



Let the credits roll R&D incentives for companies in the media sector

Demand for more innovative, creative and cost efficient digital media services is driving increased integration of technical solutions and convergence across multiple devices. These demands are leading to the development of a new generation of technical capabilities, offering richer online environments and access to digital content in multiple formats on a global scale. Delivering these technical capabilities and differentiating services in a competitive and dynamic market relies on companies undertaking R&D. The UK government is keen to encourage technical innovation in the media sector and offers generous incentives to offset against R&D expenditure.

Whether claiming R&D tax relief (the 'super-deduction') or the new R&D expenditure credit (RDEC), our experience shows that very few companies are fully claiming these incentives because they wrongly believe that they are not undertaking any R&D. Eligible activities for tax purposes are actually much wider than many appreciate and so opportunities are being lost.

R&D takes place wherever technical staff seek to resolve a technological challenge – for example integrating IT systems, processing information faster, or making systems more scalable, secure or better integrated, gaining new knowledge or expertise in the process. Within the media sector, R&D is often found in application development, system integration and infrastructure improvements.

Qualifying revenue expenditure includes:

- salary costs (including employer's NI and pension contributions) of technologists and other employees directly and actively involved in the R&D work, and of those indirectly involved in eligible R&D projects;
- the cost of consumable items employed in the R&D process;

- 65% of contract staff costs;
- the cost of software licences, and power, fuel and water used in the R&D projects.

Under the R&D scheme for large companies, claims can be made for activities contracted to the claimant company, but not for R&D work which has been subcontracted to a corporate third party. R&D subcontracted to individuals, universities or other qualifying bodies, however, can be claimed.

In contrast, the R&D relief for small and medium sized enterprises (SME relief) allows claimants to include 65% of the costs of R&D subcontracted to corporate third parties. R&D performed by an SME which is funded, subsidised or contracted to the company, however, cannot be claimed under the SME regime. In these circumstances, the SME can generally make claims under the large company scheme for the excluded expenditure.

In addition, all companies can claim 100% accelerated capital allowances on capital expenditure incurred on carrying out R&D activities.

Understanding your industry

Product, technology and software development are the main areas that may be eligible for R&D tax relief, but activities in direct support of key technology based initiatives may also be eligible:

- Visual effects
- Animation
- Media asset management systems
- Broadcast and online distribution management systems
- Console and social media based gaming
- Subscription and advertising online systems
- Web based systems and interactive media
- Co-development projects with vendors

The Deloitte touch

Deloitte's Innovation tax team has a history of successful R&D claims across the media sector, from publishers to broadcasters, from those developing rich interactive online experiences through to content owners on the digital journey. Deloitte's leading multi-disciplinary R&D team includes tax professionals and a number of digital media professionals, using the industry knowledge of our experienced engineers to help you to efficiently identify and quantify the R&D being conducted. Deloitte's innovation tax team is the clear choice to partner in optimising R&D claims across the media sector.

Working with you

Our service model offers a range of bespoke solutions allowing us to work with you on a co-source basis wherever we can add most value. This may involve assisting you to manage your claims on HMRC enquiry, carrying out a review and providing advice on the suitability of systems and processes for claim preparation, a review of claims prepared in-house or the provision of training for your staff.

In addition, as a member firm of our global network, we can access in-country experience and the ability to advise across the large number of jurisdictions that now offer tax based R&D incentives.

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