Institution **CIOT - CTA**
Course **APS Owner-Managed Businesses**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Answer-to-Question-_1_

REPORT

To: Tim Peach
From: Able Accounting LLP
Date: 02/11/2023

SUBJECT: Project shield tax advisory

Introduction

This report is based on facts as advised by you and on UK tax law as of todays date. The report is not to be distributed to any third party without prior authorisation. No liability is extended to third parties.

Abbreviations

Project Shield (PS)

Executive Summary

WA is planning to build a new research facility for £950k and possible extension of a laboratory for PS of £250k. I advise both are constructed by WA Ltd. The benefit of this will be full rollover relief may be claimed for the chargeable disposal of Gate house. This will lead to a repayment of CT of £62k for the capital gain already suffered.

PS may be eligible for enhanced R&D claims which could be exchanged for a 14.5% HMRC tax credit. This will be an immediate cash flow benefit to PS of £150k and will reduce the funding requirements of the new company.

The new corporate structres for PS assessed are:

- Option 1 - New subsidiary beneath WA Ltd (NewCo)
- Option 2 - Insert new company (Holdco) above WA, then NewCo 2 as subsidiary of HoldCo
- Option 3 - New standalone company (Standlone NewCo)

For both Natasha and Kieran, there is very little difference between the route chosen. Both would likely be able to benefit from a future sale under a capital treatment with BADR being available to tax any capital gain at 10% CGT.

For Tim, the choice of structure will impact on how the proceeds from any future sale are extracted to be in his hands.

Under option 1 or 2, the proceeds will be held in companies which Tim does not want to sell nor liquidate, so extraction is only by means of dividends and income routes. It will depend on the future sales proceeds expected or whether this can be achieved tax-efficiently or not. The expectation is this will provide a significantly lower after tax receipt for Tim.

Option 3 enables Tim to participate as a direct shareholder of the new venture so a future sale of the business (by any method) can have capital treatment for Tim allowing him to be taxed on the 20% CGT rates. This would provide higher net proceeds than the additional rates he suffers under income tax. I recommend this route is selected to provide net proceeds to Tim from the venture activity.

Main Body

PART 1 Capital expenditure on the Research Facility

WA plans to reinvest significant capital into a new research facility either with or without the new laboratory for project shield

Funding the expenditure

Although WA has significant built up reserves, the cash at bank and in hand is only £332k when deducting the creditors which fall due within one year.

So for either options, WA is going to either have to borrow more money or refinance their existing debts.

A further bank loan by WA ltd to fund the capital purchase would be a trade loan relationship for the purpose of building a new research facility.

The interest will be deductible from trading profits.

Given the significant capital reserves and other fixed assets to provide collateral, obtaining a loan should not be an issue.

VAT

The construction of the new facility will be a new commercial building and as such the developer will charge VAT on the new construction at standard rates.

The factory, with or without the lab expense, will cost more than £250k so will be within the capital goods scheme for VAT purposes.

On acquistion, WA will be able to reclaim the VAT costs because it is VAT registered and making standard rate supplies.

However, after 3 years the premises would become exempt under normal circumstances once it is not new.

I advise that the option to tax is made on the new building because the election will protect WA against a future capital goods scheme adjustment if WA were to sell the premises after 3 years but within 10 years.

CT - SBAs

The construction of the research facility will be eligible for structures and buildings allowances on the costs of the construction and design fees.

The construction work commenced after 28/10/18 so the costs are qualifying expenditure

The SBA claim is a straight line over 33 years from the time when the building is first brought into use.

The SBA is a cash flow benefit only and would be reclaimed on a future sale of the L&B.

I recommend SBAs are claimed because it will provide an immediate tax deductible expense to improve cash flow of WA ltd.

CT - F&F

I recommend that an allowance statement is obtained from the contractors of the new research facility so that WA ltd may claim capital allowances for the intregral features which make up the fixtures and fittings of the building.

The F&F will allow an ongoing CT deductible writing down allowance at either 18 or 6% pa.

Furthermore, the F&F will be eligible for 50% FYA (if incurred pre 1 April 2023) or 100% FYA (where the capital works are in relation to research and development), or lastly, 100% AIA allowances up to the £1m annual limit.

Chargeable gains implications

Rollover relief

A rollover relief claim may be made by WA Ltd to recover the CT paid on the Gate house property disposal on 11 November 2022.

The new research facility will be qualifying expenditure on a non-depreciating asset (L&B) with a useful life in excess of 60 years.

As such, the capital gain would be deferred by rolling the gain into the base cost of the new asset.

Rollover relief is available if WA buys lab, or if NewCo or NewCo 2 undertakes the work and is part of the capital gains group.

Without the additional expenditure on the laboratory for PS, the rollover relief is restricted because all proceeds (£1086k) from sale would not have been reinvested.

I recommend that the laboratory is constructed because this will provide a new source of income for WA ltd and would be a tax deductible expense for the new company for PS.

Given PS will struggle to fund its working capital already, it feel unlikely that the new company could afford the £250k expense on a laboratry, I expect that it will be easier for WA to build the laboratory (which it could use for its own purposes in the future if PS was unsucessful).

The laboratory, being included in the research facility already planned, will provide significant cost savings through one larger construction project than two. I recommend WA builds the laboratory.

Furthermore, having WA construct the research facility will reduce the cash burden for the new company being incorporated for PS.

I recommend the new research facility is constructed within 36 months of the gate house disposal (so by 11 November 2025) so that a rollover relief claim made be made for a refund of CT already paid.

The claim must be made within 4 years of the end of the tax year the claim occurred, so by 31 March 2027. However, I recommend a notional claim is made if WA are undertaking the construction work and know rollover relief will be available. This will provide a cash flow benefit to WA ltd as the CT will be credited from the new CT payment.

Rental income

If WA construct the laboratory for project shield, it will be able to charge a market value rent to NewCo, NewCo 2 or Standlone NewCo for use of the space.

This will taxable under TTP as property or rental income.

For the company renting the use of the laboratory space, this will be a tax deductible expense providing the rate is on an arms length basis. However, I do not recommend rent is charged as NewCo will not have any taxable profits to set the expense against.

Renting the premises will not be able to be included in the R&D claim as it is not a consumable nor under any of the heads of expenditure.

SDLT

There is no stamp duty land tax payable on the new premises because WA ltd are undertaking the construction work and not buying from a developer.

R&D Claim for PS

Given WA ltd already claims enhanced R&D deductions, I will not go into significant detail on the basis that you understand the requirements already for R&D.

But to provide an overview. Once incorporated, PS may be eligible for the enhanced R&D deduction if the following criteria are met:

- Revenue expenditure,

- Company must be a going concern,
- Must incur expenditure under a qualifying head of expenditure being consumables, staff time, subcontractors, externally provided workers or clincial trials.
- The work must be spent on tackling a genuine technological uncertainty, pushing the boundaries of knowledge to date.

The claim will have to be made by the new company undertaking the reserach (and not WA ltd).

Project shield is expected to cost £400-500k which may qualify, all or in part given a detailed expenditure of the costs, for the 130% enhanced R&D relief. A appropriate portion of the staff time would need to be allocated to general admin which is not directly related to the qualifying activity.

Given there is not expected to be any income earned by the company while it is developing the intellectual property, major losses will generate in the new company.

The R&D claim may be exchanged for a 14.5% tax credit from HMRC.

I advise the new company claim the 14.5% tax credit of £150,075 because this will immediately help with cash flow for the company and reduce the level of borrowing that is required to fund the research activity. The downside is that the marginal rate of relief is lower than if the company were to wait and set against future profits. But given this may be a long time in the future, it is not recommended.

PART 2 - Structuring of Project shield

Given Tim already runs a highly successful company, I will not go into detail in regards to the basics of companies tax compliance and formation issues.

Option 1 - New subsidiary beneath WA Ltd (NewCo)

Structure

A new company (NewCo) may be incorporated as a wholly owned subsidiary of WA Ltd with 75% share capital owned by WA Ltd, 12.5% each for Kieron and Natasha.

Kieron and Natasha would only have rights over NewCo so the WA business is protected for Tim.

CT implications

With NewCo, there would now be a chargeable gains group (WA and NewCO as >51%) plus the companies would also be in a loss group because NewCo are a 75% subisidary.

It is not expected that NewCo will be profitably and instead will be loss making in the first 3 years while they develop the technology and intangible assets.

As a loss relief group, trade losses could be relieved against WA ltd taxable profits.

The trading losses would be circa £1m if the enhanced R&D deduction is claimed. Group relief for this would be at 25% given WA is the higher CT rate payer.

However, a drawback of this will be that Natash and Kieron would not be benefitting from this loss relief as only Tim would be the shareholder of WA ltd and eligible to participate in higher reserves in WA ltd.

I therefore advise that the losses generating in NewCo are not group relieved because this would be to the detriment of Kieran and Natasha who are not shareholders of the parent company.

Even as a subsidiary of WA ltd, NewCo would be eligible to undertake qualifying R&D and make claims as long as the research is not being subcontracted to it by WA. On the basis the R&D is entirely separate from WA's activities, it is not expected that this will be an issue.

If NewCo were profitable, any dividends paid to WA ltd would not be taxable income for the company.

Dividends paid by Newco to Natash and Kieron would be taxable under income tax at their marginal rates. However, we do not expect there to be profits nor distributable profits which would allow a legal dividend to be declared so this is not discussed further in detail.

There would be two companies within the corporate group which will affect the limits for quarterly payments and determination of the size of group. Having two companies will likely mean WA can stay as a small company (no payments by installments) unless WA were to grow in size more.

Funding

The NewCo will require either funding directly or a line of credit (bank overdraft) so that it can incur expenditure on the R&D activities.

WA ltd could provide NewCO with an intercompany loan and charge interest. The interest receivable would be a non-trading loan relationship so taxable at the 25% marginal CT rate.

NewCo would have non-trading loan debit. The NTLR losses accuring would not be able to be relieved because NewCo is not expected to have an trading or other profits in the coming years.

I advise interest is not charged on an intercompany loan because it will result in taxable profits for WA ltd with no tax deductible expense for NewCo because there are no profits to deduct from.

Given the above comments regarding the lack of cash available in WA ltd to provide this working capital to NewCo, it may need to refinance itself so that it can provide NewCo with the loan and necessary working capital.

WA ltd has significant capital reserves so it would be likely that it can obtain further bank loans and use its capital assets as collateral.

NewCo itself, with little to no trading history or assets, will struggle to obtain finance from traditional sources such as bank loans.

NewCo may be able to attract venture capitalists, but this is beyond the scope of this initial scoping exercise.

I advise WA obtains a loan from a third party, or refinances, and then provide an intercompany loan to NewCo as it will not be able to obtain financing itself through other means.

IHT

The insertion of a subsidiary below WA ltd would be a nonbusiness asset for IHT purposes for Tim to be able to claim BPR relief on his shares in WA ltd.

BPR relief would have been available at 100% to Tim because WA ltd is an unquoted trading company which he has owned for over 13 years.

The non-trading asset will reduce the rate of BPR relief obtained by Tim.

Stamp duty

There is no stamp duty payable on incorporation of NewCo for either WA, Natash or Kieran as they are subscribing for new shares.

CGT

Future sale and profit extraction

Sale of shares

With NewCo set up as a subsidary of WA ltd, a future sale of Newco shares to a third party buyer would be a chargeable gain for WA ltd, and a captial gain for both Natasha and Kieran.

For Natasha and Kieron, the capital gains tax payable will likely to 10% if BADR is available. As both are expeceted to work for NewCo, own over 5% and the NewCO will be a trading company, with all conditions met for 3-4 years, BADR should be available for capital gains up to the £1m lifetime allowance.

Natasha and Kieron may also deduct any brought forward capital losses and the annual exempt amount of £12,300. Though this is reducing in future years so may not be available when the NewCo is eventually sold.

Given WA have made disposals in the past, I will cover the treatment of gains for companies in great detail.

For WA Ltd, the sale of the NewCO shares will be a chargeable gain on a captial asset. It may deduct the base cost of the shares plus incidential sale costs. Indexation allowance is not available as the rates ceased in 2017.

The chargeable gain will be included in TTP and taxed under CT at 25%.
Relief available for the chargeable gain will likely be the SSE relief providing NewCO is a trading company and WA ltd held the shares for 12 months out of the 3/4 years since incorporation. Where SSE applies, the gain is exempt from tax.

Given the NewCo will only be 3 or 4 years old by the time a potential sale would occur, it is likely that a future buyer would be relatively happy with buying the shares as there isn't a long history of compliance or liabilities which any new buyer would be worried about.

WA ltd and Natasha and Kieran may still need to provide tax warranties and indemnities however.

I recommend that the future sale of NewCo be structured in a share sale because this will result a faster sale, capital treatment (and BADR) for the individual shareholders and WA ltd would likely be able to claim SSE relief so that any chargeable gain is not taxable (if they hold the shares for 12m in the past 6 years).

The new buyer would pay the stamp duty at 0.5%.

The early years of research activity will likely accrue significant losses in NewCo from undertaking the development activity - unless these are exchanged from 14.5% R&D tax credits.

The new buyer may want a share purchase so that they can access these historical trading losses against future gains.

Major change in nature of conduct of trade provisions will apply to the time both before the change of ownership (up to 3 years) and afterwards (up to 5 years). I would recommennd that from 3 years before any future sale, the provisions are reviewed carefully by the shareholders and management team so that the losses do not get blocked for the new owners unnecessarily.

However, given the R&D tax credit should be claimed by NewCo for the cash benefit, there shouldn't be any remaining losses on a sale of the business to a third party.

Sale of T&A, then liquidate

Alternatively, a future buyer may only want the trade and assets of NewCo so a future extraction could be a sale of the trade and assets (likely just the intellectual property that PS develop).

Sale of capital assets would generate a chargeable gains in the NewCo and leave the company non-trading with cash proceeds from the sale.

The NewCo would cease to trade and there would be balancing allowances/charges for any plant and machinery within the capital allowances.

The cash proceeds from sale of the assets could then be extracted to WA ltd and Nastasha and Kieran by way of formal liquidation, or depending on the level of the reserves (below £25k), informal striking off.

Income routes for extraction may be preferred by the individual shareholders (Natasha and Kieran) if they have relatively low other income sources. The ordinary rate for dividends is 8.75% which is better than the BADR rate of 10%.

However, whether this works for them will depend on what future sales price was achieved and I expect that a capital route would be advised in the majority of cases.

No Buyer

If no buyer of NewCo could be found. NewCo could be formally or informally wound down and then struck off so capital treatment for Natasha and Kieran, and a chargeable gain for WA ltd.

If the business fails

Were the NewCo to be unsuccessful in its activities and become insolvent, the shareholders (WA, Natasha and Kieran) would lose their original investment but not be liable for any other amounts.

Extraction issue for Tim

The clear drawback of this approach, by inserting a NewCo is that all future sales proceeds end up within WA ltd rather than in Tims hands directly which is the stated aim.

This results in a double tax charge for what Tim will earn through NewCo.

Though the double tax charge may be mitigated with SSE relief so it is only taxed once if NewCo was sold via a share sale.

But more importantly, there would be no capital extraction routes for the after sale cash for Tim because he does not want to sell WA ltd, nor wind it down or liquidate once it has the cash from a sale or liquidation of NewCo.

It can only then be extracted via the income routes to have the cash in his hands.

Salaries would have a very high marginal rate (45%), plus class 1 NICs given Tim already earns £240k per annum. However the salaries are deductible from CT so pre-tax profits which is always a more tax-efficient way to extact profits.

Further dividends to Tim would also be at the additional rate (39.35%) given his high other earnigns. Dividends are NIC free but not deductible by WA from profits.

Given Tims high £240k earnings already, any further income for him would result in his pension allowance of £40k per annum being abated, or an annual allowance charge at his top-slice if his contributions to the pension pot exceed the allowance.

Also given Tims high earnings, I expect that he will already use up his full £40k annual allowance through WA ltd making employers contributions to his pension.

If this is not the case, then I recommend WA ltd begins making £40k contributions to his pension per annum as a tax free extraction method of profits for Tim.

There is also an opportunity to use the past 3 years unused AA allowance (providing TIm was registered) if Tim has not been making use of his pension allowances in the past few years.

The ER pension contributions are CT deductible expenditure so from pre-tax profits.

Tim is 51 so will be able to access his pension from 55.

Tim could extract cash from WA ltd via other means such as tax exempt benefits, but these are all likely to be minor in scale so not result in a tax-efficient extraction on the whole.

If an income extraction method is required because no capital routes are available, I advise TIm to extract the NewCo sales proceeds over a number of years (perhaps once retired) so that the lowest marginal rates of income tax are suffered.

Future gift relief claim

The use of a subsidiary within WA ltd will mean that it now holds non-trading assets because the sub will generate dividend income for the company.

As Tim is nearing retirement, if he were wanting to gift the shares in his personal company (WA ltd) to someone else then the gift relief claim, to holdover a capital gain, would be restricted by the proportion of chargeable business assets over the total chargeable assets.

This is unlikely to have a major significance because the value of PS will be relatively low while it is undertaking the research activity, and Tim has no plans to gift the shares anytime soon.

Option 2 - Insert new company (Holdco) above WA, then NewCo 2 as subsidiary of HoldCo

Structure

A new company (HoldCo) could be incorporated, Tim would sell his shares in WA ltd to HoldCo.

Subsequently a subsidiary of Holdco would be set up (NewCo 2) which would be 75% owned by HoldCo and 12.5% each for Natasha and Kieran.

CT

The corporate group would mean that the CT treatment would be broadly the same as for option 1.

All three companies would be in the chargeable gains group and loss group.

The funding challenges would remain the same.

The extraction methods of NewCo 2 would be the same, with profits being paid up to HoldCo instead and then requiring extraction for Tim.

The sale of NewCo 2 would have the same tax impacts for Natasha and Kieran as Option 1.

There would be three companies within the corporate group which will affect the limits for quarterly payments and determination of the size of group. Having three companies will likely make WA ltd a large company (which must pay by instalments) rather than the small company currently.

Capital gains

The insertion of a holding company would be a capital disposal for Tim for capital gains purposes at MV on the transfer.

If the consideration for Tim is wholly in shares in HoldCo, then paper for paper relief will apply automatically (providing the anti-avoidance provisions aren't ennacted) and the capital gain will be held over by reducing the base cost of Tims shares in HoldCo.

The HoldCo base cost will stand in the shoes of Tims original shares (being half at subscription price and half at probate value from his wifes passing).

Tim could use this as an opportunity to extract some cash from the company in a tax efficient manner.

I recommend Tim leaves some cash open on loan account with HoldCo, so a portion of the chargeable gain will be realised (which may be covered by his annual exempt allowance).

Tim could then extract this loan capital in the future from profits tax free. Or charge HoldCo interest for the outstnading loan which would be chargeable to IT but NIC free.

If the consideration is not wholly or partly in shares, there is a high risk HMRC invoke the tax avoidance provisions and treat the proceeds to Tim as a dividend.

I do not advise that Tim disapplyies the paper for paper relief as he has used up his BADR lifetime allowance anyway, so the capital gain on a sale of WA or HoldCo shares would be the same. Both would be taxed at 20% CGT rates.

IT

Advance clearance can be sought from HMRC to confirm that the anti-avoidance "Transactions in securities" legislation does not apply.

Stamp Duty

There is no stamp duty payable on insertion of a holding company (by HoldCo as purchaser) due to reconstruction relief. This is providing that the share holding structure of WA immediately prior to the takeover matches the share structure of HoldCo.

There is no intention to sell WA ltd within 3 years so there is no withdrawal of this relief expected.

IHT

The shares Tim holds in HoldCo will continue to qualify for 100% BPR relief because the HoldCo shares will qualify as replacement property for the shares Tim held in WA ltd for over 2 years.

VAT

The sale of shares by Tim to HoldCo is exempt from VAT.

Option 3 - New standalone company (Standlone NewCo)

Structure

An alternative to the two approaches above which include the new company for PS as within the corporate group of WA ltd.

A simpler structure would be to incorporate a new entity with Tim as 75% shareholder and 12.5% each for Natasha and Kieron.

Funding - WA LTd

WA ltd could provide a loan to the standalone NewCo (with reference to the above discussion over its own cash issues), however this would be caught by the s455 penalty tax.

WA ltd is a close company controlled by Tim. Standalone NewCo would also be controlled by Tim so it would be classed as a associated company for s455 purposes.

Any loan left outstanding at the due date for CT would have a penalty of the upper dividend rate charged on WA ltd.

This is only a cash flow detriment and would be repaid to WA ltd when or if standlone newCo were to repay the loan. However, I advise that WA do not loan standalone NewCo the money as this can be avoided by other means.

Funding - Tim

It appears that Tim is relatively wealthy. Given Natasha and Kieran do not have cash proceeds they can invest themselves, Tim may either have the cash available to loan the company, or the ability to borrow money from a bank to loan to standalone Newco.

If Tim were to take out a loan, this would qualify for a deductible payment so interest charged on the loan can be subtracted from his very high net income in his self assessment.

The interest paid on a loan would qualify because it is a loan for him to invest in a close company.

The deductible payments would provide Tim with a significant tax reduction at his high marginal rates (45%).

Alternatively, Tim could just loan Standalone NewCO the money and charge interest for the loan (IT but NIC free) rather than investing in the share capital of standalone NewCo.

Tim would be able to extract profits from repayment of the loan tax free.

I recommend that Tim provides standalone NewCo with a loan to fund the working capital requirements of the business because this will enable him to charge a tax deductible interest to the company (IT but NIC free) and also extract future profits (if any) tax free on a replacement of the capital owed to him.

It will also protect Tim from his investment. If Tim uses the loan to subscribe for the share capital in standalone newCo then he is liable to lose the investment if the company becomes insolvent.

As a loan from the shareholder, Tim may be protected and receive a preferential return on an insolvency.

Bank Loan

Standalone NewCo is unlikely to be able to obtain ordinary financing through a bank loan given it will be a new company with no trading history.

It may be possible for Tim to provide personal guarantees given his other income and high wealth.

CT

The standalone NewCo would be an associate company of WA ltd because Tim has control of both companies.

The consequence is the FY23 limts for the CT rate will be divided pro-rata between the companies even through they are no longer in a chargeable gains group or loss group.

The rental charge by WA ltd to standalone NewCo would be a CT deductible expense.

Any loan charges paid by standalone Newco will be CT deductible as a non-trading loan relationship because the loan will be to fund the working capital of the business.

Stamp duty

There is no stamp duty payable by Tim, Natasha or Kieran as they are subscribing for new shares.

Future sale/extraction

The future extraction opportunities for Natasha and Kieran are the same as described above for option 1 or 2.

The key difference is the benefit Tim can make from being personally invested in the company meaning there will no longer be a double tax charge (if T&A sale or liquidation) for the profits that Tim may earn in the future.

The sale of shares of standalone NewCo, or liquidation would both provide Tim with immediate cash in his hands through a capital extraction route.

Tim will have a capital gain but this may be reduced by deducting his base cost of the shares, plus incidential costs of selling. The maximum CGT rate Tim can suffer is 20% which is significantly better than income tax rates at his additional rate of income.

Natasha and Kieron emigating to Australia

Both Natasha and Kieron are intending to become non-uk residents in the near future (6 years or so).

This is relevant for the timing of any future sales proceeds or extraction from a company under any of the structures.

If both become non-uk resident, they will not be liable to UK tax on a dividend or capital gain on the sale of shares of winding down of the new company.

I recommend that Kieran and Natasha seek australian tax advice to determine whether it is preferential for them to be Australian tax resident or UK tax resident when the distribution occurs. THis is because it is likely that Australia will tax gains on the sale of shares in a similar way to the UK so there is unlikely to be a major benefit in waiting until they have left the country, as this will be taxed elsewhere.

Natasha and Kieran should be aware of the temporary non-residence rules to ensure the capital gain (if it arose while abroad) does not become chargeable from them returning to the UK within 5 years.

Group structure Recommendation

I advise that option 3 is undertaken where a standalone NewCo is set up with Tim, Natasha and Kieran the subscribers.

Given Tims very high earnings, a future sale in 3 or 4 years time must be structured using a capital extraction method in priority, to ensure that the receipt is not taxed at the very high marginal rates for Tim (likely 45%).

Furthermore, this will also mitigate the double tax charge occuring for Tim if the company is operated through a group subsidiary.

This option will be amenable to Natasha and Kieran who would be eligible for capital treatment of the future sales proceeds, regardless of the structure.

Appendix

Rollover relief claim for Gate House

	Investing 950k	Investing 1200k	
	£		
Proceeds	1,100,000	1,100,000	
Cost	(14,000)	(14,000)	
	1,086,000	1,086,000	
Other costs	(139,499)	(139,499)	
Taxable gain	248,200	248,200	
Rollover relief	(112,200)	(248,200)	
Proceeds not reinvested	136,000	-	
Base cost of non-depn asset			
Original	950,000	1,200,000	
Less ROR	(112,200)	(248,200)	
	837,800	951,800	
CT refund			
25% x ROR claim	28,050	62,050	

Possible R&D tax credit for expenditure incurred

	£		
Predictd spend on consumables and staff	1,035,000	450x230%	

Average			
Tax credit at 14.5%	150,075		