

R&D Tax Credits Consultation
HMRC
Room 3/63
100 Parliament Street
London SW1A 2BQ

nalini.arora@hmrc.gsi.gov.uk

27 February 2015

Dear Sirs,

Improving access to R&D tax credits for small business

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Tax Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

Response

We welcome the opportunity to respond to this consultation. We support the efforts to assess and improve tax credits and ensure that all firms, particularly growth companies, can access Research and Development (R&D) reliefs in the best way to suit their needs. We are particularly supportive of the Government's commitment to creating an "internationally competitive tax system", which will help to create growth.

R&D reliefs are very important in order to create the right environment for small and mid-size companies to develop their products and create growth. We note that there are other measures which could help inspire private sector growth and employment, which we have put forward in our Quoted Companies Alliance annual proposals for taxation reform ahead of the Autumn Statement and 2015 Budget¹.

Specifically regarding R&D tax credits, we continue to support the schemes currently in place. We agree that the four areas mentioned – awareness, design, understanding and administration – are key factors in ensuring that small businesses can access R&D tax credits. Overall, we believe that the schemes work well for businesses and thus those four areas are correctly addressed.

¹ Available at: <http://www.theqca.com/about-us/responses/92147/quoted-companies-alliance-budget-representations-2015.thtml>

We generally believe that the R&D reliefs are well administered. In our members' experience, the R&D unit at HMRC is helpful and approachable. Furthermore, there seems to be a good level of awareness and understanding regarding the reliefs by both intermediaries and companies.

Regarding the overall design of the rules, we believe that further changes to the R&D reliefs are not necessary at the moment. The reliefs benefit from having a stable and well-known system that works well and helps businesses to grow. To that end, we do not support any changes to the definition of R&D (Question 5). We also do not support having changes or improvements aimed only at the smallest companies (Question 8). With the exception of the distinction between the SME and the large company schemes, we believe that it is good to know that if a company increases in size through growth it can continue to apply the same rules that it has become used to and helped it to achieve that growth.

If you would like to discuss our response in more detail, we would be happy to attend a meeting.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'T. Ward', with a stylized flourish at the end.

Tim Ward
Chief Executive

Quoted Companies Alliance Tax Expert Group

Neil Pamplin (Chairman)	Grant Thornton UK LLP
Paul Fay (Deputy Chairman)	Crowe Clark Whitehill LLP
Richard Jones	BDO LLP
Adam Singer	Bird & Bird LLP
Claire Harrington-Greenwood	Clyde & Co LLP
Ray Smith	
Sam Dames	CMS Cameron McKenna LLP
Daniel Hawthorne	Dechert
Vijay Thakrar	Deloitte LLP
Amy Underwood	EY
Emma Bailey	Fox Williams LLP
Jaspal Pachu	
Emma Tuppen	K&L Gates LLP
Tim Davies	Mazars LLP
Tim Crosley	Memery Crystal LLP
Nick Burt	Nabarro LLP
Angela Savin	Norton Rose Fulbright LLP
Natasha Kaye	Olswang
Michael Bell	Osborne Clarke
Tom Gareze	PKF Littlejohn LLP
Catherine Heyes	
Aidan Sutton	PricewaterhouseCoopers LLP