

# Is innovation the cure for economic recovery?

*2020 has been a challenging year for everyone but in particular for SMEs. Whilst the prospect of the Pfizer vaccine has caused significant optimism, SMEs are still living through the current economic challenges. Given that things will not spring back to normal immediately, what can SMEs do to ensure they are at the forefront of this crucial economic recovery?*

Temps de lecture : minute

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Figures from 2019 show that SMEs made up over 99% of the UK's businesses, and accounted for 60% of all private sector jobs in the UK. These businesses have suffered harshly through the recent crisis, and many have had to turn to government support to survive. Given that SMEs make up a large part of the overall UK economy, they will also be a key factor in how the UK bounces back.

With Christmas and the new year fast approaching, preparation will be key for SMEs in ensuring that they do what they need now, to survive this period, and then set themselves up to run in 2021. One factor that is crucial to many businesses is cashflow. Given that lockdowns have restricted sales and forced investment into Covid-friendly set-ups, re-tooling or simply keeping businesses afloat, having access to cash will be more crucial than ever.

Aside from the temporary schemes in place to support businesses during the pandemic, there are well-established Government incentives that SMEs can utilise to regain cash that has already been spent. One scheme that is often underutilised is R&D tax relief, which enables companies to

recoup costs from innovation – whether successful or not.

The phrase R&D tends to put off many businesses, but it is not as complex as it may seem. Any tweaks to current processes, logistics, staffing and equipment, to make a business more cost or time efficient, developing new or improved products or to improve sales count are potentially eligible, are just a handful of examples. They also don't need to be successful – even trying new things can constitute innovation for the purpose of the scheme.

Businesses of all sizes have found themselves innovating to adapt to the new and challenging circumstances presented by COVID-19, and it is the businesses that have innovated most effectively that have fared best through this period. These companies should certainly look into schemes such as the R&D relief to reclaim some cash and without borrowing.

One example of a successful claim is a currency exchange specialist, the business developed a client portal to enable its clients to manage their FX exposure across a number of providers and countries. The new portal provided various new features and improvements. The business appointed Leyton, a specialist innovation funding consultancy who identified over £320,000 of R&D expenditure and were able to submit a claim on behalf of the business for over £80,000 after just 13 days working on the project.

Figures released by HRMC showed that businesses across the UK claimed £84,548 on average in 2017/18, an increase in claims by 15% to £5.1B on the previous year and so far for 2018/19 the average claim value stands at £90,132 and there are still months left to apply. That is £5.3B so far with the total expected to exceed £6.3B.

As Government support put in place at the beginning of lockdown comes to an end, it is evident that companies are turning to well-established and

reliable schemes to bolster their cash flow. As we look to the future beyond COVID-19, more businesses should look to these schemes to support their post-pandemic future.

*Radeep Mathew is Head of Consulting at Leyton UK and you can find out whether your business could be eligible for R&D Tax Credits [here](#).*

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Article by Radeep Mathew