



Focus on

# R&D Tax Relief for Beer, Wine & Cider

Research & Development (R&D) tax relief has a much wider definition than people think and is often overlooked especially by brewers, wine makers and cider makers. If you are looking to make a product taste better or be more attractive to a customer, cash savings or tax credits can be available.

## Background

R&D tax relief can either reduce your company's tax liability or, in some cases, enable you to obtain a cash repayment - the R&D tax credit. R&D tax relief is only available for companies - and there are two different schemes depending on the size of your company.

Further details on each of these are outlined in our Focus sheets "Focus on - Research and development tax relief SME" and "Focus on - R&D tax relief - above the line" but in summary the SME scheme provides for a 25% to 33% cash saving and the large company above the line scheme gives an 8% saving.

From 1st April 2015, the cash have increased to a minimum of 26% for an SME and the saving for for a large company has increased to 8.8% from the same date.

We focus here on the applicability of both schemes to beer, wine and cider.

INDEX VALUE	CHANGE NET%	HIGH	LOW
1,346.90	16.71 $\Delta$ 1.26%	1,348.34	1,327.16
3,962.61	7.98 $\Delta$ 0.20%	3,972.35	3,937.33
88.46	0.52 $\Delta$ 0.59%	88.58	87.57
1,530.24	5.34 $\Delta$ 0.35%	1,532.78	1,519.97
536.84	6.52 $\Delta$ 1.23%	536.84	530.39
711.25	2.06 $\Delta$ 0.29%	711.25	706.76
949.87	1.13 $\Delta$ 0.12%	952.60	949.87
743.08	4.60 $\Delta$ 0.65%	710.04	743.08
120.64	0.60 $\nabla$ 0.49%	121.25	120.64



### What are the qualifying criteria?

What actually constitutes R&D is wide ranging, but includes the development or improvement of a product or process - there must be a technological advancement (i.e. it is new or an appreciable improvement over what is currently available) and an attempt to resolve technological uncertainties (i.e. there must be difficulties and challenges for an experienced brewer, wine maker or cider maker). Note that a project does not have to actually achieve its aims in order to qualify.

### The drinks industry

The development of new products or processes often involves technological challenges and uncertainties and many breweries and vineyards are claiming R&D tax relief. There are however many that are unaware that this valuable source of cash could be available.

Obviously each case has to be judged on its own facts, but we have set out below a few examples of activities that we have agreed to be R&D with HMRC.

- Creating drinks with different apple or grape varieties, or different hops or yeast
- New combinations of ingredients to get different flavours (deeper, lighter, sweet, dry, bitter etc.)
- Guest beers and specials (e.g. chocolate, Christmas)
- Reduce (or increase) sugar or alcohol content without impairing flavour
- Increasing shelf life.

However R&D is not limited to the products themselves, it can also be in the processes, such as:

- Increasing efficiency or yield in the brewery or vineyard
- Development of software to aid the process.

### Can I get help to establish my R&D tax relief claim?

The tax relief available is generous, but claims must be properly made to ensure they meet HMRC requirements. HMRC will review all claims carefully - so it is important to work with experienced tax advisors to ensure any claim meets the necessary criteria.

Any business that wishes to claim R&D tax relief should consult with its accountants or professional advisors.

MHA MacIntyre Hudson has significant experience of preparing and submitting R&D claims for winemakers and breweries (microbreweries in particular). We have developed a simplified, no risk, methodology for drinks claims and have excellent relationships with the relevant Inspectors at HMRC to enable claims to be made and agreed in the most efficient and cost effective manner.

### Contact us

If you would like more details about the opportunities noted above, please contact either Tom Byng or your local MHA MacIntyre Hudson office.

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