

## KEY TAX CONSIDERATIONS IN RELATION TO RESEARCH PROJECTS

When undertaking a research project, there are many situations additional procedures must be followed to comply with tax legislation or where unexpected tax costs can arise.

Attached is guidance which summarises the main areas which need consideration from a tax perspective and provides additional links if the situations apply to your projects.

**You are strongly advised to read this carefully before you proceed with your project.**

In addition, below is a list of those situations which may help you.

Situation	Main tax implication	General Tax Guide Ref
Do you need to charge UK VAT on your funding grant	Will affect whether you can recover any UK VAT you are charged by 3 <sup>rd</sup> parties on your project	Paras 1.1 to 1.2; Para 2
Do you have a formal collaboration?	Will affect whether you are charged or need to charge VAT to other collaborators. You need an Agreement	Para 1.3 to 1.4
Will there be any in kind support?	Depending on whether there is anything received in return, "VAT only" invoices may need to be issued. Output VAT might need to be accounted for in some cases.	Para 1.5
Are you purchasing any equipment for non commercially funded research for medical and veterinary research?	May be able to apply for zero rating so that you are not charged UK VAT on its purchase	Para 3
Are you importing (or possibly exporting) any goods/equipment?	Customs duty and VAT will be chargeable unless any appropriate reliefs are claimed. Even taking equipment abroad and then bringing back again may incur these charges if care is not taken	Para 4
Do you need to engage a 3 <sup>rd</sup> party as a Supplier or pay a 3 <sup>rd</sup> party in some way	<b>Employment status checks and all Procurement processes must be followed BEFORE any Supplier starts ANY work. Significant issues will arise if you do not do this.</b>	Para 5
Do you need to pay research volunteers?	Method of payment will vary. If paying volunteers overseas, you will incur 20% UK VAT which is very likely to be a cost for your project and certain HMRC rules must be followed	Para 6
Are you using any Suppliers or Subcontractors based overseas	Very likely to incur UK VAT costs at 20%, may incur local country taxes	Para 7
Will any research work being undertaken be carried out overseas by any staff member(s) for more than 6 weeks or is there a staff member working overseas in a country where they have a home?	May be overseas payroll issues or other tax issues. These are very costly to address - usually c. £20k but can be more. <b>Please you MUST always seek advice before considering engaging anyone based overseas as a member of staff.</b> It is very unlikely to be viable to do so.	Please speak to your HR partner in the first instance
Are any payments being made to overseas countries or being received from overseas countries	Withholding taxes may be due on the payments (usually between 5% and 25%), which will be an absolute cost to your project	Para 8

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Are you expecting an overseas visitor to be undertaking research in the UK where there is external funding on paid by the University?	If the University of Reading is onward paying the funding, it is important to establish why the researcher is visiting. Amounts may need to be processed via payroll, which will mean the individual is taxed on the amounts.	Para 9
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