

# COSMETICS & SKINCARE



Visit us at [www.onyx.accountants](http://www.onyx.accountants)

COSMETIC AND SKINCARE INDUSTRY

# COSMETICS & SKINCARE



## ABOUT THIS SECTOR

The cosmetic and skincare industry is highly competitive and as such, companies in this marketplace are constantly engaged in efforts to improve their competitive position. In particular, cosmetics manufacturers continually engage in the development of advanced chemical compounds, as well as robust product package systems that are both attractive and suitable for high-speed auto-filling processes. The chemists and the engineers in this industry are continuously involved in research and development to devise products and production processes that satisfy their company's demanding requirements.

The strength of UK manufacturing is supported by extensive Research and Development (R&D) and investment in capital infrastructure. The movement towards more automation, digitisation and new materials, creates significant opportunities for tax reliefs and incentives for the taxpayer in this sector.

## POTENTIAL R&D CLAIMS

Many companies are conducting qualifying R&D activities for R&D tax relief purposes in this sector on a daily basis, without even realising it. What may seem as typical day-to-day challenges in the office and field may qualify. This may include developing new products, processes or services or duplicating existing products and processes in an appreciably improved way. The development does not have to be blue sky innovation, however, it is necessary for the company to demonstrate some kind of technical uncertainty in the work being undertaken.

Typical qualifying activities within this sector include but are not limited to;

- Development of a new or improved chemical product formulation.
- Development and testing of new or improved packaging and packaging equipment.
- Generating prototypes and samples of new products for testing and validation.
- Developing a new or improved distribution method.
- Conducting clinical tests to satisfy government regulatory requirements prior to commercialisation.
- Generation of pilot batches of new products for testing and validation.
- Developing products using natural alternatives to ingredients.
- Design and development of new or improved scaled-up manufacturing processes.



## POTENTIAL PATENT BOX CLAIMS

Companies that hold patents could qualify for a reduced corporation tax rate of effectively 10% on profits derived from those patents. Any company in this sector that does not hold a patent should be reviewing its technological developments to consider its eligibility to apply for a patent and benefit from the significantly reduced 10% tax rate.

The technical hurdle to apply for a patent is not as high as you may think. Similar to R&D tax relief, what may seem as typical technology in the office or field, may be patentable and eligible for a 10% effective rate of tax.

Some examples of patents in this sector include but are not limited to;

- High-UV protection sunscreens.
- Anti-dandruff shampoos.
- Whitening toothpaste.
- Anti-ageing creams.
- Formulation patents in the organic cosmetics industry.

## POTENTIAL CAPITAL ALLOWANCE CLAIMS

Capital allowances enable commercial property owners to obtain tax relief relating to capital expenditure embedded within their building.

Capital allowances on plant and machinery equipment will typically be claimed in the tax computation already.

However, many businesses in this sector are missing out on valuable capital allowances available not only on property owned for years, but also on the;

- Acquisition
- Construction
- Refurbishment; or
- Extension of commercial property.

Capital allowances are often extremely valuable in this sector. Typically qualifying features include; fire alarms, security installations, electrical systems, heating, lighting, air conditioning, racking and flooring.

The value of capital allowances in this industry is typically 20-40% of expenditure on new builds, increasing to 45-65% for refurbishments.

Of course, the extent of the opportunity depends on the level of the specification.

## DON'T LOSE OUT!

The main reason allowances are missed on the construction and fit out/ refurbishment of the building, is because of the lack of detail in the construction cost information provided by contractors. This information can consist of high level summaries of the works and it is difficult for non-specialists to break down and segregate these costs, resulting in lost allowances.

Often elements are missed in the capital allowances claims such as demolitions, alterations and finishes. It is also possible to claim the professional fees associated with plant and machinery that we are claiming capital allowances on.

## YES! THERE 'S MORE!

In addition to this, there is a little known tax relief called Research and Development Allowances (RDA's). If it can be identified that the purpose of the expenditure on plant and machinery, buildings and IT equipment was for the purpose of Research and Development, 100% uncapped first year capital allowances can be claimed on this expenditure. Another very valuable opportunity!

At Onyx our mission is to help you to understand your finances at every level with a very personal tailored approach. We do not consider ourselves as the classic belt and braces accountant that you see once a year to simply hand over paperwork. We are here to support you 365 days a year, not only with the classic accountancy services but also with a range of business support services which would offer considerably benefit.

If you feel your business would benefit from the services Onyx has to offer, we can arrange for you to have a free no obligation consultation with a member of the team.

To arrange your free no obligation consultation please call us on 0121 753 5522 or 01902 759 800, or alternatively you can email us at [enquiries@onyx.accountants](mailto:enquiries@onyx.accountants).

