

R&D Tax Credits - Is your business missing out?



A recent survey has found that only 6% of SME clients are claiming R&D tax credits. However many more SME's are actually carrying out R&D activities.

The low uptake is due to a lack of awareness on a number of fronts:

- How much the credit is worth to the business?
- Whether the R&D activities are eligible?
- How to substantiate a claim?

How much is the credit worth to your business?

Put very simply, €25 for every €100 spent on R&D activity, subject to certain conditions. The eligible expenses include direct R&D costs (wages, materials etc.) and an allocation of overhead. The credit can be used to reduce corporation tax liabilities and from 2009 onwards, a cash refund can be claimed over 3 years, subject to certain conditions.

Is your business eligible?

R&D is not just carried on in a laboratory setting – some or all research and development is carried out in a production or manufacturing environment.

If you are involved in any of the following activities you may be carrying out “shop floor” R&D and could be eligible for the credit:

- Developing a new product or process
- Improving an existing product or process
- Evaluating new techniques to improve productivity
- Assessing manufacturing modifications
- Researching raw material substitution
- Considering alternative options to meet specific product cost targets
- Researching increased performance requirements for existing products
- Developing alternative product packaging
- Equipment design changes
- Product line extension
- Activities in respect of which you have received an Enterprise Ireland RTI Grant
- Activities that are patentable

The tax definition of R&D is quite complex but in all cases the key consideration in determining whether a project qualifies as R&D is the fulfilment of two criteria:

- Technological advancement
- Resolution of technological uncertainty

The scientific or technological uncertainty in shop floor R&D arises when the intended scientific or technological advance or the method for arriving at it, is not apparent to qualified staff (such as chemists, technologists or operators) who are knowledgeable in the specific field of science and/or technology.

How to make a claim?



The credit is claimed on a tax return, under normal self assessment rules. Certain documentation must be retained on file to substantiate a claim, including evidence of:

- The scientific or technological advancement sought
- The scientific or technological uncertainty involved
- The systematic and experimental manner in which the activities were carried on.



How can RBK help?

If your company is carrying on any of the above activities or you are interested in discussing whether proposed activities could qualify, we will conduct an initial assessment on a no fee basis.

If you wish to submit a claim we will help you to maximise the amount of the claim (by claiming all eligible costs and related overhead) and prepare the documentation.

RBK experience in R&D credit claims

We have submitted R&D credit claims for a significant number of clients since the credit was introduced in 2004 and have had 100% success in securing credits on R&D projects for a large number of clients in a diverse range of sectors including the following:

- Manufacturing
- Software
- Engineering
- Medical devices
- Food science

Contacts

If you have any queries about how your business could benefit from the above please e-mail Jackie Masterson jmasterson@rbk.ie or Fiona Murphy fmurphy@rbk.ie