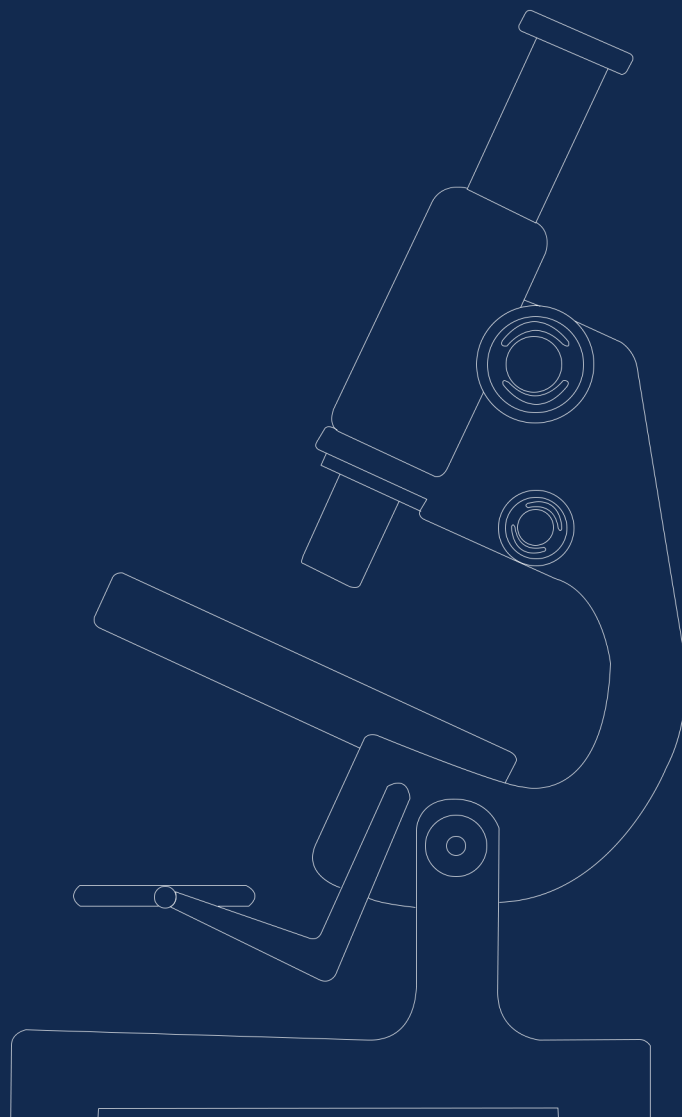




potential tax strategies:

biotechnology





About This Sector

Biotechnology is the use of biological processes, organisms or systems to manufacture products intended to improve the quality of human life. Biotechnology companies almost always qualify for R&D tax credits. In many companies, successful formulation development, process development, pilot batch productions, scale-up processes, method development, and analytical testing of experimental or improved products, involves extensive experimentation and testing to ensure product quality and process efficiency. This creates opportunities for tax reliefs and incentives for the taxpayer.

Potential R&D Claims

Many companies are conducting qualifying R&D activities for R&D tax relief purposes in this sector on a daily basis, without even realising it. What may seem as typical day-to-day challenges in the office and field may qualify. This may include developing new products, processes or services or duplicating existing products and processes in an appreciably improved way. The development does not have to be blue sky innovation; however, it is necessary for the company to demonstrate some kind of technical uncertainty in the work being undertaken.

Typical qualifying activities within this sector include but are not limited to:

- Development of new therapeutic drugs, compounds or molecules, used in synthesis experiments.
- Design and development of new or improved scaled-up manufacturing processes.
- Discovery and development of new methods for drug delivery.
- Conducting clinical tests to satisfy government regulatory requirements prior to commercialisation.
- Generation of pilot batches of new products for testing and validation.

Potential Capital Allowance Claims

Capital allowances enable commercial property owners to obtain tax relief relating to capital expenditure embedded within their building. Capital allowances on plant and machinery and lab equipment, will typically be claimed in the tax computation already.

However, many businesses in this sector are missing out on valuable capital allowances available not only on commercial property owned for years, but also on the;

- Acquisition
- Construction; or
- Refurbishment
- Extension of commercial property



Capital allowances are often extremely valuable in this sector. Typically, qualifying features include; fire alarms, security installations, roller shutter doors, lifts, electrical systems, heating, lighting, specialist flooring and air conditioning. The value of capital allowances in this industry is typically 20-40% of expenditure on purchases, increasing to 45-65% for refurbishments and new builds.

Don't Lose Out!

In addition to this, there is a little-known tax relief called Research and Development Allowances (RDA's). If it can be identified that the purpose of the expenditure on plant and machinery, buildings and IT equipment was for the purpose of Research and Development, 100% uncapped first year capital allowances can be claimed on this expenditure.

What's Next?

If you need advice regarding your eligibility for R&D claims or other tax planning strategies, contact our Tax Partner today at neill.staff@raffingers.co.uk or call him direct on 020 3146 1605.

