Government Support for Innovative SMEs

A wide range of government-backed incentives exist which are designed to encourage and support innovation by SMEs in the UK. Such incentives can be in the form of financial support, for example funding or tax relief for R&D projects, or can be in the form of services, for example advice and guidance to help develop an innovative concept into a commercial product. Sources of support include: Innovate UK (formerly the Technology Strategy Board), which is the government agency tasked with stimulating innovation; Her Majesty’s Revenue and Customs (HMRC); the UK Intellectual Property Office (IPO); the Chartered Institute of Patent Attorneys (CIPA); and the Institute of Trade Mark Attorneys (ITMA).

This leaflet summarises a few of the different types of support available to UK-based SMEs. This list is by no means exhaustive, but is intended to serve as an illustration of the range of support that is available.

Financial Support

- **Innovate UK funding**
  Innovate UK operates a number of funding competitions which allocate funding to UK-based companies for various types of R&D activities. The competitions are open to any kind of business, from pre-startup all the way up to large multinationals. The amount of funding that can be accessed through Innovate UK is significant; since 2007 Innovate UK has invested around £1.8bn, not including matched contributions from the private sector. More details on the funding competitions are given below, and further information can be found at: https://www.gov.uk/guidance/innovation-apply-for-a-funding-award

- **Sector-specific competitions**
  Some of the funding competitions run by Innovate UK focus on specific industry sectors: emerging and enabling technologies; health and life sciences; infrastructure systems; and manufacturing and materials. These competitions are used to allocate grants ranging from £25k to £10m to UK companies that are collaborating with a research partner or other business, or that want to create or improve new or existing products.

- **Open funding competitions**
  In addition to the sector-specific competitions mentioned above, each year Innovate UK runs two rounds of open funding competitions that are open to all innovative businesses. The open funding competitions replace the previous “Smart” programme, which offered co-funding to start-ups and SMEs with grants of up to £250k. For the 2016/17 financial year, each open funding competition had a total budget of up to £14m.

- **Patent Box**
  The Patent Box is an HMRC tax relief scheme that came into force on 1 April 2013, and which has the potential to significantly reduce a company’s Corporation Tax bill. Companies can opt in to the Patent Box if they own, or exclusively license, a granted patent in the UK or selected other European countries. Any profits attributable to the patented technology are taxed at a reduced rate of 10%, compared to the main Corporation Tax rate (currently 20%). When the patent covers an individual component in a larger product, the Patent Box scheme allows tax relief to be claimed on the profits derived from sales of the entire product. Since 30 June 2016 it has also been necessary to show that the R&D work which

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led to the patented invention was conducted by the same company that is claiming the tax benefit.

- **R&D tax credits**
  In addition to the Patent Box, HMRC operates a separate R&D relief scheme which allows UK companies to reduce their tax burden according to their expenditure on R&D. The scheme is intended to promote investment in innovation and is commonly referred to as R&D tax credits, although depending on circumstances the relief can come in the form of a reduced tax bill rather than a tax credit. There are two R&D relief schemes, one for SMEs and one for large companies. The SME scheme provides more generous relief, allowing for tax relief of 230% on allowable R&D costs. That is, for every £100 of qualifying R&D costs, the income on which corporation tax is payable is reduced by £130 in addition to the £100 spent. HMRC defines an SME as a company or organisation with fewer than 500 employees, and either a turnover of ≤ €100m or a balance sheet total of ≤ €86m.

- **IP Audit Plus scheme:**
  The IP Audit Plus scheme, which is run by the UK IPO, offers grants towards the cost of having an IP audit conducted by a specialist firm of intellectual property advisers, such as Venner Shipley. The scheme provides a £2,400 grant which must be matched by a £600 contribution by the business, giving a total budget of £3,000 for the audit. For more information about the IP Audit scheme, including details on how to apply, please contact the Enterprise Europe Network at https://www.enterprise-europe.co.uk.

**Business Support**

- **Catapult centres**
  The Catapult network is an Innovate UK initiative which comprises a number of centres around the UK that bring together businesses and research institutions. The Catapult centres are intended to encourage cooperation within specific technology areas to help businesses transform their ideas into new products. As of 2013, Catapult centres have been launched in ten distinct technology sectors: High Value Manufacturing; Cell and Gene Therapy; Offshore Renewable Energy; Satellite Applications; Connected Digital Economy; Future Cities; Transport Systems, Medicines Discovery, Energy Systems, and Compound Semiconductor Applications. More information can be found at https://www.catapult.org.uk.

- **Small Business Research Initiative (SBRI)**
  The SBRI is an Innovate UK programme aimed at connecting government departments with innovative UK businesses. The SBRI is intended to make it easier for government departments and other public sector bodies to quickly access new technologies by entering into contracts with innovative businesses to develop new solutions to specific problems. Since April 2009 more than 2,200 SBRI contracts have been awarded, with a total value of over £270m. More information can be found at: https://www.gov.uk/government/collections/sbri-the-small-business-research-initiative.

- **Pre-Revenue Ventures Programme**
  This is a coaching/mentoring service organised by the Design Council, aimed at businesses which have industrial technology, science or engineering at the core of their business model. The programme offers coaching and workshops which assist businesses and entrepreneurs in commercialising innovative IP. Participation in the programme costs from £1,250 to £2,500 +VAT. More information can be found at www.designcouncil.org.uk/what-we-do/design-support-pre-revenue-ventures.