

# Are you aware of the R&D tax relief scheme?

**Brendan Scott** of Leyton highlights the potential to access underused grant money to support forestry businesses that are developing new and innovate ways of operating.

While attention has understandably been focused on the Covid-19 pandemic this year, the climate crisis remains an important underlying issue for the world and much has been made of the importance of 'building back better' following the crisis. With a continued focus on meeting targets for new woodland creation and over 80% of new planting in the UK being in Scotland, through challenging times we have seen many advancements in the sector in terms of planting efficiencies and effective management.

As the case for establishing new woodland escalates, innovation in forestry has become more crucial than ever. Previously underused government schemes can offer significant financial incentives to forestry businesses that are developing new and innovative ways of operating.

## R&D tax relief scheme - who can access it?

Indeed, everything from seed coatings, managers looking to improve yield, right through to harvesting and timber production is potentially eligible for R&D tax relief, a HMRC scheme which allows businesses to claim back proportions of cash for time and costs related to innovative or forward thinking work.

Larger players in the forestry market are often made aware of the scheme through their accountant or auditor. However, many smaller businesses who are also eligible are not made aware that they could claim. R&D tax relief is therefore sadly underused across the forestry sector as a whole, simply because so many businesses are unaware that their activities are eligible. Alongside woodland creation, a renewed focus on biodiversity and improved tree genetics are encouraging rapid advancements in the forestry sector, new innovations have come to the fore that promise to make forestry businesses' operations more efficient and

more sustainable. As areas like geo mapping software, 3D scanning equipment and satellite imaging, pest deterrents etc become both more advanced and more widely used, both land owners and managers businesses can operate with more precision than ever before to maximise their results. We've also seen businesses across the sector make use of drones for assessments and GPS within planting machinery.

These highly advanced areas of innovation are all eligible for R&D tax relief, with the government paying back often significant sums of the money that businesses spend on investing in these forms of R&D.

Businesses are not restricted to claiming back costs for equipment used in the project, but the time investment in the form of employees' salaries, subcontractor costs, software licenses and consumables using during the project.

Many businesses in the forestry sector may be unaware that more everyday activities can be eligible for significant tax relief. Money spent on trials of new chemicals and pesticides can be eligible for tax credits, as are efforts to develop new planting patterns and methods of managing invasive species and disease control, weevil control among others.

## Grants vs R&D tax relief

It is also worth noting that businesses in this sector have traditionally focused on grants for financial support. However, while grants can certainly be a very valuable source of funding, as we know, these are more typically related to land owners as opposed to managers, harvesters and timber mills.

Grants are also considerable more time consuming and complicated to claim than R&D relief with the average input being around 4-6 hours when using a specialist consultancy. Indeed, R&D tax credits can offer more certainty in terms of future balances and support longer-term financial planning.

## More forestry businesses are using the scheme

Over the past few years, it has been positive to see that more and more businesses across the forestry, agriculture and fishing industries are becoming aware of the scheme, with a 67% increase in tax credits claimed in these sectors between 2015-16 and 16-17.

The average R&D claim in the farming, forestry and fishing sector came to £41,000 in 2017 - enough to make a significant difference for many businesses, especially as the UK's 2025 deadline for new woodland creation approaches. At Leyton, we have helped forestry, agriculture and fishing clients claim a total of £36 million in 2019 and continue to support the sector in protecting cashflow in 2020. Businesses can claim back two years retrospectively, so could be claiming costs from 2018 onwards.

By planning ahead and ensuring that they claim the right support during this period, forestry businesses can use this challenging period to safeguard their financial future and maximise their capacity to deliver the tree planting that will be needed to forge a sustainable future for Britain and build back better from the disruption and turmoil of 2020.

With the percentage of claims low in comparison to eligible companies and other European countries, we are encouraging businesses in the sector take advantage of this incentive in order to ensure the industry continues to thrive.

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