

Government Support for Research and Development in the UK

Business Information Factsheet

BIF513 · December 2018

Introduction

The UK Government, and the devolved administrations in Scotland, Wales and Northern Ireland, have a strategy to stimulate business research and development (R&D) and encourage innovative firms to contribute to economic growth. As a result, there is a range of financial support available to help UK firms that have the potential to undertake world-class innovation and R&D.

This factsheet provides information about government support for R&D across the UK.

UK-wide support

Innovate UK funding competitions

Innovate UK runs funding competitions that provide funding of between £25,000 and £10 million for R&D projects. The funding can be used to test and develop an innovative idea, to create new knowledge or develop a new process, product or service, and to work with other firms or research organisations on collaborative projects.

Innovate UK also runs two programmes to support firms in any sector to carry out R&D projects. The Open Funding Programme provides funding to help innovative businesses with high-growth potential to test and develop an innovative idea, process, product or service.

Go to www.gov.uk/guidance/innovation-apply-for-a-funding-award for more information.

Innovate UK Knowledge Transfer Partnerships (KTPs)

Knowledge Transfer Partnerships (KTPs) help UK firms to improve their competitiveness, productivity and performance by accessing the knowledge and expertise available within UK universities and colleges. KTPs can have a measurable impact on business performance outputs and have benefited firms of all sizes across many different sectors.

A KTP is formed between a company and an academic institution (a 'Knowledge Base' partner), which facilitates the transfer of knowledge, technology and skills to which the firm currently has no access. Each partnership employs one or more recently qualified 'Associates' to work in a company on a project of strategic importance to the business. Associates are typically postgraduate researchers or university graduates.

KTPs are part-funded by the Department for Business, Energy and Industrial Strategy (BEIS), with the balance of the costs coming from the firm employing the Associate. Projects vary in length between 12 and 36 months. Applications can be made throughout the year.

Go to <http://ktp.innovateuk.org> for more information.

The Small Business Research Initiative (SBRI)

The aim of the Small Business Research Initiative (SBRI) is to address public sector challenges by funding innovative solutions from industry to improve the efficiency and effectiveness of public services.

The SBRI generates business opportunities, especially for early-stage, small and medium-sized enterprises, to work with public bodies and facilitates the development of innovative products and services through the public procurement of R&D.

Successful applicants receive a contract for the full cost of demonstrating the feasibility of their technology and the offer of funding for subsequent prototype development, while retaining their intellectual property rights.

Go to www.gov.uk/government/collections/sbri-the-small-business-research-initiative for more information.

Horizon 2020

Horizon 2020 is a single programme across all forms of innovation that helps to take research projects towards their market.

The purpose of the programme is to ensure the development of world-class science and to tackle the barriers to innovation, making it easier for the public and private sectors to collaborate in its delivery. With an available budget of €79 billion, it is the largest ever EU Research and Innovation funding programme.

Horizon 2020 provides access to funding for firms and academics, public bodies, charities and healthcare providers and offers important opportunities to find finance, networks and partnerships for innovation. There are schemes specifically for small and medium-sized firms, with at least 20% of the combined budget dedicated to supporting that sector.

Applications for most Horizon 2020 funding must be made by a consortium. Usually, the consortium must be made up of at least three organisations from different countries. The Department for Exiting the European Union has confirmed plans to guarantee Horizon 2020 funding awarded to organisations post-Brexit. Recipients of Horizon 2020 funding will be asked to provide project information to UK Research and Innovation to ensure the funding can be delivered.

Go to www.gov.uk/business-finance-support/horizon-2020-business-grants-uk for more information about the programme.

Eurostars

Eurostars is a programme of support for small and medium-sized firms undertaking R&D of innovative products, processes or services. The programme helps firms to find new expertise and attract private investors.

Eurostars has a total budget of €1.14 billion to fund collaborative innovation projects. The firm responsible for R&D takes the lead in a consortium with project partners from two or more countries participating in the Eurostars programme. A typical project might involve three or four participants across two or more countries, with an average project budget of €1.4 million and duration of approximately two years.

The selection process is competitive, with only the best business ideas and strong consortia receiving funding. Applicants must comply with the European Commission's definition of small and medium-sized enterprises (SMEs) and meet certain other criteria. They are supported by a national project co-ordinator (NPC) who can give advice about preparing an application.

Go to www.eurostars-eureka.eu for more information on the programme.

Nesta

Innovation charity Nesta funds ideas that have the potential to improve people's lives. Their projects explore innovative solutions across a range of sectors, from healthcare and education to the creative industries. Nesta currently supports groups and organisations through grant funding, direct investment and a number of 'challenge prizes'!

Nesta operates a Creative Business Mentor Network (www.nesta.org.uk/project/creative-business-mentor-network/), which provides creative firms with one-to-one mentoring from successful business people in the creative sector. Nesta Impact Investments (<https://nestainvestments.org.uk>) are for organisations that can show a high potential for social impact and a return on investment.

Applications for mentoring and impact investments can be made on an ongoing basis, while challenge prizes have specific deadlines.

Go to www.nesta.org.uk/help-me-innovate/ for more information.

Tax relief

R&D tax relief

R&D tax relief can reduce a firm's corporation tax bill. There are two main schemes for claiming R&D relief:

- The Small and Medium-sized Enterprise Scheme offers higher rates of tax relief. The relief on allowable R&D costs is 230%, so for each £100 of qualifying costs, the income on which corporation tax is paid could be reduced by an additional £130 on top of the £100 spent. Firms may also be able to choose to receive a tax credit instead, as a cash sum payment from HM Revenue & Customs (HMRC).
- The Research and Development Expenditure Credit (RDEC) scheme offers tax relief of 12% for larger companies on allowable R&D costs. RDEC can also be claimed by smaller firms who are sub-contracted to deliver R&D work by a large company.

A claim for R&D tax relief can only be made for R&D projects that make certain scientific or technological advances. Go to www.gov.uk/corporation-tax-research-and-development-rd-relief for more information on eligibility.

The Patent Box

The Patent Box enables companies to apply a lower rate of corporation tax (10%) to profits earned from their patented inventions.

A company can benefit from the Patent Box if it is liable for corporation tax and makes a profit from exploiting patented inventions. The firm must also own or have exclusive rights to use the

patents and must have undertaken qualifying development on them. If the company is part of a group, it may qualify if another company within the group has undertaken the qualifying development.

There are specialist R&D tax relief units throughout the UK that are able to assist with claims and answer Patent Box questions. HMRC also has a free pre-recorded webinar that provides an overview of the Patent Box and R&D tax credits. It explains who is eligible to claim, how to make a claim and where to get further help and advice.

Go to www.gov.uk/corporation-tax-the-patent-box for further details.

Support in Wales

Business Wales offers an innovation support package to help firms invest in R&D to exploit commercial opportunities. A team of specialists with industrial experience can provide business support in many aspects of R&D, provide advice on the design, development and manufacture of new products, and help to bring new products and services to the market.

Expertise Wales

Expertise Wales provides support and funding to help start ups and small firms develop innovative products and services. Firms can access support from a dedicated innovation specialist, as well as from design managers and intellectual property specialists. Go to <https://businesswales.gov.wales/expertisewales/support-and-funding-businesses> for more information.

SMARTCymru

SMARTCymru Research, Development & Innovation (RD&I) funding offers non-repayable financial assistance to firms located in Wales for the research and development of new, technically innovative products and processes with commercial potential. The funding can help firms to assess the technological and commercial viability of their ideas, undertake practical research and develop basic working models or pre-production prototypes.

Go to <https://businesswales.gov.wales/expertisewales/smartcymru> for more information.

SMARTInnovation

SMARTInnovation offers support and funding to help firms grow their investment in RD&I. Firms can access innovation advice, non-financial support for the acquisition and implementation of new technologies, processes and equipment, intellectual property advice and support with commercialisation and licensing.

Go to <https://businesswales.gov.wales/expertisewales/smartinnovation> for more information.

SMARTExpertise

SMARTExpertise provides support to increase commercialisation of RD&I within research organisations in collaboration with industry. The scheme provides support and funding to help develop industry-led R&D projects, build partnerships between industry and research organisations, and develop new processes, products and services.

Go to <https://businesswales.gov.wales/expertisewales/smartexpertise> for more information.

Innovation Vouchers

Innovation Vouchers can provide firms in Wales with between £2,000 and £25,000 for capital investment in transformational technology or to commission R&D work using appropriate third-party expertise. The vouchers are targeted mainly at small and medium-sized firms trading for at least two years.

Go to <https://businesswales.gov.wales/innovation/support-and-funding/funding> or more information.

Support in Scotland

SMART: SCOTLAND

SMART: SCOTLAND grants are available to small and medium-sized firms based in Scotland for technical feasibility studies and R&D projects with a commercial objective.

For feasibility studies, Scottish Enterprise can support up to 70% of the eligible costs, depending on the size of business, with a grant of up to £100,000. For R&D projects, grants are awarded for the development of a pre-production prototype of a new product or process. Support is available for up to 35% of the eligible costs and the maximum grant is £600,000.

Go to www.scottish-enterprise.com/support-for-businesses/funding-and-grants/growing-your-business/smart-scotland-grant for more information on terms and eligibility.

Scottish Enterprise R&D Grant

Scottish Enterprise R&D Grant funding supports companies to develop new products, processes and services that improve competitiveness and benefit the Scottish economy. Assistance is available to companies of all sizes located, or planning to establish a base, in Scotland. Project funding of up to a maximum of 50% is available.

Go to www.scottish-enterprise.com/support-for-businesses/funding-and-grants/growing-your-business/research-and-development-grant for more information.

Innovate Your Business

The Highland and Islands Enterprise's Innovate Your Business scheme provides one-to-one support to help firms develop innovative ideas for new products, processes or business models. Grants of up to £15,000 are also available for projects that accelerate the commercialisation of innovative new ideas. Assistance is available to registered companies with a business plan, as well as those working towards completing a plan.

Go to www.hie.co.uk/business-support/innovation-r-d/iyb.html for further information.

CAN Do Innovation Challenge Fund

The Highland and Islands Enterprise's CAN Do Innovation Challenge Fund connects small and medium-sized firms in Scotland with public sector partners to develop innovations that solve social challenges. Firms can access project funding of up to 100% to develop, test and demonstrate a solution to a social challenge, as well as access intellectual property advice and support.

Go to www.hie.co.uk/business-support/innovation-r-d/can-do-innovation-fund.html for further details on eligibility and current opportunities.

Support in Northern Ireland

Invest NI

Invest Northern Ireland (Invest NI) provides financial support to encourage more firms to invest in R&D. The funding can be used for a number of R&D purposes, such as linking to a college or university to pursue a specific project; developing or improving products and processes; and commissioning research. Invest NI also arranges workshops and can provide advice on planning an R&D project.

Go to www.investni.com/support-for-business/products-and-services/first-time-research-and-development.html for more information.

Proof of Concept techstart NI fund

The Proof of Concept techstart NI fund provides grants of up to £25,000 to small or medium-sized firms to help them fully develop and test the market for their ideas or inventions. The fund is subject to eligibility criteria.

Go to www.investni.com/support-for-business/proof-of-concept-techstart.html for more information.

Innovation Vouchers

Innovation Vouchers can provide businesses based in Northern Ireland with funding of up to £5,000 towards the services of an external expert to help them develop ideas, gain new knowledge or test a new product or service.

The scheme provides access to a wide range of expert suppliers, who must be UK-registered companies or public sector organisations. They include universities, research and technology organisations and further education colleges.

Innovation Vouchers are available for start-up, micro-, small and medium-sized firms located in Northern Ireland.

Go to www.investni.com/support-for-business/innovation-vouchers.html for more information.

Further information

BIF369 Applying for a Business Grant

BIF463 Government Financial Support for Business

DISCLAIMER While all reasonable efforts have been made, the publisher makes no warranties that this information is accurate and up-to-date and will not be responsible for any errors or omissions in the information nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

Cobweb Information Ltd, YBN, 7 & 8 Delta Bank Road, Metro Riverside Park, Gateshead, NE11 9DJ.

Tel: 0191 461 8000 Website: www.cobwebinfo.com