

Organic Beauty Product Manufacturer & Retailer- innovation review

Ability to integrate into the client company

The company is an SME. Each year, the production director and her team can spend up to 75% of their time developing new organic medical and skincare products and spend significant amounts on university research and with product testing sub-contractors.

Impact on the business / bottom line

All the costs incurred were treated as new product development with little thought as to whether there existed any research and development. However, on further examination, it was found that the work satisfied the criteria for R&D. In the absence of timesheets and project costing, a template was devised to establish the costs associated with each new product. An initial claim was submitted for £287,000 to establish both the validity of any future claim and the methodology employed to ascertain relevant expenditure.

Overall contribution / achievement of objectives

At the meeting not only was the validity of the claim agreed but the basis of preparation was accepted and 30 days later a cheque was received for £32,000. Once the first claim had been accepted, the subsequent claim was prepared using the accepted basis totalling over £500k. In this instance, the company decided to use the relief to reduce its payment of corporation tax by £80,000. The net effect was an improvement in cash flow by over £110,000 together with an increase in post tax profits by a similar amount.

Working style

The new product director's involvement was crucial to the process. In the end, the director was required to make the business case presentation to HMRC in view of the technical queries being raised. After coaching by the IB executive, a flawless presentation was given covering issues relating to emulsification of organic compounds and the use of non-nanoparticles in creating effective sunblock. As a consequence, HMRC accepted the claim and the basis of claim in full paving the way for substantial claims over double the original claim.

Organic Product manufacturer and wholesaler - innovation review - g2h