admin time, and patent filing costs do not qualify.

SECTION 3 — MAKING A CLAIM: THE PROCESS

#	Step
1	Identify qualifying projects with your technical team, and document the uncertainty addressed
2	Apportion time accurately using timesheets or project records
3	Gather and categorise costs by staff, subcontractors, materials and software
4	Write the technical narrative describing each qualifying project and the advance sought
5	Submit via corporation tax return. HMRC aims to process within 28 days for cash credits.

Use a specialist

R&D claims are increasingly subject to HMRC scrutiny. A specialist adviser will maximise your claim value, reduce enquiry risk, and handle any correspondence if one arises.

SECTION 4 — R&D CREDITS AND GRANT FUNDING

Scenario	R&D Tax Credit impact
No grant funding	Full qualifying spend can be claimed under the merged scheme (or R&D intensive rate)
Innovate UK grant received	Grant-funded costs are generally excluded from R&D Tax Credits. The remaining unfunded costs can still be claimed.
R&D Capital Allowances	Can sometimes both apply to the same project. Take specialist advice.

If you believe your business may have qualifying R&D activity, the first step is a conversation with a specialist R&D tax adviser or your accountant. The Accelerator can signpost advisers with R&D experience if you do not have one. Book a fully funded Funding Diagnostic Session at businesslincolnshire.com.

START YOUR JOURNEY TODAY

Visit our website to learn more and access support

Ready to move forward?

The Business Lincolnshire Finance Accelerator gives you the knowledge, tools and expert support to understand your options and prepare to access funding at the right time, in the right way.

FIND OUT MORE

- Book a fully funded Funding Diagnostic Session
- Access Finance Accelerator tools and templates
- Speak to an experienced Business Lincolnshire adviser

FIND OUT MORE



Scan to visit businesslincolnshire.com

www.businesslincolnshire.com
businesslincolnshire@lincolnshire.gov.uk



Funded by
UK Government

