



FINANCIAL SERVICES RESEARCH & DEVELOPMENT (R&D) TAX RELIEF

With the continued rise of robo-advisers and increasing use of artificial intelligence (AI), blockchain, new financial and investment management apps, crypto-currencies, new coin wallets & platforms and, of course, fin-tech, the Financial Services sector has never before invested in R&D as much as it is doing today or will do tomorrow.

While investment in R&D projects is increasing, many organisations do not realise that they may be eligible for substantial tax breaks. In simple terms, your company could recoup a total of 44 per cent of its spend on qualifying R&D costs against its tax liability and may also be able to cash in trading losses arising for a refund of up to 33 per cent of eligible costs.

Qualifying R&D can exist where the solution to a technological challenge is not available through applying standard industry practice or readily deducible from publicly available information.

However, you don't have to be developing something brand new to be eligible for R&D tax relief. For example, if you are aware that a competitor is trying to develop a similar product or process but the details remain a trade secret, your company's development can still qualify for R&D tax relief.

Historically, R&D tax relief has been seen as something for the manufacturing, technology or life science sectors to benefit from. However, companies across a wide range of business sectors undertake qualifying R&D and if your company is investing in R&D it may be eligible for this generous tax relief.





Details of R&D tax relief claims, recently released by HMRC and the Office for National Statistics (ONS) show that in 2015-2016 Financial Services and Insurance companies made 445 R&D claims for tax relief totaling £105m. Overall the number of claims in 2015-16 rose 19 per cent year on year, and since the launch of R&D tax relief in 2000-2001 there have been over 170,000 claims, providing £16.5bn tax relief.*

Given the huge sums of money that organisations have saved, if you have not previously looked in detail, it is almost certainly worth a second look at your business to identify potential qualifying activities.

If you are a Financial Services organisation and are working on projects that seek to resolve a scientific or technological uncertainty, there may be scope to claim. Examples include:

- developing new smart algorithms;
- embedding AI or robo-advice in the investment process;
- improving a trading platform by adding new features (even for ‘traditional’ asset classes); and
- creating new products or asset allocation methodologies.

RSM have already helped a vast number of Financial Services companies with R&D and if you would like to find out more, or have an informal conversation about ways in which you may be able to utilise R&D relief, please get in touch with Andy Nash, Ross Wilkinson or any member of the RSM Financial Services team.

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