

Covid-19

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BEGINS

Covid-19 Support Measures

Bounce Back Loans (BBL). Information here - <https://www.gov.uk/government/news/new-bounce-back-loans-to-launch-today>

Coronavirus Business Interruption Loan Scheme (CBILS). Information here - <https://www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme>

Coronavirus Large Business Interruption Loan Scheme (CLBILS). Information here - <https://www.gov.uk/guidance/apply-for-the-coronavirus-large-business-interruption-loan-scheme>

The above schemes are all notified State aid, meaning that s1138(1)(a) CTA 2009 could potentially prevent a claim for SME relief. We would only expect this to happen where the loan relates specifically to the company's expenditure incurred on an R&D project rather than providing general support for the company. The effect will, as ever, depend on the facts. For example, a loan used entirely for R&D might lead to s1138(1)(a) applying. As mentioned in the 2 April RDCC update we will be keeping an eye on what happens in practice.

Future Fund. Information here- <https://www.gov.uk/government/news/future-fund-launches-today>

These convertible loans are commercial. They are not State aid, they are not caught by s1138 CTA 2009 and they need not be considered when looking at the State aid cumulation rules.

Innovate UK; Continuity Grants and Loans; Fast start grants. Information here- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685671/Innovate_UK_coronavirus_business_support_package_details_final.pdf

Loans and Grants

Some of these support measures are still under development, but I can confirm that s1138(1)(a) CTA 2009 will apply to all of those which are provided through the Temporary Framework (https://ec.europa.eu/competition/state_aid/what_is_new/covid_19.html) or through the Grant Block Exemption Regulations (<https://www.gov.uk/government/publications/state-aid-general-block-exemption-regulation> and in heading 8 of the following RDCC meeting minutes https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685620/Research_and_Development_Consultative_Committee_Minutes_8_December_2017.pdf). Note that other pre Covid-19 Innovate UK loans (for example see the 'Innovation Loans' section under the heading 8 'Technical Issues' in the RDCC minutes for 4 July 2018 which can be found on this page <https://webarchive.nationalarchives.gov.uk/20190405005800/https://www.gov.uk/government/gro>

[ups/research-development-consultative-committee](#)) and grants which are or were notified State aid have prevented any SME R&D Relief claim for the project which the loan or grant supported.

R&D Payments

We can now expand on the information on R&D payments issue which was mentioned in the 2 April RDCC Update.

Deferred liabilities

Where Ministers have agreed that tax can be deferred for a specific regime to support businesses in the COVID-19 period, i.e. the ITSA payment on account and VAT quarterly payment deferrals, RDEC or payable tax credit will not be set against any of those amounts before the revised due date.

Time to pay arrangement (TTP)s

Where tax has been deferred as part of a Time to Pay (TTP) arrangement, HMRC will follow existing policy and set any R&D tax credit off against any TTP liability, not just the amount owing at the point in time the credit is paid. This would include informal deferrals offered in advance of TTP arrangements being put in place.

TTP is an agreement by HMRC to delay enforcement proceedings for a given debt to a specified future date. It doesn't alter the fact that the debt is owed to HMRC or change the due date.

When HMRC agrees to set up a TTP we ask the customer their current and future financial position. TTP is a payment plan based on their ability to pay. If they are expecting a credit, then we build it into the TTP. When HMRC set up a TTP arrangement we will explain that the TTP is subject to our customer providing full information to us and letting us know if their financial position changes. It is therefore important that customers are open about any claims they have made when they set up a TTP and notify us if they make a claim after it has been set up. Any credits will normally be taken into account at the time the TTP is agreed or when the taxpayer notifies HMRC of a credit if it wasn't expected and notified when it was agreed.

Research and Development Expenditure Credit set offs at s104N (2) step 6

It is a legislative requirement that any RDEC remaining at Step 6 (CTA09/S104N(2)) is set-off against any liability owed to the Commissioners for HMRC. HMRC does not have the power to provide for a temporary relaxation of this rule and there are no plans at present to legislate to provide a temporary relaxation of this rule.

Credits under s130 Finance Act 2008

Credits under s130 Finance Act 2008, including credits under the R&D SME scheme, will continue to be applied on a discretionary basis. HMRC has a duty to protect public revenue and therefore would always look to offset any credit against tax liabilities before paying a credit. See [CIRD90600 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90600\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird90600) and [DMBM700010 \(https://www.gov.uk/hmrc-internal-manuals/debt-management-and-banking/dmbm700010\)](https://www.gov.uk/hmrc-internal-manuals/debt-management-and-banking/dmbm700010). HMRC will consider the particular circumstances of a customer on a case by case basis if they have objections to the credit being set off against other liabilities.

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