

INSIGHTS INTO THE UK'S R&D TAX TALENT LANDSCAPE

2024





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01.

INTRODUCTION

Welcome to the second edition of Leonid's UK R&D tax talent landscape guide. We've gathered together insights and key data which will help R&D tax consultancies in the UK to make more informed decisions about their hiring strategies.

The UK's R&D tax incentives programme is a key driving force in helping the UK to become a leading force in innovation. Research-intensive innovators rely on highly experienced R&D tax professionals to ensure they are set up to receive this crucial source of funding. That's where Leonid comes in. We work with leading R&D tax consultancies across the UK (and beyond) to help them build their expert teams: teams which are helping to keep the country's innovation agenda thriving.

In this guide, Leonid has gathered some of the most critical pieces of data to help R&D tax consultancies to identify the top regions, industries and personnel skill sets to focus on, when considering how to expand their teams in 2024.

Equally, R&D tax professionals who might be considering their next career move will gain a better understanding of how the talent market is shaping up.

As the UK's leading R&D tax recruiter, we are proud to be working with many of the UK's leading R&D tax consultancies and so we are well placed to understand the dynamics of this fascinating sector.



02.

UK R&D TAX — KEY DATA

R&D tax relief continues to be a vital source of funding for innovation in the UK.

To date, HMRC has received:



HMRC's R&D tax credit statistics for the financial year 2021 — 2022 were published in September 2023. This data always serves as a barometer for how innovation and economic growth are faring in the UK.

R&D tax claims rose steadily in the last tax year. This is a positive sign that the UK's appetite for investing in innovation remains strong.

The provisional estimated amount of total R&D tax relief support claimed for the tax year 2021 to 2022 was **£7.6 billion**, an **increase of 11%** from the previous year. This corresponds to £44.1 billion of R&D expenditure, 8% higher than the previous year.

The rise in claims is most likely reflective of a post-Covid boom in R&D activity. However, the future looks rather more uncertain. Changes to the R&D tax credit scheme which were introduced this year — including cuts to the amount business can claim, and increased scrutiny by HMRC — may negatively impact these numbers over time.





2.1 The impact of R&D tax fraud and increased scrutiny

While the upturn in R&D expenditure is undoubtedly positive for the economy, the future looks rather less certain. We already know that error and fraud has become increasingly problematic and the UK government has responded by making cuts to its R&D tax incentives scheme. At this stage, it remains uncertain how HMRC's measures to tackle the issues will impact next year's figures.

There is also still widespread concern that the cuts could result in deterring genuine innovation. This would end up being counter-productive to the UK's ambition of becoming a "science and technology superpower" by 2030. It is therefore vital that HMRC can strike a balance between stamping out fraud, without stifling the progress that R&D incentives are designed to fuel.

How these changes affect the R&D tax recruitment market

With the government cracking down hard on illegitimate claims, start-up businesses are increasingly likely to seek the advice of R&D tax professionals and to conduct thorough due diligence on their claims, before submitting them.

This caution is having a marked impact on the recruitment market within R&D tax. R&D consultancies have, over the past 12 months, become more selective in their hiring process.

They are increasingly looking for individuals with solid and specific R&D tax experience, which has made it slightly more difficult for those without a significant amount of experience in R&D to break into the sector.

R&D tax consultancies are typically seeking out candidates with proven experience working on HMRC fraud enquiries and ideally with experience working in compliance. We are also witnessing more insisting that candidates hold a recognised accounting or tax qualification, such as ACCA, ACA, CTA or ATT.

Hiring candidates who are highly qualified not only validates their skill set, it also helps to cement the hiring company's reputation, in turn reassuring their own clients about the legitimacy of individuals working on their R&D tax claims.

Such is the level of scrutiny on claims, that many of the larger R&D tax firms have now appointed a dedicated compliance team to work on HMRC enquiries and defend claims. Thus why experience of working in compliance is now a highly valued skill set.



The vicious circle of working on HMRC enquiries

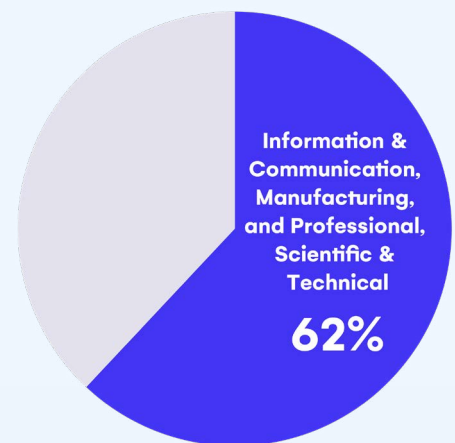
Job-seekers in R&D tax — quite understandably — are not generally keen to work for firms which have dealt with a high level of HMRC enquiries, since that signals that the consultancy is perhaps not being selective about who they work with.

Hiring companies, meanwhile, highly value candidates' experience of working on HMRC enquiries. Hence a “vicious circle”.

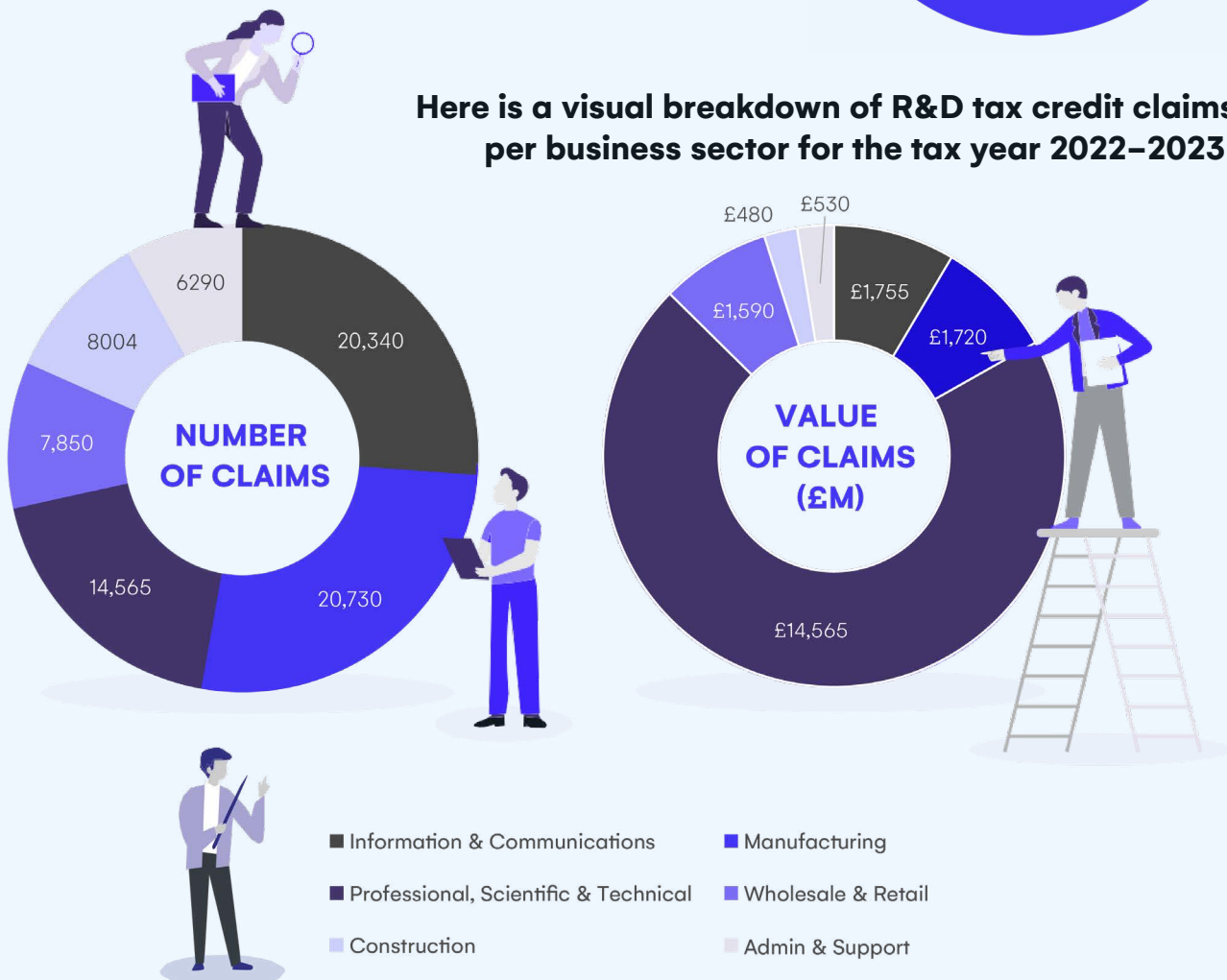
It therefore stands to reason that those rare candidates who do have this experience, combined with the qualifications and high work ethic, are highly sought after at this present time.

2.2 R&D tax activity by UK industry

In line with expectations, the Information & Communication, Manufacturing, and Professional, Scientific & Technical sectors continued to dominate R&D activity, making up a total of 62% of claims and 67% of the total amount claimed.



Here is a visual breakdown of R&D tax credit claims per business sector for the tax year 2022–2023:



THE INFORMATION AND COMMUNICATION SECTOR

In line with last year, the information and communication sector had the highest number of claims, according to the latest HMRC data. This is not surprising, considering information and technology communications are of central importance to societal and economic development in today's world. Moreover, the UK government has set out its ambition to become a technology “superpower” by 2030.

The top cities in the UK for Information and Communications Innovations include:

1. **Manchester**
2. **Birmingham**
3. **Glasgow**
4. **Reading**
5. **Edinburgh**

(Source: CBRE UK cities report 2022)

Global Context

Looking at the top global countries by VC investment on an annual and quarterly basis, the USA, China, and the UK historically attract the most VC investment, but smaller economies like Singapore, South Korea, and Switzerland are able to attract significant VC investments too.

Amount of Venture Capital Investment in tech companies by country



(Source: <https://dealroom.co/guides/global>)

This data shows that annual tech investment in the UK has doubled since 2020, when the total investment was \$14.9 bn.

THE MANUFACTURING SECTOR

The UK manufacturing industry also continues to submit high volumes of R&D Tax claims. The sector is one of the country's biggest economy drivers, employing around 2.5 million people and representing 15% of all UK business investment. Manufacturing also accounts for 51% of total exports from the UK and currently represents an impressive 64% of all UK business research and development.

The United Kingdom is the:

9th largest
manufacturing country in the world

Manufacturers are investing:

£31 billion
into the UK economy each year

(Source: <https://www.makeuk.org/insights/publications/uk-manufacturing-the-facts—2022>)

The following UK cities are the country's manufacturing 'hotspots', according to ONS:

- | | |
|----------------------|------------------------|
| 1. Burnley | 6. Blackburn |
| 2. Derby | 7. Barnsley |
| 3. Telford | 8. Huddersfield |
| 4. Sunderland | 9. Portsmouth |
| 5. Hull | 10. Mansfield |

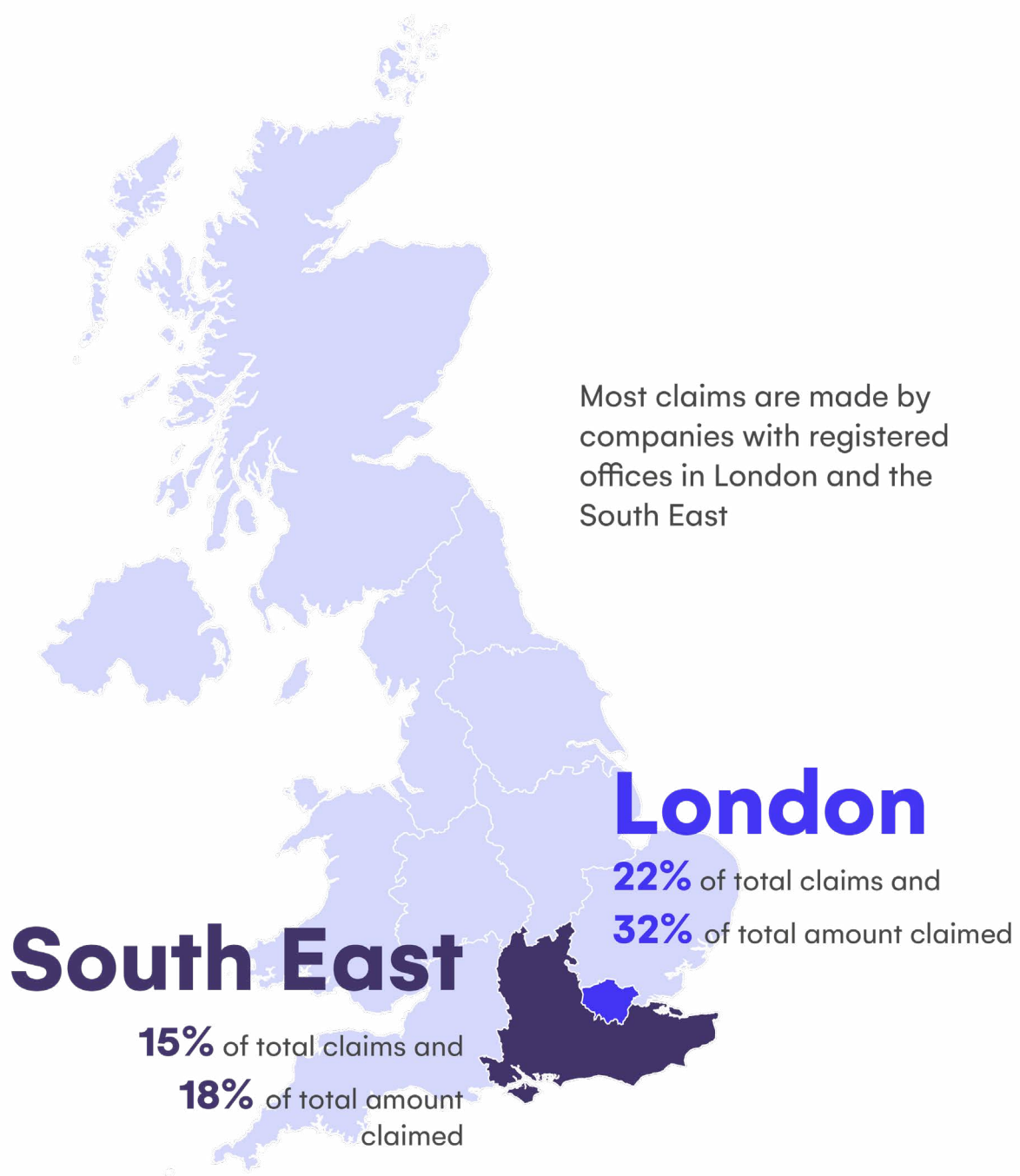
OTHER UK R&D INDUSTRY HOTSPOTS

With competition for business high in the information & communication and manufacturing sectors, it is worth considering targeting other, smaller industries; for example, construction and retail can be considered as strategic priorities in a saturated market.



2.3 Concentration of claims by location

Across all industry verticals, 37% of claims and 50% of the total amount claimed came from companies registered in London and the South East — although it is important to note that this is not necessarily indicative of where the R&D activity took place. The East of England the North West were the next two biggest regions for claim activity.





2.4 UK R&D consultancies by size and structure

The UK R&D consultancy market can broadly be divided into four categories:

- Big 4 Accountancy Firms
- Larger Independent Consultants
- Boutique Consultants (less than 30 headcount)
- Sole Traders

Additionally, there are some larger corporations which have an R&D tax credit team embedded into the organisation. We typically see this within the manufacturing and technology sectors, where demand is high and in-house expertise makes more financial sense.

BIG 4 and Large Accountancy firms

R&D tax teams in the Big Four are usually split into separate financial and technical consulting teams and can also be split by sector specialism. The consultants will tend to become increasingly specialised as they progress within the company. The Big Four and larger accountancy firms tend to handle bigger client accounts, so consultants have typically had greater exposure to RDEC schemes than the smaller independents, which focus more commonly on SMEs.

Why do people move on from a Big 4 firm?

Whilst it's a great achievement to have a major accountancy firm on your CV, candidates tend to ultimately move away from this environment for two main reasons. Firstly, they want to do '360' consulting, rather than niching down in one area. Secondly — and this is particularly prevalent in the very biggest firms — they're bound by the organisational structure and HR policies of the whole entity: this can result in slower career progression and lower compensation.



Independent Consultancies (> 30 headcount)

Similarly to the Big Four, teams tend to be split into financial and technical (although not in all cases). Well established, they typically have an international presence or holding company. They provide very good training for newcomers to the industry and offer a progressive career structure.

Why do people move on from independent consultancies?

Employees may typically look to leave independents due to changes in management and/or acquisitions, or — in most cases — to step up into a more senior role, in a smaller business.

Sole traders

There are several sole traders or firms with fewer than five employees who offer R&D tax consulting services either in isolation or in combination with other accounting services. These tend to be more lifestyle businesses without ambition to grow, and usually with working with freelancers to cover busier periods.

Boutique Consultancies (<30 headcount)

Most boutique consultancies will cover all industry sectors. Some, however, will specialise in specific industries such as construction or IT; often this is down to the founder's personal network.

Consultants usually work on a '360' basis; in other words, they undertake both the financial and technical side of the claims process. Boutiques will typically have a client portfolio of SMEs and therefore consultants gain good exposure to a wide range of industries and business types. Depending on the size of the company, its maturity and its ambitions, this type of working environment can offer professionals excellent career growth opportunities.

Why do people move on from boutique consultancies?

Smaller boutiques in their infancy often use 'agility' as a selling point for joining their firm, when in reality, this can mean an unstructured environment. This ultimately doesn't suit everybody. What's more, with a record number of UK R&D Tax boutiques incorporated in 2021, this market has become quite saturated and strong leadership is really paramount to enable firms to attract and retain the right people.

03.

RECRUITING R&D TAX CONSULTANTS

The increasing demand for R&D tax relief means there is a shortage of suitably qualified candidates in the UK right now. Leonid has identified which candidates are the scarcest, based on their background, experience, and location.

3.1 Industry/Academic background

There is — perhaps unsurprisingly — a direct correlation between the industries with the highest number of claimants, and the backgrounds of the most in-demand consultants.

The rarest profiles are:



IT/Software

The Information & Communication sector generates the most claims, and therefore the highest demand for technical specialists. They have high employability rates in sectors other than that of R&D tax, with salary expectations consistently exceeding the average. This has led to a significant premium on candidates who specialise in the IT/Communications sector.



Civil/Structural Engineering

There has been a recent and significant rise in the number of claims from the construction industry, versus previous years. As such, demand for consultants specialised in construction is also rising.



Accounting + tax qualifications: fully qualified CTA/ATT/ACA/ACCA

Whereas in previous years, many R&D tax consulting firms — particularly the smaller ones — did not require candidates to have specific qualifications (since they do not offer a service including the CT600 submission), we are noticing a trend towards employers seeking out official qualifications. We believe this is in response to the investigations which the industry has become subjected to and a consequential desire to uphold the highest standards in hiring practices.

There are a number of firms currently offering this training as part of a drive to up-skill their workforce. From a recruitment perspective, it's important to ascertain if a study debt will be outstanding, in the case of a move.



Association
of Taxation
Technicians



Chartered
Institute of
Taxation.



The two pathways most commonly followed to achieve these tax qualifications are: Association of Taxation Technicians (ATT): a specific Tax Technician qualification that gives you an overview of the fundamentals of tax in the UK; and the Chartered Institute of Taxations (CTA).

These are courses aimed at tax professionals and qualified accountants and are widely regarded across the industry as the ‘gold standard’ Chartered Tax Advisor qualifications. You can also find joint training programmes which incorporate both elements.

3.2 Seniority and candidate demand

The most sought after candidates for open roles are those with 1–3 years’ of experience. Depending on where they’re trained, candidates at this level can typically manage a claims process end-to-end, without necessarily coming with the higher price tag of someone who is already a senior manager.

Typically beyond 3 years, candidates will be in a ‘senior’ or team leadership position. 5+ years is the typical level to achieve a ‘manager’ title in the industry (although within IT/Software it can be significantly less). This is of course only an average; where candidates have had significant prior commercial experience, this progression may be expedited.



3.3 Location of R&D tax talent



The **'Golden Triangle'** (between Oxford, Cambridge, and London) is where the majority of R&D tax consultancy talent is located.

These regions offer competitive salary and benefits, which can pose a challenge to consultancies hiring outside these regions (in the North of England and Scotland, for example, where the cost of living is lower, salaries fall in line with this).

3.4 Remote vs Hybrid vs On-site Work

The COVID-19 pandemic created a huge cultural shift across all industry sectors. After prolonged periods of home-working, which proved the case that businesses can continue to operate successfully, a more agile workforce and has enabled firms to attract talent with fewer geographical boundaries.

This has stood to benefit consultancies in the Golden Triangle more, as they have gained access to cheaper talent elsewhere in the UK. We've seen a number of cases of more senior candidates relocating away from city centres, with a clear preference for a continuation of flexible working. The younger generation continue to gravitate towards cities; yet in spite of this, there is a definite drop in appetite take on roles which require five days per week in an office.

The vast majority of under 30s are stating a preference for a hybrid set-up.

We believe that within R&D tax, a hybrid model will increasingly become the norm.

One of the first questions which candidates ask us, is around flexible working. Many R&D tax firms (including our clients) have now adopted a more hybrid approach, and it appears to be working well. It enables employees to have face-to-face time with clients when it is requested, while supporting a better work-life balance.

However, with an increasing backlash of pushing for more to return to a full-time office environment (across all of financial services in particular), it will be interesting to see what the next 12 months bring.

3.5 Recruiting from outside the industry

With the recent crackdown on fraud in the R&D tax industry, firms have become more selective in their recruitment which has unfortunately meant fewer opportunities for people to break in to this sector from other areas.

However, there are still some skill shortages and larger firms in particular can be more open to recruiting from outside the R&D tax sphere.



3.6 Skills required – candidates from outside the industry

Candidates who choose to join the R&D tax industry come from a range of backgrounds, but often share similar skills and aptitudes. These include:

Communication skills

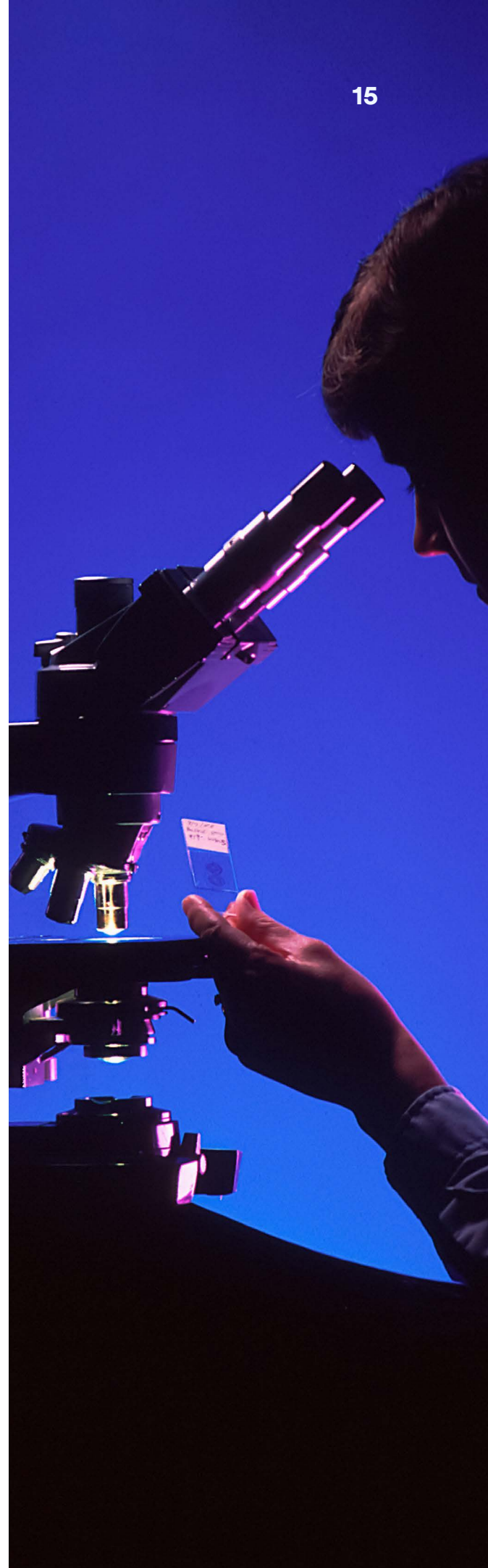
- Effective client and stakeholder management skills.
- Interviewing skills and the ability to extract information from subject matter experts.
- Market research

Technical skills

- Assessing the viability of a project based on a frame of reference.
- Report writing: Compiling complex technical information into a structured narrative; presenting the compliance with legislative guidelines to be eligible for the R&D incentive.

Personal skills

- Curiosity and willingness to learn
- Organisational ability
- Resilience
- Attention to detail
- Financial literacy
- Openness to learn new technical skills



3.7 Desirable backgrounds – candidates from outside the industry

In addition to the aforementioned skill sets, these are the typical profiles we encounter of candidates looking to break into the R&D tax industry

PhDs

Anyone who has taken their studies to PhD level shows that they are adept researchers who understand innovation and are willing to learn. They also have high-quality technical writing skills.

Technical Consultants

Technical consultancy is another excellent place to find potential R&D tax consultants. As a civil engineer, for instance, it can make sense to move to an engineering-focused tax consultancy. These candidates typically have strong transferable skills, including knowing how to manage and develop a technical project, in addition to knowing how to deal with clients. When they are excited by innovation, want to be less operational, have broad exposure and are more business-oriented, they make excellent candidates.

Technical Pre-sales

Pre-sales consultants usually have both a technical background and excellent interpersonal and sales skills. Moving into R&D tax consultancy presents them with more technical challenges and less direct sales pressure, whilst maintaining the client management and relationship building components of their role

Technical journalists / Technical writers

Technical journalists and technical writers come with the innate ability to extract information and summarise it clearly and concisely. This skill set translates really well into R&D tax, where often complex information has to be presented coherently and effectively.

(Non-R&D) Corporate Tax

It is possible to access talent from conventional corporate tax positions and move them into the R&D market. It is important to mention however that any R&D tax position is typically much more client facing and relationship led, so strong interpersonal skills are an absolute must.





04.

ATTRACTING THE BEST TALENT

How to recruit and differentiate yourself from competitors by increasing your value proposition.

4.1 Employer Brand

The importance of great marketing in R&D tax cannot be underestimated. It will set you apart from the competition, enhance your reputation and ensure that your messaging is fully compliant — in other words, never making any ‘false promises’ — something which the industry has recently come under fire for. (For more information, please read our article [‘Why R&D tax consultancies need to be aware of one common marketing mistake’](#))

What’s more, great marketing will ensure a strong employer brand, which will have a marked effect on a company’s ability to attract talent.

Here are a few steps which every R&D tax consultancy should take to build the foundations of a strong employer brand.

- **Tell a story.** This will usually be the story of how the firm was created, the motivations of the founder and their vision. People like working for businesses with purpose and heart.
- **Showcase your company values** on your website and other marketing materials, where appropriate.
- **Offer a solution** to a problem within the industry with a unique approach. A well thought-out strapline, mission statement and vision can really help articulate this.
- **Highlight your CSR activities.** We know from our conversations with candidates that working with a socially and environmentally responsible business is a high priority for many in today’s world of work.
- **Be clear about your own innovation.** Many R&D tax consultants chose this industry because they are excited by innovation. So it stands to reason that they would like an employer who thinks outside the box, challenges the status quo and offers opportunities for employee input in the direction of the business.
- **Be selective** about who you partner or associate with — and yes, this includes choosing a high quality recruitment partner! At Leonid, we act as a brand ambassador for our clients, always ensuring we represent their unique selling points accurately and with confidence, when speaking with candidates.

4.2 Team, work environment and employee development

How to ensure you attract and retain the best people for your team

- **Team structure**

A clear definition of team structure allows prospective candidates to clearly visualise themselves within it. Key factors include how the company is divided; how work is split, and reporting lines. Some candidates may enjoy specific elements of a R&D tax consultant role (e.g., BD, account management, technical reports, financial computation, project management).

A clearly defined team structure allows you to clearly convey the roles and responsibilities to a prospective employee — and a clearer understanding from the outset mitigates the risk of misunderstandings and potential attrition.

- **Supporting qualifications + training**

Companies which offer extensive training and opportunities for personal development are more likely to retain their employees in the long term. Candidates almost always ask about what a company can offer in terms of training and career development, so having clear messaging around this will put you at an advantage from the outset.

- **Remote and flexible working**

As outlined earlier in this report, many highly sought-after candidates are looking for flexibility as their number 1 priority. While many understand the need for face-to-face contact — and indeed, many report enjoying this aspect of the work — the post-pandemic world has seen a clear shift towards hybrid working which enables professionals to have “the best of both worlds”.

The majority of assignments we work on are now for hybrid roles — typically with two or three days per week in the office — but there is still a high degree of variation in terms of what firms offer. Crucially, employers have become more flexible in their approach to providing the right balance which works for their candidate of choice.

It's important to remember the benefits of this shift in the workplace: businesses can now reach out to a much wider geography than they previously could, enabling them access to more candidates than ever before.

Replacing lost staff members is a costly business and putting in place the right strategy to retain people is an important element of employer branding which must never be overlooked.

At Leonid, we can help consult on your retention strategy, as part of our service.



05.

SALARY SURVEY

Without being able to label clients nor give exact ranges, we can provide figures of generalist levels within Big 4, wider ‘Top 10’, and mid-large sized independent firms which give a good indication of the market.

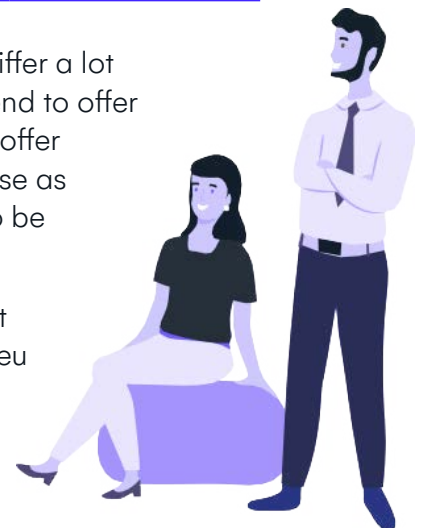
They are consistent, albeit some of the companies at the upper end of the Top 10 tend to offer salaries a little lower.

We have also provided a brief description of the general candidate profile for each role. The rarest profiles also tend to be paid above market value, as do the candidates who work for London based companies.

Position	Candidate Description	Salary Range
Analyst	No experience in industry, relevant degree	£20 – £40k
Consultant	Up to 2 years of experience in industry, PhD with no experience in industry	£40 – £55k
Senior Consultant/ Assistant Manager	2+ years of experience in industry	£55 – £70k
Manager	4+ years of experience in industry	£70 – £90k
Director	6+ years of experience industry	£90k +

The above refers to base salary only, not including bonuses, which differ a lot from one company to the next. The smaller and independent firms tend to offer generous bonuses on ‘billed business’, whilst the larger firms tend to offer a fixed percentage of annual salary. This percentage tends to increase as candidates become more senior, but broadly speaking those tend to be between 5 – 20% of annual base depending on seniority.

Typically benefits (i.e. pension, healthcare, learning and development budget/support) will be better in the larger companies, although in lieu of the bigger cash bonus.



06.

THE LEONID OFFERING

We are the UK's leading specialist R&D tax recruiter

Leonid Group is globally recognised as the leading recruiter specialising in innovation incentives (R&D tax and grant funding).

We partner with our clients to share knowledge and advice on the candidate market to aid decision making processes. We anticipate changes, analysing difficulties that can arise during the recruitment process, offering guidance and support to ensure structured, timely growth.

With a strong reputation among the candidate market, most of the candidates we place are as a result of referrals. This, combined with our own marketing efforts, ensure we are always working with the best available candidates at any given time.

Global Reach

The Leonid team is spread across our offices in London, Barcelona and Paris, with further growth planned over the next 3-4 years. Our R&D Incentives team cover the European and US markets, and collectively, Leonid's consultants speak 10 languages, which enables us to connect with people across the globe.

If you are an international company (or indeed considering expansion), Leonid has the capability to partner and support across multiple markets with a consistently high quality of service.

To find out more about our services, please visit www.leonid-group.com





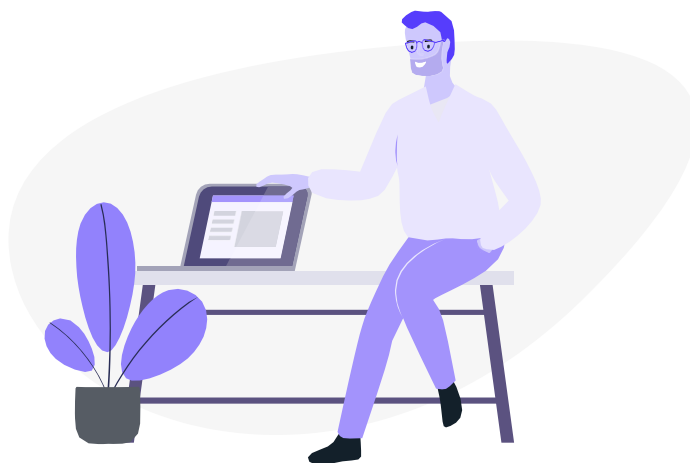
07.

CONCLUSION

As we've seen in this paper, the UK's R&D tax incentives programme is a key driving force in the UK economy and is essential in aiding the country to attract and secure the latest global talent and economic activity.

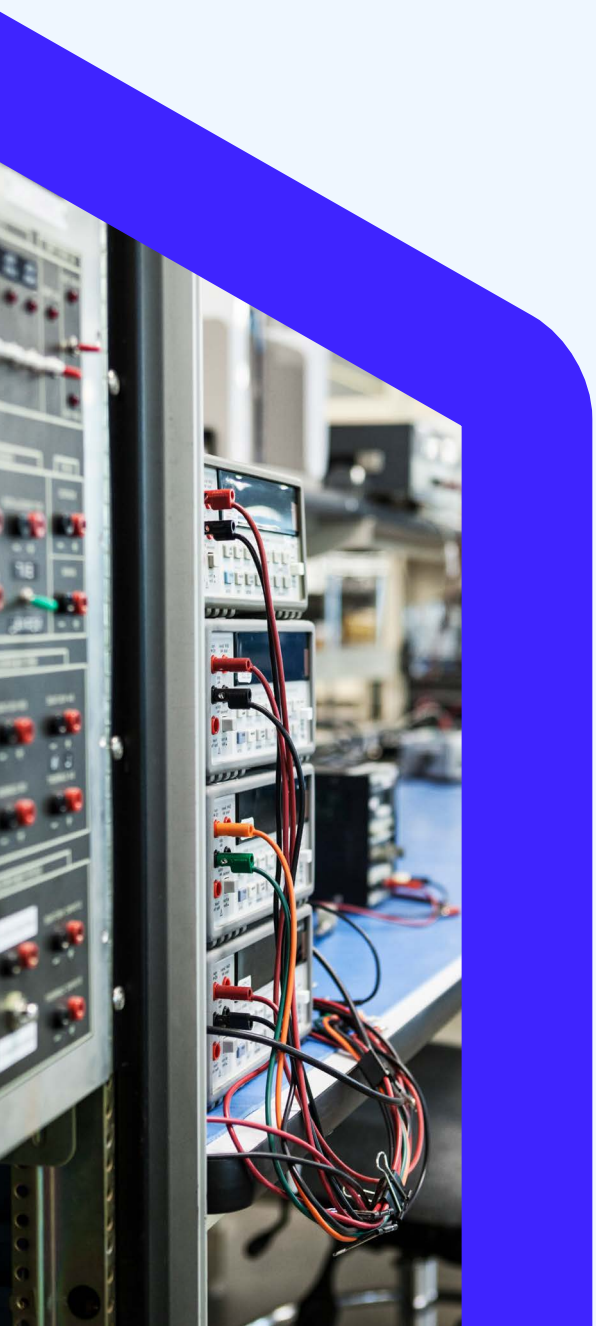
As an R&D consultancy, there is a huge amount of opportunity to expand and capitalise on the latest R&D initiatives, yet the key is to knowing which industries to tap into and which locations in the UK are a hotspot for such activity. Of course, this can be a challenge in an ever-changing climate. In addition, being able to source the right talent for your consultancy can be challenging when there is a shortage of such specialists available within this niche market.

We hope this paper has helped to answer some of these questions and aided in providing the necessary information for your consultancy to be able to plan for future growth more effectively. As a talent acquisition organisation, Leonid Group aims to go much further than just 'recruiting'. We become a partner to your business for the long term, helping you to strategically expand as and when the time is right.





leonid



Ready to get in touch with us?

You can reach out via the following methods:

T +44 20 3958 7484

E info@leonid-group.com

W www.leonid-group.com

LONDON

Tintagel House, 92 Albert Embankment, London
SE1 7TY

BARCELONA

Wojo - Poblenou, Carrer de Sancho de Ávila
65, Barcelona, 08018

PARIS

Wojo Paris, Rue de Calais, 75009 Paris