

Handsome I.P. Ltd

Intellectual Property Services

How to Fund Research & Development

Grants

The grant funding system is constantly changing in the UK. At the time of writing this article (November 2012) one source of grant funding is the Technology Strategy Board (TSB – www.innovateuk.org). Also, in the SW there is the i-Nets organisation (<http://www.inets-sw.co.uk>) and the Local Enterprise Partnership (<http://www.westofengandlep.co.uk/funding>).

Grants can vary from £1,000 to hundreds of thousands for the right project. Some of the money can be used to cover the costs of acquiring Intellectual Property rights such as patents.

Tax Credits

These are financial incentives (tax breaks) offered by the government to help create a knowledge-based economy. They apply to companies of all sizes incurring expenditure on R&D. The rules are broad enough to cover a wider range of qualifying expenditure, such as staffing costs; externally provided workers, for example agency staff; software; consumable items used in the R&D, including a proportion of water and power costs; costs of work subcontracted out to third parties; payments to clinical trials volunteers; and contributions to independent R&D.

The R&D qualifies if it seeks to achieve an advance in science or technology, and involves the resolution of scientific or technological uncertainties. As a “rule of thumb”, if any of the R&D work is potentially protectable by a patent or other form of Intellectual Property then it probably qualifies. This definition encompasses a broad range of activities including not only scientific work but also manufacturing and engineering. Furthermore, the activity does not necessarily have to be the company’s main business but may involve a one-off project.

All companies, irrespective of size, may claim the R&D tax breaks provided they carry out qualifying R&D. The R&D does not need to be successful as abortive R&D may still qualify. Certain loss-making companies can benefit by ‘cashing in’ their R&D tax losses for a cash payment. Small and medium-sized companies can often claim for work undertaken on a subcontract basis for large companies as part of the large company’s R&D project.

There are two different schemes of R&D tax breaks: one for small and medium enterprise companies (‘SMEs’) and one for large companies. The rates change from time to time so it is best to seek professional advice about this.

Further information

For more information on the above or any aspect of Intellectual Property please contact Lewis Hands on 01225 420802 or email him at lewishands@handsomeip.com.