

Claiming R&D Tax Credits for furloughed employees



Generally, SMEs can't claim for R&D tax relief for furloughed employees. There are, however, a few exceptions as outlined in this factsheet. The Firmvalue Payrolls Team can advise you on your particular circumstances.

While the Coronavirus Job Retention Scheme (CJRS) – aka furlough – helps many people, it may impact your claim for Research and Development (R&D) Tax Credits.

Under the rules of the CJRS to 30 June 2020, staff weren't allowed to 'work' during any furlough period. Then, they weren't permitted to work under the 'flexi-furlough' scheme - or on days for which furlough payments are claimed, since 1 July 2020.

This includes carrying out any R&D activity whilst furloughed. Therefore, you can't claim R&D Tax Relief on furloughed staff costs. Employer costs to 'top up' a furloughed employee's wages also don't qualify.

However, if you have described an employee as being 'furloughed' but not claimed for their salary under the CRJS and they have undertaken qualifying R&D work, a proportion of the individual's staff costs could be claimed.

Sickness and holiday pay exceptions ...

HMRC has said that businesses are allowed to claim a 'fair proportion' of sickness or holiday pay for furloughed staff who would normally have been involved in R&D work.

The reason for this is holiday and sickness are viewed by the HMRC as part of the overall remuneration of an employee. It therefore allows businesses to claim tax relief for this time by recording it as a staff cost.

It's important to spend time ensuring that you claim for all the costs you are entitled to but that you get it right. You don't want to risk being challenged by the HMRC.

How we can help

If you'd like a chat about the details of R&D tax relief, do get in touch!

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