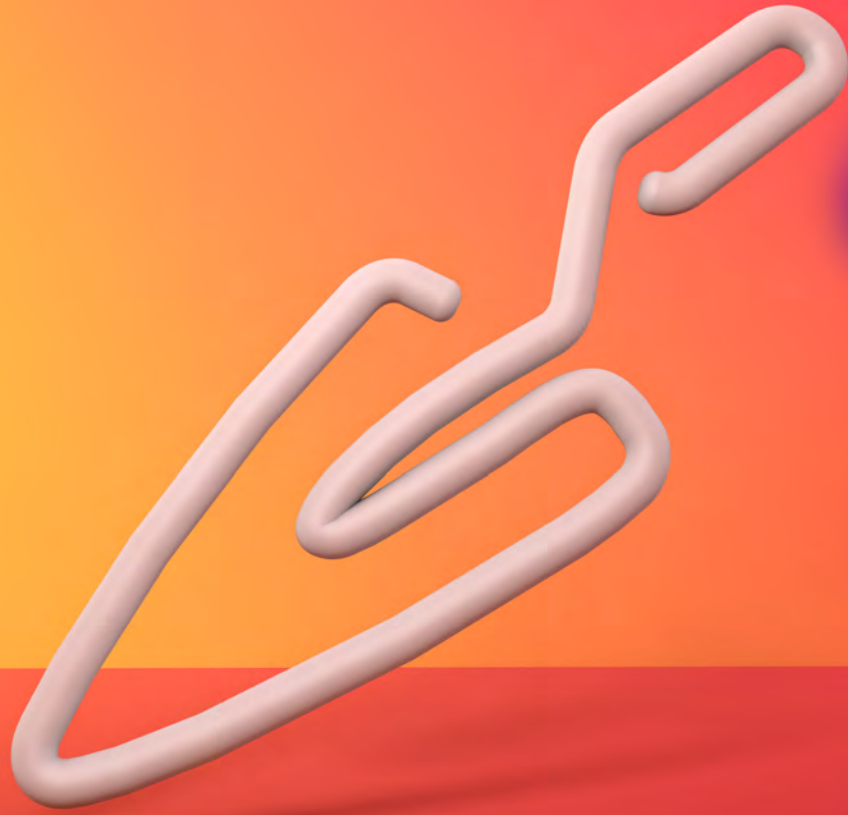


# CONSTRUCTION INDUSTRY



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# CONSTRUCTION INDUSTRY

## ABOUT THIS SECTOR

Construction companies are often required to develop a bespoke solution using a unique combination of different techniques and materials. Where solutions are created which are unique or not readily known to experts in the industry, qualifying R&D is likely to be taking place.

The construction industry utilises new materials and methodologies to create quality structures that are attractive, energy-efficient, and require less maintenance. In addition, the government is continually revising building regulations and other requirements that challenge architects and engineers to be increasingly innovative in their efforts. To meet the challenges and remain competitive, companies in this industry endeavour to devise suitable technical solutions to complex problems relating to bridges, dams, roadways, buildings and other structural objects.

This creates opportunities for tax reliefs and incentives for the taxpayer.

## POTENTIAL R&D CLAIMS

The construction industry accounts for only 3% of all R&D tax relief claims submitted. While HMRC statistics show many industries in the UK are waking up to the benefits of R&D tax credits, the potential is far greater in the construction industry. Numerous construction businesses are either not aware of R&D tax credits, incorrectly believe that they do not qualify, or feel that they lack the necessary experience to submit a claim. Many companies are not claiming or not maximising their full legitimate entitlement, yet they are conducting qualifying R&D activities for R&D tax relief purposes on a daily basis, without even realising it. What may seem as typical day-to-day challenges in the office and field may qualify.

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

- Development or adaptation of tools and materials to improve efficiency, or to adapt construction techniques to suit certain environmental or land conditions (such as construction to withstand weather conditions).
- Identification of technological improvements to the construction process or to the products and software used. This can include developing, testing and implementing systems which are technically difficult.
- Research and design, development of prototypes, commissioning, including quality testing and production of the final product/building.
- Development of environmentally friendly methods, or sustainable technology.
- Development of sophisticated systems to meet health and safety requirements. For example, innovative scaffolding, safe working processes and automation.
- Developing prototype building facing systems for testing and validation.
- Devising improved hazmat storage systems, pump buildings, power sub-systems, etc.
- Exploring newer and better methods for hazmat storage, pump buildings, power substations, etc.
- Developing new polymer roofing systems, including waterproofing methods, membranes and sealants.



- Analysing and remediating ground contamination problems.
- Using materials in a new way to achieve greater efficiency or functionality.
- Development of unique products to deliver state-of-the-art facilities.
- Modifying an existing technique for a unique application.
- Developing an innovative modular construction method.
- A new system for superior energy efficiency.

## 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;

- Creation of a cladding system which has the appearance of 'normal' brickwork but incorporated the capacity for off-site fabrication, improved fire protection and suitability to fast-track production.
- In-ground pipeline monitoring.
- A roof shingle system.
- A method for building a house, starting from a packaged structure.
- A method for moving and aligning modular house units onto a foundation.
- A method for retrofitting the surface of a house or building.

## POTENTIAL CAPITAL ALLOWANCE CLAIMS

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

Construction companies are typically excluded from claiming capital allowances as they tend to hold property as trading stock in their profit and loss account. However, capital allowances can be claimed by a construction company whereby the building is occupied or held as an investment.

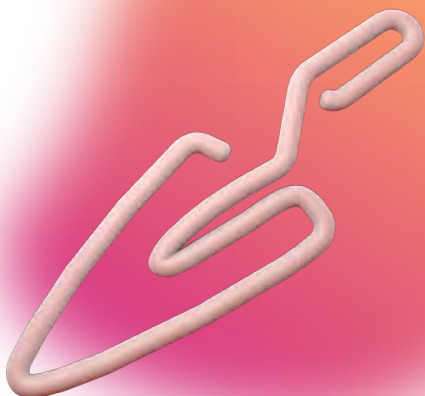
## LAND REMEDIATION RELIEF

Typically, the real opportunity for construction companies is Land Remediation Relief (LRR). LRR may be the best kept secret in the tax system! If you have acquired a contaminated site/building and spent money cleaning it up, you could be eligible to claim. LRR is claimed as a super deduction of 150% on expenditure incurred in cleaning up land and buildings and removing barriers to development. This is regardless of whether the property is held as an investment or trading stock.

## WHAT QUALIFIES?

Expenditure on assessing the problem, cleaning up land and waterways, taking away pollutants, removing derelict structures and services and preventing or minimising the harm caused by contamination.

Unlike capital allowances, LRR can be claimed on residential property too!





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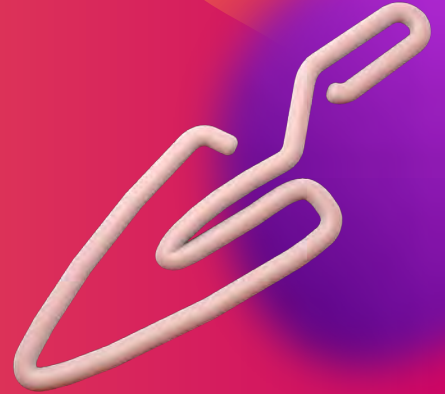
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