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Midlands firms missing out on vital R&D tax credits in a race against time

Chancellor Gordon Brown's eleventh and final budget has provided welcome news of tax breaks for small to medium sized businesses. Through Gordon Brown's pledge to double investment in science, encourage greater cooperation between business and universities on high tech projects, and increase Research & Development tax credits, the West Midlands stands to gain a hefty payback. This is especially applicable in the region since the number of companies working closely with universities and developing new products is increasingly steadily through initiatives such as the West Midlands ICT Cluster projects.

In spite of this seemingly generous action, many West Midlands companies are unaware that Gordon Brown is also cutting the amount of years they can claim tax credits for. In a race against time, West Midlands companies need to submit claims for R&D tax credits by March 2008 to ensure they can back claim for up to six years. From April 2008, only the last two years will be covered in any R&D tax credit claim.

Brown said public investment in science would increase from £5bn this year to £6.3bn by 2010-11 and unveiled a new £100m high-tech innovation initiative designed to encourage universities and businesses to work closer together to "convert British scientific breakthroughs into British commercial success and jobs".

With the government aiming to ensure R&D accounts for 2.5 percent of GDP by 2014, Brown also said that the value of R&D tax credits would increase by £100m. The tax credit rate for small and medium-sized businesses (SMEs) will increase from 150 to 175 percent and the same rate for larger firms will increase from 125 to 130 percent, both from April 2008.

Vipul Sheth, Principal of tax specialists Sheth & Co said the changes "were very welcome enhancements to the R&D tax credit scheme and the after-tax cost of businesses doing R&D in the West Midlands will be significantly lower after these changes take effect.

"However, we are fully aware that many companies carrying out R&D are uninformed of the ability to reduce their tax bill by making a claim for R& D Tax Credits, he added.

Through an initiative led by the ICT Cluster project – iCentrum - a series of free workshops will help West Midlands businesses to identify whether they are eligible for tax credits and how to claim them. The first workshop will be held at iCentrum, on 15 May 2007 followed by other workshops across the West Midlands. They will be presented by Sheth & Co, which has recently handled a project to secure a repayment of £50,000 in tax for a company with a turnover of under £1m.

Steve Payne, Manager of the ICT Cluster Project iCentrum also welcomed the changes, claiming that they should provide greater incentive for SMEs to invest in R&D and help create stronger knowledge transfer networks between businesses and universities.

To register for the workshops, please contact Paul Cotton via paulc@icentrum.co.uk or on 0121 260 2602.

Notes to Editors:

About ICT Cluster

The ICT Cluster is one of 13 clusters established by Advantage West Midlands as part of an economic development strategy. These clusters have been chosen on the basis of their current strength in the region and their potential to create jobs and economic growth.

The ICT Cluster hosts the Annual West Midlands ICT Cluster Conference and Awards (22 November 2007).

Advantage West Midlands is one of nine Regional Development Agencies in England whose role is to provide leadership and action to create more, better jobs and in improve the quality of life for all in the West Midlands.

About iCentrum

iCentrum helps high growth IT companies achieve their potential by providing introductions to the large systems integrators (CSC, EDS, Fujitsu Services, etc) to improve sales while supplying access to new and emerging technologies for testing and application development including 19,000 software applications, numerous servers and PCs. Although based in Birmingham, iCentrum's lab facilities can accessed remotely from anywhere in the world.

About Sheth & Co

Sheth & Co is a specialist tax consultancy run by Vipul Sheth. Vipul is both a Chartered Accountant and Chartered Tax Adviser, who trained as a Chartered Accountant with a medium sized Midlands based firm of Chartered Accountants. He then specialised in Tax with two of the Tax and Accounting Profession's big-hitters, Ernst & Young and KPMG where he rose to managerial ranks before leaving to set up Sheth & Co and a separate Outsourcing Business.

Sheth & Co was set up in 2002 to provide the high level of service delivered previously to mainly large clients without the worry of a large firm's fee structure. Sheth & Co delivers advisory services to accountancy firms and entrepreneurial clients across the country and in 2006 was voted Runner-Up in the Category of 2006 "Accountancy Firm of The Year" (less than 10 partners) Awards run by the West Midlands Branch of the Institute of Chartered Accountants in England & Wales.

For more media information or images please contact Ranbir Sahota, Vitis PR on 0870 8965448 or 07815 090036