

FOOD & DRINK



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ABOUT THIS SECTOR

Companies in this industry engage in significant research and development efforts aimed at expanding the company's range of products, improving quality, taste and healthfulness and reducing production costs. This industry is also full of legislative changes, distribution complexities, food safety issues and international competition. New products are constantly flooding the market and there is a rise of online retail and home delivery, together with evolving consumer preferences and dietary awareness, which all represent development opportunities for the industry.



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;

- Creating and developing new recipes and formulations to address emerging consumer preferences (such as reduced sodium, natural ingredients and sugar substitutes) while maintaining acceptable flavour profiles, product presentation and shelf-life.
- Improving manufacturing technology, processes and procedures to increase yield, reduce waste/by-products, improve safety, or comply with regulatory requirements or environmental legislation, which is technically challenging and not straightforward to meet or achieve in practice.
- Developing new product flavours, appearances, textures or health benefits.
- Developing new packaging and packaging systems or redesigning existing packaging to reduce waste or improve shelf-life.
- Development of new software applications to use internally, or to interact with customers and/or vendors.
- Developing fully-cooked equivalents to par-cooked foods, while still maintaining acceptable flavour profiles, product presentation and shelf-life.
- Manufacturing experimental batches and pilot runs of new recipes and formulations for testing.

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;

- Packaging patents.
- Development of a cost-effective process system for volumetric production of a new food product.
- Development of an efficient and effective sterilisation system for cleaning a cheese processing system.
- Wastewater treatment technology to decrease water consumption and improve heating/cooling processes during the manufacturing phase.
- New and improved bottling processes.
- Improved fermentation processes.
- Specialised prototype tooling and machines used in food manufacture.

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 such as ovens and kitchen 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 on the;

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

Property in this sector typically contains the highest proportion of plant and machinery in comparison to other sectors – it's a golden opportunity! Hotels and restaurants, for example, contain extremely valuable allowances as they have many qualifying features intended for the purpose of their trade. Expenditure incurred on soft furnishings, such as; paintings, ambient/ feature lighting and wall coverings all contribute to the ambiance and experience of its customers and thus can be included to the claim. The value of capital allowances in this industry can be up to 80% of expenditure on new builds and refurbishments. Of course, the extent of the opportunity depends on the level of the specification.

DON'T LOSE OUT!

Allowances are often missed on these properties due to the lack of detail in the construction cost information provided by contractors. This information can consist of high level work summaries which are very difficult for non-specialists to break down and segregate, resulting in significant lost allowances. Typically, elements missed in the capital allowances claims include demolitions, alterations and finishes. Furthermore, professional fees associated with plant and machinery on which we are claiming capital allowances are eligible, but are easily forgotten.

YES! THERE'S MORE!

In addition, 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, then 100% uncapped first year capital allowances can be claimed on this expenditure.



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.

