Tax rates 2013/14

If it counts, it's covered

UK Budget 2013

Contents

These tables are a summary and do not cover all situations. They are based on information in the Budget announcements on 20 March 2013. These may be subject to further amendment.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Personal tax

Income tax rates 2013/14 (2012/13)

Income Band (£)	Dividends (%)	Other Savings Income (%)
Up to 32,010 (up to 34,370)	**10**	**20**
32,011 – 150,000 (34,371 – 150,000)	**32.5**	**40**
Over 150,000 (over 150,000)	**37.5** (42.5)	**45** (50)

Income Band (£)	Other Income (%)	Cumulative Tax (£)
Up to 32,010 (up to 34,370)	**Basic rate: 20**	**6,402** (6,874)
32,011 – 150,000 (34,371 – 150,000)	**Higher rate: 40**	**53,598** (53,126)
Over 150,000 (over 150,000)[a]	**Additional rate: 45** (50)	

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

For basic rate taxpayers the liability on UK and most overseas dividend income is met by the 10% notional tax credit attached to the dividend.

A 10% starting rate applies to the first £2,790 (2012/13 £2,710) of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of £1,000 in 2013/14 (2012/13 £1,000). Income in excess of this amount is subject to income tax at the top rate of income tax, which is 45% in 2013/14 (50% in 2012/13). The rate of tax on dividend income received in excess of the standard rate band in 2013/14 is 37.5% (2012/13 42.5%).

Personal allowances

	2013/14 (£)	2012/13 (£)
Individual[a,e]	9,440	8,105
Individual aged 65-74[a,b,e,f]	10,500	10,500
Individual aged 75 and over[a,b,e,f]	10,660	10,660
Married couple (elder aged 78 and over)[b,c,d,e]	7,915	7,705

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.
b. Reduced by £1 for each £2 of income (less deductions) which exceeds £26,100 (£25,400 for 2012/13). However, this reduction cannot take the allowance below that for an individual born after 5th of April 1948 (subject to the reduction for income in excess of £100,000 above). The personal allowance is reduced first, then the married couple's allowance.
c. Restricted to relief at 10%.
d. The minimum age-related married couple's allowance is £3,040 (£2,960 for 2012/13).
e. None of these allowances are available to non-UK domiciled (and for 2012/13 not ordinarily UK resident) individuals who elect to pay tax on the remittance basis of taxation.
f. From 6 April 2013, the age related allowances will not be increased and their availability will be restricted to those born before 6 April 1948 or 6 April 1938, as appropriate.

Income tax reliefs and incentives

Annual limits	2013/14 (£)
Enterprise Investment Scheme (EIS) (maximum)[a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum)[b]	100,000
Venture Capital Trust (VCT) (maximum)[c]	200,000
Proposed 'employee shareholder' status[e]	2,000
Individual Savings Account (ISA)	
– total investment (maximum)[d]	11,520
– stocks and shares ISA (maximum)[d]	11,520
– cash ISA (maximum)[d]	5,760
Junior ISA (maximum per child)[d]	3,720

a. Income tax relief restricted to 30% (2012/13 30%). CGT deferral on gains on disposal of other assets is also available.
b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with less than 25 full-time equivalent employees, and assets of up to £200,000 issued between 6 April 2012 and 5 April 2017. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (within three years preceding the share issue).
c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.
d. In each tax year, an individual can invest in one cash ISA, or one stocks and shares ISA, or one of each, subject to the overall maximum limits. Detailed conditions and additional restrictions may apply.
e. The first £2,000 of shares acquired by an employee under the proposed new 'employee shareholder' provisions will be free of income tax and national insurance contributions.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2013/14	2012/13
Annual allowance (£)	50,000[a]	50,000[a]
Lifetime allowance (£)	1,500,000[c]	1,500,000[c]

a. The £50,000 may be increased by up to £150,000 with unused relief from the previous 3 years.

b. The Chancellor announced in the 2012 Autumn Statement that the annual allowance will be reduced to £40,000 in 2014/15. In some cases, pension savings made in 2013/14 will be affected by the reduction due to complex 'pension input period' rules.

c. The standard lifetime allowance, which is the total value of pension savings that can be accumulated without a tax charge, will reduce from £1.5m to £1.25m from 6 April 2014. Existing transitional protection will be respected, and members who opt out of further pension saving may retain the current £1.5m limit. It is also proposed to implement further transitional protection.

Aggregate contributions made by employers and employees to a money purchase or defined contribution registered pension scheme attract an annual allowance charge to the extent they exceed the £50,000 annual allowance (as increased by unused relief of up to £150,000 carried forward) in the pension input period. The allowance for pension input periods ending in 2012/13 and 2013/14 is £50,000, and £40,000 thereafter. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal (i.e. 20%, 40% or 45%) rate.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the lifetime allowance (i.e. £375,000 in 2013/14) and 1/3rd of the amount crystallised for the payment of a pension or annuity for life. Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

When a member draws pension or takes a lump sum his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. Any excess is taxed at 25%, or 55% if taken as a lifetime allowance excess lump sum.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Taxable car, van and fuel benefits

A taxable car benefit for 2013/14 is calculated as a percentage of the car's list price (including the cost of most optional accessories) based on carbon dioxide (CO_2) emissions as follows:

- Petrol cars emitting 1g/km to 75g/km CO_2 – 5% (until 5 April 2015)
- Petrol cars emitting 76g/km to 94g/km of CO_2 – 10%
- Petrol cars with emissions equal to 95g/km of CO_2 ("the relevant threshold") – 11%
- For each additional 5g/km above the relevant threshold – add 1%
- A 3% supplement applies to all diesel cars (to be abolished from 6 April 2016)
- Maximum percentage to be applied – 35% (increased to 37% from 6 April 2015)

For 2014/15 the relevant threshold remains at 95g/km of CO_2 emissions. The percentage rate for 76-94 g/km petrol-fuelled cars increases to 11%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 35%.

For 2015/16 the percentage rate for cars emitting 0-50g/km will be 5%. The percentage rate for 51-75g/km will be 9%. The rate for 76-94g/km petrol-fuelled cars will be 13%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%.

For 2016/17 the percentage rate for cars emitting 0-50g/km will be 7%. The percentage rate for 51-75g/km will be 11%. The rate for 76-94g/km petrol-fuelled cars will be 15%. For each additional 5g/km the percentage rate increases by 1% up to a maximum of 37%. Also, from 2016/17 the 3% addition for diesel-fuelled cars is abolished.

In addition the Chancellor announced in Budget 2013, that the Government would commit that in 2017-18 there will be a 3% point differential between cars emitting 0-50g/km and 51-75 g/km and between cars emitting 51-75g/km and 76-94 g/km. It was also announced that in 2018-19 and 2019-20 there will be a 2% point differential between cars emitting 0-50g/km and 51-75 g/km and between cars emitting 51-75g/km and 76-94 g/km.

The price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions for private use reduce the taxable benefit pound for pound.

The private use of vans attracts a scale charge of £3,000 pa, regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise of £564 for 2013/14 (£550 for 2012/13).

Fuel benefit for cars is calculated by applying the relevant car CO_2 emissions percentage to a pre-set figure which is £21,100 for 2013/14 (£20,200 for 2012/13).

Electric vehicles

The appropriate percentage for electric cars for the purposes of company car tax was reduced from 9% to 0% for five years from April 2010. This will reduce the employee car benefit charge to nil and remove the Class1A NICs charge on employers. From 6 April 2015, the appropriate percentage for these cars will become 5%.

From 6 April 2010, the current flat rate for all vans of £3,000 was reduced to nil for electric vans for a period of 5 years. This will reduce the employee van benefit charge to nil and remove the Class1A NICs charge on employers.

Approved mileage rates

Employers can make tax and NIC free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (For NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Capital Gains Tax (CGT)

	2013/14 (£)	2012/13 (£)
Combined income and gains less than the upper limit of the income tax basic rate band[ab]	18%	18%
Combined income and gains above the upper limit of the income tax basic rate band[a]	28%	28%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£32,010 for 2013/14) is taxed at 28%.

b. For trustees and personal representatives of deceased persons, the CGT rate is 28%.

Annual CGT exemptions apply for individuals and trusts, as follows:

	2013/14 (£)	2012/13 (£)
Individual	10,900	10,600
Trust	5,450	5,300

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period. For 2012/13 only, there is a complete CGT exemption on the disposal of other assets if the gains are realised in 2012/13 and reinvested in a SEIS company in either 2012/13 or 2013/14. This CGT exemption is to be extended to gains accruing to the investor in 2013/14. The exemption is to be limited to an amount that is equal to half the re-invested gain and can be claimed provided the SEIS investment is made in either 2013/14 or 2014/15.

Gains on the disposal of up to £50,000 of shares acquired by an employee under the proposed new 'employee shareholder' provisions are exempt from CGT.

The lifetime limit for entrepreneurs' relief is £10m. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band for 2013/14 is £325,000 (2012/13 £325,000). The nil rate band will remain at this level until the end of 2017/18. Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies on or after 9 October 2007, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption for 2013/14 is limited to the level of the IHT nil rate band, for 2013/14 £325,000 (until 2012/13 the limit was £55,000). Also from 6 April 2013 a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

For deaths after 5 April 2012, where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £79,000 (2012/13 £77,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £77,000 (2012/13 £75,000).

Rates	(%)
Zero rate (newspapers, children's clothes etc)	0
Reduced rate (certain fuel and power; some energy saving materials; some residential property works etc)	5
Standard rate	20
VAT fraction for standard rate VAT inclusive price	1/6

Insurance premium tax

The standard rate applying to most general insurance is 6%. Life and other long-term insurance is exempt. A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp duty land tax (SDLT)

The rates below apply to acquisitions of chargeable interests in land including leases.

Relevant consideration (£) – residential	Rate (%)	Relevant consideration (£) – non-residential or mixed	Rate (%)
0 – 125,000	0	0 – 150,000	0
125,001 – 250,000	1	150,001 – 250,000	1
250,001 – 500,000	3	250,001 – 500,000	3
500,001 – 1,000,000	4	Over 500,000	4
1,000,001 – 2,000,000	5		
Over 2,000,000	7		

For transactions with an effective date of 21 March 2012 or later, a rate of 15% will apply where certain "non-natural" persons purchase single interests in residential property for more than £2,000,000.

The SDLT rate on 'linked' transactions is generally determined by reference to the total consideration given for all the transactions, rather than multiple rates applying according to the consideration given for each individual acquisition. However, for a bulk purchase of residential properties (individually worth £2,000,000 or less) the rate is determined by the average amount paid, subject to a minimum rate of 1%.

SDLT on the grant of a lease under which rent is payable is 1% of the net present value of the rent, to the extent that value exceeds £125,000 in the case of residential property and £150,000 in the case of other property.

Stamp duty and stamp duty reserve tax (SDRT)

Stamp duty and SDRT apply to transfers of shares and securities at a rate of 0.5%. Payment of the appropriate amount of stamp duty (or a valid claim for relief) generally cancels the parallel charge to SDRT.

Transfers that would have otherwise attracted fixed £5 stamp duty are exempt, as are transfers where the consideration is £1,000 or less, provided in both cases a certificate is given on the reserve of the instrument of transfer.

Annual Tax on Enveloped Dwellings

From 1 April 2013, there will be an Annual Tax on Enveloped Dwellings (ATED) in respect of single interests in residential property valued at more than £2,000,000 held by "non-natural" persons. The rates are set out below. Relief from the ATED will be available for certain businesses and investors. A new CGT charge at 28% will also apply to gains on disposal by reference to any increase in value in properties subject to the ATED between 5 April 2013 and the date of disposal.

Value of property	ATED charge per annum (£)
£2,000,001 – £5,000,000	15,000
£5,000,001 – £10,000,000	35,000
£10,000,001 – £20,000,000	70,000
Over £20,000,000	140,000

National Insurance contributions 2013/14

Class 1 (employees and employers) rates

Weekly earnings (£)	Employees	Employers
109.00 or less[a]	–	–
109.01 – 148.00[b]	0%	0%
148.01 – 149.00	0%	13.8%
149.01 – 797.00[d]	12%	13.8%
Over 797.00[d]	2%	13.8%
Contracted out – salary related		
109.00 or less[a]	–	–
109.01 – 148.00[b, e]	0%	0%
148.01 – 149.00[e]	0%	10.4%
149.01 – 770.00[c]	10.6%	10.4%
770.01c – 797.00[d,f]	12%	13.8%
Over 797.00[d]	2%	13.8%

a. Monthly and annual lower earnings limits are £472 and £5,668 respectively.

b. A zero rate of NIC applies to earnings between the lower earnings limit of £109 pw and the primary earnings threshold of £149 pw to protect employees' contributory benefit entitlements. Monthly and annual thresholds are £646 and £7,748 respectively. A contracted out rebate is due at the relevant rate (not shown in table on these earnings).

c. Monthly and annual upper accrual points are £3,337 and £40,040 respectively.

d. Monthly and annual upper earnings limits are £3,454 and £41,444 respectively.

e. Contracted out rates apply between the earnings thresholds and the upper accrual point, with a rebate between the lower earnings limit and the earnings thresholds.

f. Contracted in rates apply between the upper accrual point and the upper earnings limit even if the individual has contracted out.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NIC purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars from 6 April 2012 without incurring a NIC charge. This rate applies irrespective of the mileage incurred.

The first £2,000 of shares acquired by an employee under the proposed new 'employee shareholder' provisions will be free of income tax and NICs.

From 1 April 2014, an allowance of £2,000 per year will be available to all businesses and charities to offset against their employer Class 1 NICs.

Class 1A (employers providing benefits-in-kind)

Employers are liable to Class 1A NIC at 13.8% on most benefits-in-kind subject to income tax. Benefits-in-kind covered by a dispensation or included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NIC. Certain other benefits are specifically exempt from both income tax and Class 1A NIC.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NIC is an employer-only charge, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate (13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self-employed)	
Weekly rate	£2.70
Small earnings exception (annual)	£5,725

Class 3 (voluntary)	
Weekly rate	£13.55

Class 4 (self-employed)	
Lower limit of profit or gains	£7,755
Upper limit of profit or gains	£41,450
Rate on profits between lower and upper limits	9%
Rate on profits above £41,450	2%

Business tax

Corporation tax rates

	Year ended 31 March	
	2014	2013
Main rate [a,c] (more than £1.5m)	23%	24%
Effective marginal rate [b,c] (£300,001 – £1.5m)	23.75%	25%
Small profits rate [b,c] (up to £300,000)	20%	20%

a. From 1 April 2014 the main rate will be reduced to 21% and from 1 April 2015 reduced further to 20%, therefore unifying the main and small profits rates.

b. The upper threshold for the small profits rate is £300,000 and the lower threshold for the main rate is £1.5 million. These limits are reduced pro rata for associated companies and for accounting periods of less than 12 months.

c. The small profits rate is not available to close investment-holding companies.

Corporation tax payments

Large companies pay tax in instalments. Large companies are broadly those with taxable profits of at least £1.5 million (see note b above) and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £10,000 is reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is reduced pro rata for associated companies and for accounting periods of less than 12 months.

Capital expenditure

	Year ending 31 March	
	2014	2013
Annual investment allowance[a]	£250,000	£25,000
Plant and machinery[b]	18%[a]	18%[a]
Long-life assets[c], integral features[d], thermal insulation, high emission cars[b], solar panels ("special rate pool")	8%[a]	8%[a]
Low emission cars[e]	100%	100%
Research and development (R&D)[f]	100%	100%

a. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against. The AIA increased from £25,000 to £250,000 per annum for a two year period on expenditure from 1 January 2013.

b. From 1 April 2013, cars with CO_2 emissions between 96g/km (2012/13:111g/km) and 130g/km (2012/13:160g/km) are added to the main pool. Cars with CO_2 emissions that exceed 130g/km (2012/13:160g/km) are added to the special rate pool.

c. Applies to businesses spending more than £100,000 pa (the monetary limit) on certain assets with a useful life of 25 years or more.

d. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling systems; lifts and escalators; and external solar shading.

e. Cars with CO_2 emissions not exceeding 95g/km (2012/13:110g/km) and electric vans are eligible for a 100% first-year allowance. The first-year allowance will be available until 31 March 2015. From 1 April 2015, the 100% first-year allowance will be available for cars with CO_2 emissions not exceeding 75g/km until 31 March 2018.

f. Applies to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

Under the enhanced capital allowances (ECA) scheme, a 100% first-year allowance is available for expenditure on designated energy saving or water conservation plant and machinery and for the purchase of 'green' vehicles or refuelling equipment. The ECA regime is revised annually to include some new technologies and remove other existing ones. Qualifying products are listed on a dedicated website at http://etl.decc.gov.uk/etl

Payable ECAs allow loss-making companies to surrender the element of their losses attributable to their qualifying expenditure in return for a cash payment from Government. The rate of payable ECAs is 19%, but subject to a cap on the level of a company's PAYE and NIC liabilities or £250,000, whichever is the greater. Payable ECAs will be available until 31 March 2018.

100% capital allowances are available for trading companies investing in plant and machinery for use within certain designated enterprise zones for expenditure from 1 April 2012 to 31 March 2017. Businesses in certain sectors are not permitted to benefit from these allowances. The limit for investment is £100m.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% pa may be applied on election.

Business expenditure on cars

A 15% restriction applies to lease rental payments with CO_2 emissions exceeding 130g/km (previously 160g/km to 31 March 2013). There is no leasing restriction for leased cars with emissions of 130g/km (previously 160g/km to 31 March 2013) or below.

Patent Box

The Patent Box enables companies to effectively apply a lower rate of corporation tax to certain profits from patented products, processes and services and certain other innovations. The relief will be phased in from 1 April 2013 and from 1 April 2017 will provide an effective corporation tax rate of 10% to relevant profits. This is achieved by deducting an additional amount from trading profits. As the relief is phased in, the percentage of the amount to be deducted is as follows:

	Percentage
1 April 2013 – 31 March 2014	60%
1 April 2014 – 31 March 2015	70%
1 April 2015 – 31 March 2016	80%
1 April 2016 – 31 March 2017	90%
From 1 April 2017	100%

Research and development relief: revenue costs

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs) can claim an additional 30% deduction on their qualifying R&D costs.

From 1 April 2013, the new R&D expenditure credits will be available for large company R&D claims. Under this regime the benefit will be recorded as a credit in operating profit and will be equal to 10% of the qualifying expenditure. The basis for determining the qualifying expenditure will not change. The R&D expenditure credits scheme will initially be optional but will replace the existing large company R&D scheme from April 2016. Large companies with no tax liability can receive a cash payment subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim.

Companies that are SMEs (see below) are entitled to an additional deduction of 125% of qualifying R&D expenditure. For non-taxpaying SMEs a cash refund alternative of up to 24.75 pence for every pound of qualifying expenditure may be available depending on their current year tax losses.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5m and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related companies, meets the EU definition but with higher limits such that it has fewer than 500 employees and **either** turnover not exceeding €100m **or** total assets not exceeding €86m.

Vaccine Research Relief

In addition to the above, qualifying R&D expenditure in relation to specified vaccines and medicines attract a further 40% deduction from taxable profits for large companies. The relief is no longer available for SMEs.

Large companies are required to make a declaration concerning the incentive effect of the relief they are claiming under this relief.

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